

International Leadership Charter School

Financial Statements

June 30, 2010 and 2009

International Leadership Charter School

Financial Statements

June 30, 2010 and 2009

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O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees International Leadership Charter School

We have audited the accompanying statements of financial position of International Leadership Charter School (the "Charter School") as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of International Leadership Charter 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 International Leadership Charter School as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years 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 6, 2010 on our consideration of International Leadership Charter 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 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 audits.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
October 6, 2010

International Leadership Charter School

Statements of Financial Position

June 30,

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 75,723	\$ 67,660
Accounts receivable	3,381	2,481
Prepaid expenses	2,188	3,966
Security deposits and other assets	142,737	143,862
Property and equipment, net	<u>453,043</u>	<u>737,984</u>
	<u>\$ 677,072</u>	<u>\$ 955,953</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued expenses	\$ 226,322	\$ 524,675
Due to SUNY-CSI	-	100,000
Due to related party	<u>-</u>	<u>32,600</u>
Total Liabilities	226,322	657,275
Net Assets - Unrestricted	<u>450,750</u>	<u>298,678</u>
	<u>\$ 677,072</u>	<u>\$ 955,953</u>

See notes to financial statements

International Leadership Charter School

Statements of Activities

Years Ended June 30,

	<u>2010</u>	<u>2009</u>
REVENUE AND SUPPORT		
Public School District -		
State and local per pupil operating revenue	\$ 4,212,629	\$ 2,933,956
Government grants and contracts	302,408	702,474
Contributions	100	550
Donated services	2,500	59,400
Other income	<u>19,215</u>	<u>3,784</u>
Total Revenue and Support	<u>4,536,852</u>	<u>3,700,164</u>
EXPENSES		
Education services	3,348,706	2,341,104
Management and general	<u>1,036,074</u>	<u>976,313</u>
Total Expenses	<u>4,384,780</u>	<u>3,317,417</u>
Change in Net Assets	152,072	382,747
UNRESTRICTED NET ASSETS (DEFICIT)		
Beginning of year	<u>298,678</u>	<u>(84,069)</u>
End of year	<u><u>\$ 450,750</u></u>	<u><u>\$ 298,678</u></u>

See notes to financial statements

International Leadership Charter School

Statements of Cash Flows

Years Ended June 30,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 152,072	\$ 382,747
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	368,822	204,589
Changes in operating assets and liabilities		
Accounts receivable	(900)	(2,481)
Prepaid expenses	1,778	(3,966)
Security deposits and other assets	1,125	4,988
Accounts payable and accrued expenses	(298,353)	126,658
Due to related party	(32,600)	(8,400)
Due to SUNY-CSI	<u>(100,000)</u>	<u>100,000</u>
Net Cash from Operating Activities	91,944	804,135
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(83,881)</u>	<u>(754,863)</u>
Net Change in Cash and Cash Equivalents	8,063	49,272
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>67,660</u>	<u>18,388</u>
End of Year	<u><u>\$ 75,723</u></u>	<u><u>\$ 67,660</u></u>

See notes to financial statements

International Leadership Charter School

Notes to Financial Statements

1. Organization and Tax Status

The International Leadership Charter School (the “Charter School”) is an educational corporation that operates in the borough of the Bronx, New York City. On January 10, 2006, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

The fiscal year ended June 30, 2010 is the fourth year of operation for the Charter School. During the fiscal year, the Charter School operated classes for students in the 9th, 10th, 11th and 12th grades.

The Charter School’s mission is to provide a rigorous curriculum, and a disciplined environment and supportive community where students are academically and socially prepared to excel in demanding college and university settings.

The Charter School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Contributions and Unconditional Promises to Give

The Charter School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Charter School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue Recognition

Revenue from the state and local governments resulting from the Charter School’s charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts is recognized by the Charter School when qualifying expenditures are incurred.

International Leadership Charter School

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

The Charter School follows Financial Accounting Standards Board (FASB) guidance on Accounting for Contributions Received and Contributions Made. Accordingly, contributed services are recognized as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, (b) would typically need to be purchased by the Charter School if they had not been provided by contribution or (c) require specialized skills and are provided by individuals with those skills. The Charter School received donated consultancy services that have been recognized at their fair value of \$2,500 for the period ended June 30, 2010.

A number of volunteers have made a contribution of their time to the Charter School to develop its programs and to serve on the Charter School's board of trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Accounting For Uncertainty in Income Taxes

Management has determined that the Charter School has no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2007.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Charter School considers all highly liquid investments, with a maturity of three months or less at the time of purchase to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

International Leadership Charter School

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$1,000 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

Functional Expenses

Expenses are classified according to the functional categories for which they are incurred, as follows:

Education services – represents expenses directly associated with general education and special educational for certain students requiring additional attention and guidance.

Management and general – represents expenses related to the overall administration and operation of the Charter School that are not associated with any education services or fundraising.

Fundraising – represents expenses related to efforts to raise additional funds for the Charter School not earned by their pupil revenue and grants from federal, state and local government.

The prior year Schedule of Functional expenses has been modified to appropriately reflect the current comparative statement.

