

**GENESEE COMMUNITY CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**June 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

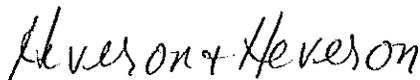
To The Board of Trustees  
Genesee Community Charter School  
Rochester, New York

We have audited the accompanying balance sheets of Genesee Community Charter School (a not-for-profit corporation) as of June 30, 2010 and 2009 and the related statements of cash flows for the years then ended and the statements of activities and functional expenses for the year ended June 30, 2010. These financial statements are the responsibility of the Organization'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 Organization's 2009 financial statements and, in our report dated September 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 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 Genesee Community Charter School as of June 30, 2010 and 2009, and its cash flows for the years then ended and the results of its operations for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2010 on our consideration of Genesee Community Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Heveron & Heveron  
Certified Public Accountants

Rochester, New York  
October 13, 2010

**GENESEE COMMUNITY CHARTER SCHOOL  
BALANCE SHEETS  
June 30, 2010 and 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,080,531	\$ 841,338
State and Federal Aid Receivable	238,157	72,719
Investments	635,594	832,969
Prepaid Expenses	<u>9,715</u>	<u>6,915</u>
Total Current Assets	<u>1,963,997</u>	<u>1,753,941</u>
<u>Fixed Assets</u>		
Leasehold Improvements and Equipment, Net	<u>381,027</u>	<u>449,502</u>
<b>TOTAL ASSETS</b>	<b><u>2,345,024</u></b>	<b><u>2,203,443</u></b>

**LIABILITIES AND NET ASSETS**

<u>Current Liabilities</u>		
Accounts Payable	94,430	37,131
Accrued Payroll	187,635	142,564
Accrued Liabilities	122,291	139,988
Current Portion of Lease Payable	<u>6,907</u>	<u>6,907</u>
Total Current Liabilities	<u>411,263</u>	<u>326,590</u>
Lease Payable	<u>2,302</u>	<u>9,210</u>
Total Liabilities	<u>413,565</u>	<u>335,800</u>
<u>Net Assets</u>		
Unrestricted		
Operating	1,841,439	1,777,338
Board Designated	<u>75,000</u>	<u>75,000</u>
	1,916,439	1,852,338
Temporarily Restricted	<u>15,020</u>	<u>15,305</u>
Total Net Assets	<u>1,931,459</u>	<u>1,867,643</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,345,024</u></b>	<b><u>\$ 2,203,443</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**GENESEE COMMUNITY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2010**  
**(With Comparative Totals For The Year Ended June 30, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2010</u>	<u>2009</u>
<u>Revenues, Gains and Other Support:</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$ 2,306,081	\$ -	\$ 2,306,081	\$ 2,279,127
Revenue - Students with Disabilities	50,866	-	50,866	42,253
Federal Grants	264,225	-	264,225	246,758
Contributions	10,063	-	10,063	30,230
Interest/Dividends Income	20,503	-	20,503	28,455
Food Service Fees	34,009	-	34,009	42,051
Site Seminar	21,025	-	21,025	28,350
Unrealized Gain/(Loss) on Investments	16,648	-	16,648	(54,432)
Other Income	2,578	-	2,578	4,764
Released From Restriction	<u>285</u>	<u>(285)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>2,726,283</u>	<u>(285)</u>	<u>2,725,998</u>	<u>2,647,556</u>
<u>Expenses:</u>				
<u>Program Services:</u>				
Regular Education	2,224,693	-	2,224,693	2,196,555
Special Education	69,068	-	69,068	45,260
Food Services	<u>28,965</u>	<u>-</u>	<u>28,965</u>	<u>37,067</u>
Total Program Services Expense	2,322,726	-	2,322,726	2,278,882
<u>Supporting Services:</u>				
Management and General	<u>339,456</u>	<u>-</u>	<u>339,456</u>	<u>348,786</u>
Total Expenses	<u>2,662,182</u>	<u>-</u>	<u>2,662,182</u>	<u>2,627,668</u>
Change in Net Assets	64,101	(285)	63,816	19,888
Net Assets - Beginning of Year	<u>1,852,338</u>	<u>15,305</u>	<u>1,867,643</u>	<u>1,847,755</u>
Net Assets - End of Year	<u>\$ 1,916,439</u>	<u>\$ 15,020</u>	<u>\$ 1,931,459</u>	<u>\$ 1,867,643</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GENESEE COMMUNITY CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Revenue from School Districts	\$ 2,353,766	\$ 2,357,454
Grant Revenues	107,186	331,288
Contributions	10,063	30,230
Miscellaneous Sources	72,898	105,570
Payments to Vendors for Goods and Services Rendered	(645,858)	(817,176)
Payments to Charter School Personnel for Services Rendered	<u>(1,836,660)</u>	<u>(1,755,601)</u>
Net Cash Flows Provided By Operating Activities	<u>61,395</u>	<u>251,765</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Improvements and Equipment	(29,317)	(18,026)
Proceeds from Sale of Short-Term Investments	232,071	-
Purchase of Short-Term Investments	<u>(18,048)</u>	<u>(244,917)</u>
Net Cash Flows Provided/(Used) By Investing Activities	<u>184,706</u>	<u>(262,943)</u>
<u>Cash Flows From Financing Activities</u>		
Payments on Long-term Debt	<u>(6,908)</u>	<u>(45,900)</u>
Net Cash Flows Used By Financing Activities	<u>(6,908)</u>	<u>(45,900)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	239,193	(57,078)
Cash and Cash Equivalents - Beginning of Year	<u>841,338</u>	<u>898,416</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,080,531</u>	<u>\$ 841,338</u>

