

***ALBANY LEADERSHIP CHARTER HIGH SCHOOL
FOR GIRLS***

***FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION***

JUNE 30, 2012



ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Albany Leadership Charter High School for Girls
Albany, New York


We have audited the accompanying statement of financial position of Albany Leadership Charter High School for Girls as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Albany Leadership Charter High School for Girls' 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 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 Albany Leadership Charter High School for Girls as of June 30, 2012, and the changes in its net assets and 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 October 23, 2012 on our consideration of Albany Leadership Charter High School for Girls' 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 23, 2012

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 102,938
Grants and Contracts Receivable	186,140
Accounts Receivable	16,216
Prepaid Expense	<u>8,964</u>

Total Current Assets 314,258

Property, Building and Equipment - Net 454,547

Total Assets \$ 768,805

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 154,603
Accrued Payroll and Benefits	<u>264,058</u>

Total Current Liabilities 418,661

Net Assets

Unrestricted 350,144

Total Liabilities and Net Assets \$ 768,805

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Revenue

Public School District

Resident Student Enrollment \$ 3,179,666

Students with Disabilities 42,125

Grants and Contracts

Federal 90,923

Food Service/Children Nutrition Program 132,180

Total Revenue 3,444,894

Operating Expenses

Program Services

Regular Education 2,542,070

Special Education 71,548

Other Programs 303,589

Total Program Services 2,917,207

Management and General 992,299

Total Operating Expenses 3,909,506

Deficit from School Operations (464,612)

Other Revenue

Contributions 1,000

In-Kind Contribution 358,690

Miscellaneous Income 36,988

Total Other Revenue 396,678

Decrease in Net Assets (67,934)

Net Assets, Beginning of Year 418,078

Net Assets, End of Year \$ 350,144

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows Provided by Operating Activities:

Decrease in Net Assets \$ (67,934)

Adjustments to Reconcile Decrease in Net Assets
to Net Cash Provided by Operating Activities:

Depreciation 97,665

Changes in Operating Assets and Liabilities

Decrease in Assets

Grants and Contracts Receivable 278,633

Accounts Receivable 2,135

Prepaid Expense 5,025

Increase (Decrease) in Liabilities

Accounts Payable and Accrued Expenses (273,826)

Accrued Payroll and Benefits 118,338

Deferred Revenue (28,035)

Net Cash Provided by Operating Activities 132,001

Cash Flows Used in Investing Activities

Purchase of Property and Equipment (74,845)

Net Increase in Cash and Cash Equivalents 57,156

Cash and Cash Equivalents, Beginning of Period 45,782

Cash and Cash Equivalents, End of Period \$ 102,938

Non-Cash Investing and Financing Transactions:

In-Kind Contribution for Rent Expense

1. ORGANIZATION AND PURPOSE

Organization

The mission of Albany Leadership Charter High School for Girls (“the School”) is to prepare young women to graduate from high school with the academic and leadership skills necessary to succeed in college and the career of their choosing.

During the 2011-2012 school year, the School had an annualized full-time enrollment of approximately 150 students in grades 9 and 10.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School works closely with the Brighter Choice Foundation, which provides start-up grants, school facilities, revolving loan funds and technical assistance to area charter schools.

The School is exempt from federal and state income tax under §501(c)(3) of the Internal Revenue Code and comparable New York State Law. The School is designated as a publicly supported organization which is not a private foundation under §509(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with reference to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with FASB ASC “Financial Statements of Not-for-Profit Organizations” utilizing the accrual basis of accounting. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Support and Revenue

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted when a portion of their value is assigned to a long-term future use, long-term meaning in excess of one year for the purpose of these statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services and Goods

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and it does not meet the reporting requirements of the accounting standards.

Grants, Contracts and Accounts Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. For the year ended June 30, 2012 management determined no allowance was necessary based upon their review of the specific receivables.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$1,000 are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation is removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

Conditional and Unconditional Promises to Give

For the year ended June 30, 2012 the School had not received any conditional or unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates include depreciation and amortization periods of long-lived assets.

Fair Value

For assets and liabilities measured at fair value on a recurring basis, the Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The School has no assets or liabilities measured at fair value on a recurring basis.