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 6, 2010 and has accounted for or disclosed such events, as appropriate, in these financial statements.

3. Concentration of Credit Risk

The Charter School maintains its cash and cash equivalents in bank deposit accounts which, at times may exceed federally insured limits. The Charter School has not experienced any losses in these accounts.

International Leadership Charter School

Notes to Financial Statements

4. Related Party Transaction

Friends of International Leadership Charter School (the “Friends”) is a not-for-profit organization dedicated to specifically support the operations of the Charter School. An officer of the Charter School is also a Board member of Friends.

The remaining balance of the loan amount owed to the Friends of \$32,600 was fully paid as of June 30, 2010.

5. Property and Equipment, Net

Property and equipment consist of the following at June 30:

	2010	2009
Computers and other equipment	\$ 182,977	\$ 123,088
Furniture and fixtures	57,642	57,642
Leasehold improvements	836,030	812,038
	1,076,649	992,768
Less: Accumulated depreciation and amortization	623,606	254,784
	<u>\$ 453,043</u>	<u>\$ 737,984</u>

Leasehold improvements include a build-out of a science laboratory to support instruction in biology, chemistry and physics. These subjects are critical to students completing their graduation requirements and receiving a Regents–endorsed diploma in accordance with the Charter approved by the New York State Education Department. The improvements also include the build-out of six additional classrooms, which are necessary to build the required capacity for teaching the required courses for the 11th and 12th grades under the requirements of the New York State Regents. Further, an additional class space provided the capacity to accommodate the enrollment requirements for and compliance with the Charter School’s goals for expansion at year three.

The improvements were partially funded with \$350,000 of State Stimulus Fund grants from the State University of New York Charter School Institute.

Depreciation expense for the years ended June 30, 2010 and 2009 were \$368,822 and \$204,589 respectively.

International Leadership Charter School

Notes to Financial Statements

6. Commitments

The Charter School entered into a five-year noncancelable operating lease agreement with an unrelated third party for a facility in the Bronx, New York for its administrative offices and instructional location. The lease will expire on August 15, 2011 and the Charter School has an option to extend the agreement for another five-year period.

Future minimum lease payments under the lease payable in the fiscal years ending June 30 are as follows:

2011	\$ 570,945
2012	<u>71,368</u>
	<u>\$ 642,313</u>

7. Contingences

The Charter School is currently a defendant of an employment related lawsuit. The Charter School has filed a motion for partial dismissal of the complaint and has vigorously pursued the defense with respect to all remaining claims.

Certain grants and contracts are subject to audit by funding sources. Such audits may result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have material effect on the accompanying financial statements.

8. Employee Benefit Plan

The Charter School maintains a deferred compensation plan for all qualified employees. The Charter School elects to make contributions to the plan on a discretionary basis. For the year ended June 30, 2010, the Charter School had not contributed to the plan.

**International Leadership Charter School
Additional Information**



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

**To the Board of Trustees
International Leadership Charter School**

Our report on our audits of the basic financial statements of International Leadership Charter School for 2010 and 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 for the fiscal year ended June 30, 2010, with comparative totals for 2009, 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

White Plains, New York
October 6, 2010

International Leadership Charter School

Schedule of Functional Expenses

Year Ended June 30, 2010
(With summarized totals for the year ended June 30, 2009)

	Education Services	Management and General	Totals	
			2010	2009
Salaries	\$ 1,098,653	\$ 311,059	\$ 1,409,712	\$ 1,034,269
Payroll taxes and benefits	660,103	186,893	846,996	616,672
Curricula and books	59,894	-	59,894	68,906
Instructional supplies and equipment	52,992	-	52,992	78,203
Student meals	130,777	-	130,777	83,835
Contractual services	14,268	4,040	18,308	25,991
Professional services	90,148	25,521	115,669	119,181
Marketing and recruiting	-	15,900	15,900	23,974
Office supplies	-	47,768	47,768	13,120
Postage, printing and subscriptions	35,102	9,939	45,041	14,308
Rent	448,083	126,865	574,948	570,948
Utilities	111,989	31,698	143,687	111,616
Security	99,964	28,300	128,264	87,097
Facility maintenance and equipment	101,372	28,706	130,078	92,078
Insurance	34,269	9,702	43,971	35,388
Travel	16,894	4,783	21,677	5,309
Professional development	-	93,297	93,297	73,563
Local taxes	26,280	7,441	33,721	33,133
Depreciation	287,445	81,378	368,822	204,589
Other expenses	80,473	22,785	103,258	25,237
Totals	\$ 3,348,706	\$ 1,036,074	\$ 4,384,780	\$ 3,317,417

See independent auditors' report



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**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
International Leadership Charter School**

We have audited the financial statements of International Leadership Charter School (the "Charter School") as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 6, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Charter School'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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charter 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 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.

Board of Trustees
International Leadership Charter School
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's 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 other matters that we reported to the management of International Leadership Charter School in a separate letter dated October 6, 2010.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, the Department of Education of the City of New York, the State Education Department of the University of the State of New York and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

D'Annunzio Davieo Murino & Dobbins, LLP

White Plains, New York
October 6, 2010