**GENESEE COMMUNITY CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended June 30, 2010 and 2009**  
**(Continued)**

	2010	2009
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 63,816	\$ 19,888
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	97,792	90,534
Unrealized (Gain)/Loss on Investments	(16,648)	54,432
(Increase)/Decrease In:		
State and Federal Aid Receivable	(165,438)	122,554
Prepaid Expenses	(2,800)	(2,068)
Increase/(Decrease) In:		
Accounts Payable	57,299	(49,827)
Accrued Payroll	45,071	5,460
Accrued Liabilities	(17,697)	10,791
 Net Cash Flows Provided By Operating Activities	 \$ 61,395	 \$ 251,764

See Independent Auditors' Report and Notes to Financial Statements.

**GENESEE COMMUNITY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended June 30, 2010  
(With Comparative Totals For The Year Ended June 30, 2009)**

	Program Services			Management and General	Totals	
	Regular Education	Special Education	Food Services		2010	2009
Salaries	\$ 1,244,087	\$ 33,212	-	\$ 178,925	\$ 1,456,224	\$ 1,366,832
Employee Benefits and Payroll Taxes	352,743	1,043	-	54,023	407,809	405,020
Total Personal Services	<u>1,596,830</u>	<u>34,255</u>	<u>-</u>	<u>232,948</u>	<u>1,864,033</u>	<u>1,771,852</u>
Occupancy	171,851	-	-	9,045	180,896	169,588
Supplies and Materials	80,820	4,747	-	18,520	104,087	125,867
Staff Development	78,695	-	-	-	78,695	89,187
Field Studies	64,853	-	-	-	64,853	109,601
Contracted Services - Other	-	30,066	-	30,374	60,440	67,057
Archive Expense	38,098	-	-	-	38,098	11,542
Consultants - Education	34,823	-	-	-	34,823	27,930
Food	-	-	28,965	-	28,965	37,067
Business Services	10,150	-	-	23,226	33,376	62,724
Insurance	6,408	-	-	14,953	21,361	19,496
Seminar Expenses	15,220	-	-	-	15,220	15,595
Other Expenses	12,453	-	-	-	12,453	5,100
Printing	9,419	-	-	-	9,419	6,356
Accounting and Auditing Fees	-	-	-	8,100	8,100	7,200
Library	4,528	-	-	-	4,528	4,371
Textbooks	2,753	-	-	-	2,753	708
Legal	-	-	-	2,290	2,290	5,893
Depreciation	530,071	34,813	28,965	106,508	700,357	765,282
	<u>97,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,792</u>	<u>90,534</u>
Total Expenses	<u>\$ 2,224,693</u>	<u>\$ 69,068</u>	<u>\$ 28,965</u>	<u>\$ 339,456</u>	<u>\$ 2,662,182</u>	<u>\$ 2,627,668</u>

See Independent Auditors' Report on Notes to Financial Statements.

**GENESEE COMMUNITY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Genesee Community Charter School (the School) was formed to provide a rich educational experience that values intellectual rigor, respect for diversity, and community responsibility. The School's local history-based and globally-connected programs immerse the children in investigation and discovery, extensively using the cultural and natural resources of the Rochester, NY community. The School focuses on nurturing the children's natural abilities to be reflective questioners, articulate communicators, critical thinkers, and skilled problem solvers, enabling them to reach exemplary standards.

