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JOHN V. LINDSAY WILDCAT CHARTER SCHOOL

**Audited Financial Statements In Accordance
With Government Auditing Standards**

June 30, 2013

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
John V. Lindsay Wildcat Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of John V. Lindsay Wildcat Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

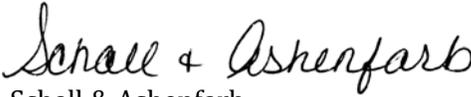
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John V. Lindsay Wildcat Charter School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


Schall & Ashenfarb
Certified Public Accountants, LLC

October 7, 2013

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013
(With comparative totals for June 30, 2012)

Assets

	6/30/13	6/30/12
Current assets:		
Cash and cash equivalents (Notes 2b and 2c)	\$1,963,288	\$1,947,274
Restricted cash	70,142	70,107
Investments (Notes 2d and 3)	1,857,872	1,799,862
Grant receivable - New York City (Note 10)	62,728	0
Grants receivable (Note 2e)	139,250	139,981
Other receivables	99,923	47,192
Other assets (Note 4)	726,896	795,037
Total current assets	4,920,099	4,799,453
Non-current assets:		
Fixed assets (Notes 2f and 5):		
Leasehold improvements and equipment	474,687	219,174
Total non-current assets	474,687	219,174
Total assets	\$5,394,786	\$5,018,627

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$189,846	\$127,341
Accrued expenses	1,177,189	1,111,517
Deferred rent	1,030,226	920,233
Government grant advances (Notes 2e and 10)	0	78,474
Total liabilities	2,397,261	2,237,565
Net assets: (Note 2a)		
Unrestricted	2,964,415	2,758,362
Temporarily restricted (Note 6)	33,110	22,700
Total net assets	2,997,525	2,781,062
Total liabilities and net assets	\$5,394,786	\$5,018,627

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/13</u>	<u>Total 6/30/12</u>
Public support and revenue:				
Public school district (Notes 2g and 10):				
Revenue - resident student enrollment	\$6,248,554		\$6,248,554	\$6,497,882
Revenue - students with disabilities	1,126,120		1,126,120	1,284,890
Subtotal public school district	<u>7,374,674</u>	0	<u>7,374,674</u>	<u>7,782,772</u>
Government grants	1,215,714		1,215,714	1,010,431
Private grants	24,816	\$60,000	84,816	18,270
In-kind contributions (Note 2i)	5,450		5,450	6,450
Investment income (Note 3)	75,014		75,014	46,935
Other	12,042		12,042	21,420
Released from restriction	49,590	(49,590)	0	0
Total support and revenue	<u>8,757,300</u>	<u>10,410</u>	<u>8,767,710</u>	<u>8,886,278</u>
Expenses:				
Program services:				
Regular education	4,460,098		4,460,098	4,585,775
Special education	1,829,286		1,829,286	1,878,214
Other program	857,025		857,025	867,679
Total program services	<u>7,146,409</u>	0	<u>7,146,409</u>	<u>7,331,668</u>
Supporting services:				
Management and general	1,392,735		1,392,735	1,260,874
Fundraising	12,103		12,103	13,953
Total supporting services	<u>1,404,838</u>		<u>1,404,838</u>	<u>1,274,827</u>
Total expenses	<u>8,551,247</u>	0	<u>8,551,247</u>	<u>8,606,495</u>
Change in net assets	206,053	10,410	216,463	279,783
Net assets - beginning	<u>2,758,362</u>	<u>22,700</u>	<u>2,781,062</u>	<u>2,501,279</u>
Net assets - ending	<u><u>\$2,964,415</u></u>	<u><u>\$33,110</u></u>	<u><u>\$2,997,525</u></u>	<u><u>\$2,781,062</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	Program Services			Supporting Services		Total Expenses 6/30/13	Total Expenses 6/30/12	
	Regular Education	Special Education	Other Program	Total	Management and General			Fundraising
Salaries	\$2,161,041	\$954,844	\$330,593	\$3,446,478	\$840,677	\$4,287,155	\$4,216,141	
Employee benefits and payroll taxes	765,582	357,541	68,627	1,191,750	285,563	1,477,313	1,431,351	
Total personnel services	2,926,623	1,312,385	399,220	4,638,228	1,126,240	5,764,468	5,647,492	
Bank charges				0	16,463	16,463	16,989	
Consultants and professional	63,945	24,087	222,804	310,836	43,443	354,279	439,770	
Copying	10,212	3,497		13,709	1,225	14,934	17,411	
Educational supplies	70,524	21,568	24,115	116,207		116,207	85,959	
Equipment leasing			15,280	15,280	7,604	22,884	1,637	
Equipment rental	18,347	6,283		24,630	2,200	26,830	37,485	
Insurance	36,248	12,414		48,662	4,347	53,009	50,379	
Maintenance	23,126	7,920		31,046	2,774	33,820	31,733	
Miscellaneous	10,536		3,120	13,656	7,802	21,458	21,248	
Office supplies, postage and printing			673	673	28,061	28,734	8,894	
Rent	1,041,051	356,558		1,397,609	124,842	1,522,451	1,756,179	
Staff development	5,536	1,846		7,382	495	7,877	5,274	
Student incentives and internships	111,101	33,977	42,410	187,488		187,488	210,768	
Telephone	12,866	4,407	68,052	85,325	1,543	86,868	36,699	
Travel	509		133	642	10,166	10,808	11,950	
Utilities	89,718	30,727		120,445	10,762	131,207	98,308	
Water	4,394	1,504		5,898	527	6,425	6,755	
Event expense (including in-kind services - Note 2i)				0		12,103	13,953	
Depreciation and amortization	35,362	12,113	81,218	128,693	4,241	132,934	107,612	
Total expenses	\$4,460,098	\$1,829,286	\$857,025	\$7,146,409	\$1,392,735	\$12,103	\$8,551,247	\$8,606,495