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The School has not recognized any benefits from uncertain tax positions in 2011 and believes it has not uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date. Generally, federal, state and local authorities may examine the School's tax-exempt returns for three years from the date of filings; consequently, all income tax returns are still subject to examination by tax authorities.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through October 23, 2012, the date the financial statements were available to be issued. No such events or transactions were identified.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of balance sheet classification and the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity date of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the year ended June 30, 2012 were \$10,826.

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

For the year ended June 30, 2012, grants, contracts and accounts receivable were comprised of the following:

School District Tuition	\$ 136,265
U.S. Department of Agriculture	8,675
U.S. Department of Education	41,200
Other Receivables	16,216
	<u>\$ 202,356</u>

4. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2012.

Equipment	\$ 170,180
Furniture/Fixtures	163,163
Leasehold Improvements	<u>271,799</u>
Total at Cost	605,142
Less: Accumulated Depreciation	<u>(150,595)</u>
	<u>\$ 454,547</u>

Depreciation expense was \$97,665 for the year ended June 30, 2012.

5. FACILITIES RENTAL

The School currently leases facilities from the Brighter Choice Foundation through June 30, 2012. Net occupancy costs of the lease for the year ended June 30, 2012 was approximately \$712,600 after factoring in rent assistance from the Foundation in the amount of approximately \$397,000, which has been recorded as in-kind revenue and rental expense in the Statement of Activities. The School and the Foundation have agreed to renegotiate the lease as of July 1, 2012 at terms similar to the expired lease.

6. RETIREMENT PLAN

The School has adopted a retirement plan under IRC §401(k) covering all eligible employees. The School contributes a matching contribution to each eligible employee's plan at the rate of 2% of the employee's gross compensation for the calendar year. The School's retirement plan expense for the year ended June 30, 2012 was \$2,731.

7. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 88% of total revenue and support for the year ended June 30, 2012. No other funding sources accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. FASB ASC 850-10 identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is further managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various services. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

OTHER FINANCIAL INFORMATION

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Services				Supporting Services	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 204,609	\$ -	\$ -	\$ 204,609	\$ 481,169	\$ 685,778
Instructional Personnel	1,073,630	33,160	-	1,106,790	-	1,106,790
Non-Instructional Personnel	<u>20,966</u>	<u>-</u>	<u>-</u>	<u>20,966</u>	<u>36,457</u>	<u>57,423</u>
Total Salaries	1,299,205	33,160	-	1,332,365	517,626	1,849,991
Fringe Benefits and Payroll Taxes	243,219	7,512	-	250,731	117,263	367,994
Retirement	1,805	56	-	1,861	870	2,731
Legal Service	4,865	150	-	5,015	2,346	7,361
Accounting and Audit Services	15,696	485	-	16,181	7,568	23,749
Other Purchased, Professional and Consulting Services	54,103	1,671	-	55,774	26,084	81,858
Building and Land Lease	470,981	14,547	43,856	529,384	183,216	712,600
Repairs and Maintenance	104,752	3,235	10,740	118,727	39,764	158,491
Insurance	24,349	752	2,496	27,597	9,243	36,840
Utilities	41,117	1,270	4,215	46,602	15,608	62,210
Supplies and Materials	141,462	4,369	-	145,831	22,116	167,947
Equipment and Furnishings	14,314	442	-	14,756	6,901	21,657
Staff Development	13,388	414	-	13,802	-	13,802
Marketing and Recruitment	7,155	221	-	7,376	3,450	10,826
Technology	28	1	-	29	14	43
Food Service	-	-	140,248	140,248	-	140,248
Student Services	18,710	578	100,359	119,647	-	119,647
Office Expense	16,339	505	1,675	18,519	6,202	24,721
Depreciation and Other	<u>70,582</u>	<u>2,180</u>	<u>-</u>	<u>72,762</u>	<u>34,028</u>	<u>106,790</u>
Total Expenses	<u>\$ 2,542,070</u>	<u>\$ 71,548</u>	<u>\$ 303,589</u>	<u>\$ 2,917,207</u>	<u>\$ 992,299</u>	<u>\$ 3,909,506</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Albany Leadership Charter High School for Girls

We have audited the financial statements of Albany Leadership Charter High School for Girls (a nonprofit organization) as of and for the as of June 30, 2012, and have issued our report thereon dated October 23, 2012. 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.

Internal Control Over Financial Reporting

Management of Albany Leadership Charter High School for Girls is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Albany Leadership Charter High School for Girls's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany Leadership Charter High School for Girls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 23, 2012.

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 23, 2012