The main programs of the School are as follows:

**REGULAR EDUCATION:** The School curriculum is organized around six historical time periods - Prehistory, Early People/Woodland Peoples, Indians/Explorers/Settlers, Village to City, City Grows, and Today and Tomorrow. The School integrates Math, Science, Social Studies, Language Arts, Art, Music, and Physical Education to provide a rich and challenging curriculum, while keeping in alignment with the New York State Learning Standards.

**SPECIAL EDUCATION:** The School is open to all children and does not discriminate on the basis of ethnicity, national origin, gender, disability, or any other grounds that would be unlawful or deny the civil rights of any individual. In accordance with the Individuals with Disabilities Education Act, the Rehabilitation Act, and Section 504, and the Americans with Disabilities Act, the School provides a free and appropriate education, in the least restrictive environment, to students with disabilities. The primary service delivery for students with special needs is inclusion. For students requiring supplemental services, the School contracts with local individuals or agencies to provide the required services outlined in the student's Individual Education Plan or 504 Plan.

**FOOD SERVICES:** The School believes that healthy meals are an important part of a child's day. Breakfast and lunch are delivered and served "family style" every day, as the School does not have a cafeteria or kitchen facilities. The children eat and socialize with each other, parents, and teachers in their classrooms. All meals meet the required New York State Child Nutrition Standards, and the School subscribes to the New York State free and reduced priced meal program.

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual Basis

The financial statements of the School have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The School reports information regarding its financial position and activities according to the existence and nature of donor restrictions in two classes of net assets: unrestricted and temporarily restricted.

Contributions

The School also records contributions received as unrestricted or temporarily restricted support depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America allow the School to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The School has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

The assets, liabilities, operations and net assets of the School are reported as follows:

- A. Unrestricted - the resources that the School has full discretion of as to use.
- B. Board Designated - those resources that are unrestricted, however the board has designated for a specific purpose. As of June 30, 2010 and 2009, Board designated consisted of \$75,000 to be held in an escrow account in case of a future dissolution.
- C. Temporarily Restricted - those resources which the donor or grantor has required to be used for a specific purpose. When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net asset released from restrictions. Temporarily restricted net assets consisted of the following at June 30:

	2010	2009
Addition of the Sixth Grade Level	\$ -	\$ 211
Equipment, Supplies, and Other Expenses	15,020	15,094
Total Temporarily Restricted Net Assets	\$ 15,020	\$ 15,305

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, which, at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certain of these accounts are not federally insured. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Cash and cash equivalents consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Checking	\$ 524,570	\$ 604,903
Savings	318,792	1,088
Certificate of Deposit - 90 Day Maturity	<u>237,169</u>	<u>235,347</u>
Total	<u>\$1,080,531</u>	<u>\$ 841,338</u>

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenue and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been completed, are written off. In addition, if necessary, management provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2010 and 2009.

Fixed Assets

Property and equipment are stated at cost less accumulated depreciation. The School capitalizes property and equipment with a cost of over \$1,000 and an estimated life of 2 years or more. The cost and accumulated depreciation of property items sold or retired are eliminated from the accounts. Minor expenditures for maintenance, repairs and renewals are expensed.

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fixed Assets (Continued)

Fixed assets consisted of the following at June 30:

	2010	2009
Leasehold Improvements	\$ 544,590	\$ 544,590
Equipment	266,762	237,445
Less: Accumulated Depreciation	(430,325)	(332,533)
Net Improvements and Equipment	\$ 381,027	\$ 449,502

Depreciation is computed on a straight-line basis over the estimated useful lives of assets. The ranges of estimated useful lives used in computing depreciation are as follows:

	<u>Years</u>
Leasehold Improvements	7-10
Equipment	5-7

Donated assets are recorded at their estimated fair market value at the time of donation. Depreciation expense amounted to \$97,792 and \$90,534 for the years ended June 30, 2010 and 2009, respectively.

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the School is publicly supported. As a result, no provision for federal or state income taxes has been made.

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended June 30, 2007 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The School does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The School is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Determining Fair Value of Financial Assets and Liabilities

As defined in FASB ASC #820, *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC #820 applies to all assets and liabilities that are being measured and reported on the fair value basis. FASB ASC #820 requires new disclosures that establish a framework for measuring fair value and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices and active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

**NOTE 2 - INVESTMENTS**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value. Unrealized gains or losses on securities result from differences between the cost and fair market value of securities on a specified valuation date.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Investments held by the School include certificates of deposit with maturities greater than ninety days and mutual funds. A summary of investments at market value at June 30 is as follows:

	2010	2009
Certificate of Deposit - 105 Day Maturity	\$ 238,194	\$ 229,460
Certificate of Deposit - 185 Day Maturity	233,732	229,694
Certificate of Deposit - 360 Day Maturity	-	230,812
Mutual Funds	163,668	143,003
	\$ 635,594	\$ 832,969

Mutual fund investments are based on level 1 inputs in the hierarchy as described in Note 1.