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	<u>6/30/13</u>	<u>6/30/12</u>
Cash flows from operating activities:		
Change in net assets	\$216,463	\$279,783
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	132,934	107,612
Unrealized and realized loss/(gain) on investments	(12,072)	28,395
(Increase)/decrease in assets:		
Restricted cash	(35)	(35)
Grant receivable - New York City	(62,728)	0
Grants receivable	731	377,226
Other receivables	(52,731)	29,121
Other assets	68,141	(220,533)
Increase/(decrease) in liabilities:		
Accounts payable	62,505	(154,375)
Accrued expenses	65,672	154,094
Deferred rent	109,993	144,249
Government grant advances	(78,474)	77,374
Total adjustments	<u>233,936</u>	<u>543,128</u>
Net cash provided by operating activities	<u>450,399</u>	<u>822,911</u>
Cash flows from investing activities:		
Acquisition of equipment, leasehold improvements and furniture	(388,447)	(79,023)
Purchase of investments (including reinvestment of interest), net of fees	<u>(45,938)</u>	<u>(58,046)</u>
Net cash used for investing activities	<u>(434,385)</u>	<u>(137,069)</u>
Net increase in cash and cash equivalents	16,014	685,842
Cash and cash equivalents - beginning of year	<u>1,947,274</u>	<u>1,261,432</u>
Cash and cash equivalents - end of year	<u><u>\$1,963,288</u></u>	<u><u>\$1,947,274</u></u>
Supplemental data:		
Interest paid - \$0		
Taxes paid - \$0		

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Organization and Nature of Activities

Effective September 1, 2000, John V. Lindsay Wildcat Charter School (the "School") was granted a charter by the University of the State of New York, Education Department. The school's charter which ended August 31, 2011 was renewed for five more years by the New York State Board of Regents to 2016. The School is an inner city high school serving adolescents who are at risk of failure due to poor attendance, disruptive behavior, criminal activity and poor academic achievement.

The School was organized under the Not-For-Profit Corporation Law of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar NYS statutes.

Note 2 - Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables and other liabilities have been reflected.

The School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

b. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows.

c. Concentration of Credit Risk

Financial instruments which potentially subject the School to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be credit worthy. At times, balances may exceed federally insured limits. In addition, the market value of investments is subject to fluctuation. While at year-end the School had material uninsured balances, management feels they have little risk and has not suffered losses

from the default of any financial institution.

d. Investments

Investments are recorded at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized and reflected on the statement of activities.

e. Government Grants

Government grants that have traits more similar to contracts for service are treated as exchange transactions and are recognized as income when earned. Grants earned in excess of cash received are recorded as grants receivable and cash received in excess of grants earned are recorded as government grant advances.

