

A line of diverse school children, including a young boy in the foreground, standing in a hallway. They are wearing white polo shirts and dark pants. The background is a bright, out-of-focus doorway.

***Southside Academy  
Charter School***

*Financial Statements and  
Supplemental Schedule for the  
Year Ended June 30, 2009 and  
Independent Auditors' Report*

# SOUTHSIDE ACADEMY CHARTER SCHOOL

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southside Academy Charter School  
Syracuse, New York

We have audited the accompanying statement of financial position of Southside Academy Charter School (the "School") as of June 30, 2009, and the related statement of activities and change in net assets, and statement of 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 the respective 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 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 School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2009, and the change in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School, taken as a whole. The supplemental schedule listed in the foregoing table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the School. This schedule is the responsibility of the School's management. Such information has been subjected to the auditing procedures applied in our audit 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the School's internal control over financial reporting and 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 audit.



September 3, 2009

# **SOUTHSIDE ACADEMY CHARTER SCHOOL**

## **STATEMENT OF FINANCIAL POSITION JUNE 30, 2009**

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### **ASSETS**

Cash	\$323
Due from governmental revenue sources	<u>326,483</u>

TOTAL	<u><u>\$326,806</u></u>
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### **LIABILITIES AND NET ASSETS**

LIABILITIES—	
Due to National Heritage Academies, Inc.	\$326,806

NET ASSETS—Unrestricted	<u>-</u>
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TOTAL	<u><u>\$326,806</u></u>
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See notes to financial statements.

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEAR ENDED JUNE 30, 2009

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REVENUES, GAINS AND OTHER SUPPORT:	
State aid	\$ 5,849,042
Other state sources	27,208
Federal sources	663,790
Private sources	<u>53,003</u>
Total revenues, gains and other support	6,593,043
EXPENSES—Contracted service fee	<u>6,643,555</u>
CHANGE IN NET ASSETS	(50,512)
NET ASSETS:	
Beginning of year	<u>50,512</u>
End of year	<u>\$ -</u>

See notes to financial statements.

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2009

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### CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

State aid	\$ 5,818,194
Other state sources	21,893
Federal sources	569,651
Private sources	53,003
Payments for services rendered	<u>(6,462,539)</u>
Net cash provided by operating activities	<u>202</u>
NET INCREASE IN CASH	202
CASH—Beginning of year	<u>121</u>
CASH—End of year	<u>\$ 323</u>

### RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net assets	\$ (50,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in due from governmental revenue sources	(129,988)
Change in deferred revenue	(314)
Change in due to National Heritage Academies, Inc.	<u>181,016</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 202</u>

See notes to financial statements

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2009

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### 1. NATURE OF OPERATIONS

Southside Academy Charter School (the “School”) is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the Board of Regents of the State of New York, which is responsible for oversight of the School’s operations. The charter expires June 30, 2010 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. 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).

The School’s primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2008 through May 2009.

The Board of Trustees of the School has entered into a management agreement (the “agreement”) with National Heritage Academies, Inc. (“NHA”) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination of the charter, inclusive of any charter renewals, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Accounting***—The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

***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 disclosures 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.

***Cash***—Cash as of June 30, 2009, represents bank deposits which are covered by federal depository insurance.

**Deferred Revenue**—Deferred revenue as of June 30, 2009, consists of funds received for services which have not yet been performed.

**The Financial Statements**—The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted net assets*—Net assets which are not subject to donor imposed or governmental stipulations. Included in unrestricted net assets are net assets which have been designated by the board for certain projects.
- *Temporarily restricted net assets*—Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Board and/or the passage of time.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

### **3. RISK MANAGEMENT**

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2009, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

### **4. CONTINGENCIES**

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **5. SUBSEQUENT EVENTS**

Events or transactions occurring after the balance sheet date have been evaluated through September 4, 2009, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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## **SUPPLEMENTAL SCHEDULE**

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2009

	Program Services		Supporting Services	Total
	Regular Education	Special Education	Management and General	
Contracted service fee:				
Salaries and wages	\$ 2,084,569	\$ 173,725	\$	\$ 2,258,294
Retirement contributions	42,327	4,470		46,797
Other employee benefits	379,454	21,446		400,900
Payroll taxes	191,530	14,251		205,781
Accounting fees	11,280		77,919	89,199
Supplies	196,214	1,170		197,384
Postage and shipping	6,353			6,353
Occupancy	1,792,344		6,003	1,798,347
Food service	351,405		9,217	360,622
Equipment rental and maintenance	15,869			15,869
Printing and publications	34,582	99		34,681
Travel	7,634			7,634
Conferences and meetings	59,998			59,998
Professional fees	93,772	88,801		182,573
Instructional support			78,663	78,663
Executive administration			485,204	485,204
Office of the principal			34,374	34,374
Board oversight			77,293	77,293
Human resources			112,463	112,463
Technology services	4,125		113,667	117,792
Marketing and business development	1,800		6,079	7,879
Insurance	16,074			16,074
Miscellaneous	23,365	111	25,905	49,381
Total contracted service fee	<u>\$ 5,312,695</u>	<u>\$ 304,073</u>	<u>\$ 1,026,787</u>	<u>\$ 6,643,555</u>

## **INDEPENDENT AUDITORS' 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***

Board of Trustees  
Southside Academy Charter School  
Syracuse, New York

We have audited the financial statements of Southside Academy Charter School (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 3, 2009. 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***

In planning and performing our audit, we considered the 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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*.

This report is intended solely for the information and use of the Board of Trustees, management of the School, National Heritage Academies, Inc., the Board of Regents of the State of New York, and the New York State Education Department, federal awarding agencies and state funding agencies, 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 "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

September 3, 2009