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010  
(Continued)**

**NOTE 4 - CAPITAL LEASE OBLIGATIONS**

The School has entered into a long-term lease agreement under which they are leasing a copier. For financial reporting purposes, the lease has been classified as a capital lease; accordingly, an asset of \$34,536 is included in property and equipment on the statement of financial position at June 30, 2010. Accumulated depreciation in the amount of \$28,204 has been recorded related to these assets.

The following is a schedule of future minimum lease payments under all capitalized leases as of June 30, 2010:

<u>Year</u>	<u>Amount</u>
2011	\$ 6,907
2012	<u>2,303</u>
Total	<u>\$ 9,210</u>

**NOTE 5 - COMMITMENTS**

The School has entered into an operating lease for their facilities. The lease expires in 2015, and the rent increases at a rate of 4% per year. The School also leases a copier and that lease expires in 2013. Future minimum lease payments are as follows for the year ended June 30:

<u>Year</u>	<u>Amount</u>
2011	\$ 190,328
2012	197,749
2013	202,276
2014	208,707
2015	217,056

**NOTE 6 - SPECIAL EDUCATION SERVICES**

The majority of special education services required by students of the School are provided by the Rochester City School District. These financial statements do not reflect revenue or expenses associated with those services.

Occasionally, the School does need to offer special education services that are not provided through the Rochester City School District. The school uses contracted services at these times; the revenue and expense for these services have been included in the financial statements.

**GENESEE COMMUNITY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**  
**(Continued)**

**NOTE 7 - DONATED SERVICES AND GOODS**

The School receives donated services that do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended June 30, 2010 and 2009, approximately 115 and 55 families provided 4,439 and 2,307 hours of service, respectively. There were also 13 board members who donated 260 and 281 hours during the years ended June 30, 2010 and 2009, respectively. Volunteers help with many tasks at the School such as serving meals, chaperoning field studies, preparing classroom materials, and serving on the board.

The School also received donated services that do meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended June 30, 2010, video production services valued at \$20,120 were donated.

**NOTE 8 - PENSION EXPENSE**

The School participates in the New York State Teachers' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System 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.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after that date who have less than ten years of service or membership are required to contribute 3% of their annual salary. Employers are required to contribute at an actuarially determined rate, currently 6.19% of the annual covered payroll for the fiscal year ended June 30, 2010. The rate applicable to the fiscal years ended June 30, 2009 and 2008 was 7.63% and 8.73%, respectively. The total required contributions for the years ended June 30, 2010, 2009 and 2008 were \$112,403, \$122,064 and \$101,180, respectively, including employer contributions of \$79,353, \$97,394 and \$85,019 for the years ended June 30, 2010, 2009 and 2008, respectively.

The School also has a 403(b) annuity retirement plan for its employees. After one year of service employees at least 21 years of age that work a minimum of 1,000 hours annually may contribute a portion of their taxable salary not to exceed the statutory limits each year. Eligible employees may also receive discretionary amounts the School contributes. The Board of Trustees has resolved to make a discretionary contribution of up to \$25,000 for the year ended June 30, 2010.

**GENESEE COMMUNITY CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**(Continued)**

**NOTE 9 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 13, 2010, which is the date the statements were available for issuance.

**GENESEE COMMUNITY CHARTER SCHOOL**

**FEDERAL FINANCIAL ASSISTANCE**

**SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2010**

**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 Directors  
 Genesee Community Charter School

We have audited the financial statements of Genesee Community Charter School as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. 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 Genesee Community 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 Genesee Community Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Genesee Community 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 controls, 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 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.

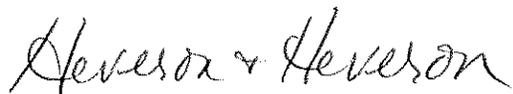
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee Community Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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

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 management of Genesee Community Charter School in a separate letter dated August 20, 2010.

This report is intended for the information of management 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.

A handwritten signature in cursive script that reads "Heveron & Heveron".

Heveron & Heveron  
Certified Public Accountants

Rochester, New York  
October 13, 2010