The School reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the balance sheet date. No allowance for doubtful accounts exists as of June 30, 2013. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollected.

f. Fixed Assets

Property and equipment that exceed pre-determined amounts and have a useful life of greater than one year are recorded at cost or at the fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Office equipment – *3 year life*

Furniture and fixtures – *7 year life*

Leasehold improvements – *Life of lease*

g. Revenues – Public School District

The School receives grants from the New York City Department of Education (“NYCDOE”) to carry out its operations. Program revenues are recognized based on rates established by the School’s funding sources and the amount realizable on the accrual basis in the period during which services are provided.

h. Contributions

Contributions are recorded as revenue upon receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions have been recorded in the temporarily restricted class of net assets. All other contributions have been recorded as unrestricted. The School has not received any contributions that must be retained permanently as endowment; therefore, the permanently restricted net asset class has not been used.

Contributions expected to be received within one year are recorded at their net realizable value. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met. All receivables at year-end are due to be collected within one year.

i. Donated Goods and Services

Donated goods and services that either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value. The

School received \$5,450 of goods and services in relation to fundraising.

- j. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- k. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- l. Prior-Year Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.
- m. Accounting for Uncertainty of Income Taxes
The School does not believe its financial statements include any material, uncertain tax positions. Tax returns for periods ending June 30, 2010 and later are subject to examination by applicable taxing authorities.
- n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the balance sheet through October 7, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

ASC 820 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments at fair value for the year ended June 30, 2013:

Cash	\$98,806
Equity funds	490,048
Bond funds	1,202,285
Real Estate Investment Trust	30,713
Commodities	36,020
	<u>\$1,857,872</u>

Investment income consists of:

Interest and dividend income	\$78,021
Unrealized gain	12,072
Investment fees	<u>(15,079)</u>
Total	<u>\$75,014</u>

Note 4 - Other Assets

As of June 30, 2013, other assets consisted of:

Security deposits	\$490,000
Prepaid expenses	<u>236,896</u>
Total	<u>\$726,896</u>

Note 5 - Fixed Assets

At June 30, 2013, fixed assets consisted of the following:

Furniture and fixtures	\$42,740
Office equipment	865,179
Leasehold improvements	<u>421,717</u>
Total fixed assets - cost	1,329,636
Less: accumulated depreciation	<u>(854,949)</u>
Total fixed assets, net	<u>\$474,687</u>

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 consist of the following:

	<u>7/1/12</u>	<u>Restricted Contributions</u>	<u>Released from Restrictions</u>	<u>6/30/13</u>
College Program	\$22,700	\$0	\$0	\$22,700
Counseling Staff Position	0	50,000	(41,154)	8,846
Hydroponic Garden	<u>0</u>	<u>10,000</u>	<u>(8,436)</u>	<u>1,564</u>
Total	<u>\$22,700</u>	<u>\$60,000</u>	<u>(\$49,590)</u>	<u>\$33,110</u>

Note 7 - Significant Concentrations

The School and NYCDOE signed an agreement, which permits the school to operate the charter. For the year ended June 30, 2013, approximately 85% of the School's total public support and revenue was received from NYCDOE.

Note 8 - Commitments

The School occupies space in lower Manhattan and the Bronx under separate leases that expire on October 31, 2017 and August 31, 2022, respectively.

As of June 30, 2013, future minimum payments due under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$1,767,421
2015	1,841,043
2016	1,888,058
2017	1,980,625
2018	1,172,418
Thereafter	<u>3,715,716</u>
Total	<u>\$12,365,281</u>

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. As payments exceed the amount of expense recognized, deferred revenue will be reduced until it is zero at the end of the lease.

Note 9 - Pension

All union members are covered under a retirement plan administered by the New York City Teachers Retirement System. The plan is partially contributory. The School's contribution amounted to \$438,919 for the year ended June 30, 2013.

Note 10 - Grant Receivable – New York City Department of Education

Grants receivable consists of the following:

Amounts due to New York City for fiscal year 6/30/12		(\$78,474)
Summary of fiscal year 6/30/13:		
Funding based on allowable FTE's	\$7,374,674	
Advances received – fiscal year 2012-2013	<u>(7,233,472)</u>	
Amounts due from New York City for fiscal year 6/30/13		<u>141,202</u>
Grants receivable from New York City at 6/30/13		<u>\$62,728</u>

**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
John V. Lindsay Wildcat Charter School

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of John V. Lindsay Wildcat Charter School (“the School”), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

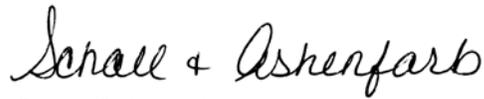
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 7, 2013

**JOHN V. LINDSAY WILDCAT CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

Current Year:

13-1 - None

Prior-Year Follow-Up:

12-1 - None