

GENESEE COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statement of Activities	3
Statements of Cash Flows	4
Statement of Functional Expenses	6
Notes To Financial Statements	7
SUPPLEMENTARY INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15



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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, 2011 and 2010, 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, 2011. 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 2010 financial statements, and in our report dated October 13, 2010, 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, 2011 and 2010, and its cash flows for the years then ended, and the results of its operations for the year ended June 30, 2011 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 12, 2011 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 12, 2011



GENESEE COMMUNITY CHARTER SCHOOL
BALANCE SHEETS
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 875,885	\$ 1,080,531
State and Federal Aid Receivable	33,988	238,158
Investments	1,074,285	635,594
Prepaid Expenses	<u>13,527</u>	<u>9,715</u>
Total Current Assets	<u>1,997,685</u>	<u>1,963,998</u>
 <u>Fixed Assets</u>		
Leasehold Improvements and Equipment, Net	<u>318,803</u>	<u>381,027</u>
 TOTAL ASSETS	 <u>2,316,488</u>	 <u>2,345,025</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	23,983	94,430
Accrued Payroll	153,501	187,635
Accrued Liabilities	167,979	122,291
Deferred Revenue	4,115	-
Current Portion of Lease Payable	<u>2,384</u>	<u>6,907</u>
Total Current Liabilities	<u>351,962</u>	<u>411,263</u>
 Long-Term Portion of Lease Payable	 <u>-</u>	 <u>2,302</u>
Total Liabilities	<u>351,962</u>	<u>413,565</u>
 <u>Net Assets</u>		
Unrestricted		
Operating	1,874,506	1,841,440
Board Designated	<u>75,000</u>	<u>75,000</u>
Total Unrestricted Net Assets	1,949,506	1,916,440
Temporarily Restricted	<u>15,020</u>	<u>15,020</u>
Total Net Assets	<u>1,964,526</u>	<u>1,931,460</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,316,488</u>	 <u>\$ 2,345,025</u>

See Independent Auditors' Report and Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011
(With Comparative Totals For The Year Ended June 30, 2010)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total All Funds</u>	
			2011	2010
<u>Revenues, Gains and Other Support:</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$ 2,463,845	\$ -	\$ 2,463,845	\$ 2,306,081
Revenue - Students with Disabilities	18,220	-	18,220	50,866
Federal Grants	-	-	-	264,225
Contributions	8,124	-	8,124	10,063
Interest/Dividends Income	17,701	-	17,701	20,503
Food Service Fees	36,507	-	36,507	34,009
Site Seminar	25,935	-	25,935	21,025
Unrealized Gain on Investments	61,956	-	61,956	16,648
Other Income	<u>3,309</u>	<u>-</u>	<u>3,309</u>	<u>2,578</u>
Total Revenues, Gains and Other Support	<u>2,635,597</u>	<u>-</u>	<u>2,635,597</u>	<u>2,725,998</u>
<u>Expenses:</u>				
<u>Program Services:</u>				
Regular Education	2,141,694	-	2,141,694	2,224,692
Special Education	88,549	-	88,549	69,068
Food Services	<u>33,498</u>	<u>-</u>	<u>33,498</u>	<u>28,965</u>
Total Program Services Expense	2,263,741	-	2,263,741	2,322,725
<u>Supporting Services:</u>				
Management and General	<u>338,790</u>	<u>-</u>	<u>338,790</u>	<u>339,456</u>
Total Expenses	<u>2,602,531</u>	<u>-</u>	<u>2,602,531</u>	<u>2,662,181</u>
Change in Net Assets	33,066	-	33,066	63,817
Net Assets - Beginning of Year	<u>1,916,440</u>	<u>15,020</u>	<u>1,931,460</u>	<u>1,867,643</u>
Net Assets - End of Year	<u>\$ 1,949,506</u>	<u>\$ 15,020</u>	<u>\$ 1,964,526</u>	<u>\$ 1,931,460</u>

See Independent Auditors' Report and Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities</u>		
Revenue from School Districts	\$ 2,508,945	\$ 2,353,766
Grant Revenues	181,140	107,186
Contributions	8,124	10,063
Miscellaneous Sources	79,599	72,898
Payments to Vendors for Goods and Services Rendered	(667,970)	(645,857)
Payments to Charter School Personnel for Services Rendered	<u>(1,911,295)</u>	<u>(1,836,660)</u>
Net Cash Flows Provided By Operating Activities	<u>198,543</u>	<u>61,396</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Improvements and Equipment	(13,537)	(29,318)
Proceeds from Sale of Short-Term Investments	238,953	232,071
Purchase of Investments	<u>(621,780)</u>	<u>(18,048)</u>
Net Cash Flows Provided/(Used) By Investing Activities	<u>(396,364)</u>	<u>184,705</u>
<u>Cash Flows From Financing Activities</u>		
Payments on Lease Payable	<u>(6,825)</u>	<u>(6,908)</u>
Net Cash Flows Used By Financing Activities	<u>(6,825)</u>	<u>(6,908)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(204,646)	239,193
Cash and Cash Equivalents - Beginning of Year	<u>1,080,531</u>	<u>841,338</u>
Cash and Cash Equivalents - End of Year	<u>\$ 875,885</u>	<u>\$ 1,080,531</u>

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2011 and 2010
(Continued)

	<u>2011</u>	<u>2010</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 33,066	\$ 63,817
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	81,856	97,792
Unrealized Gain on Investments	(61,956)	(16,648)
(Increase)/Decrease In:		
State and Federal Aid Receivable	204,167	(165,438)
Prepaid Expenses	(3,812)	(2,800)
Increase/(Decrease) In:		
Accounts Payable	(70,447)	57,299
Accrued Payroll	(34,134)	45,071
Accrued Liabilities	45,688	(17,697)
Deferred Revenue	<u>4,115</u>	<u>-</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 198,543</u>	<u>\$ 61,396</u>

See Independent Auditors' Report and Notes to Financial Statements.

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

**For The Year Ended June 30, 2011
(With Comparative Totals For The Year Ended June 30, 2010)**

	Program Services				Totals	
	Regular Education	Special Education	Food Services	Management and General	2011	2010
Salaries	\$ 1,236,667	\$ 39,168	-	\$ 182,200	\$ 1,458,035	\$ 1,456,224
Employee Benefits and Payroll Taxes	392,752	12,018	-	60,043	464,813	407,808
Total Personal Services	<u>1,629,419</u>	<u>51,186</u>	<u>-</u>	<u>242,243</u>	<u>1,922,848</u>	<u>1,864,032</u>
Occupancy	174,423	-	-	14,500	188,923	180,896
Staff Development	73,715	-	-	-	73,715	78,695
Field Studies	61,047	-	-	-	61,047	64,853
Supplies and Materials	26,749	-	-	19,429	46,178	104,087
Contracted Services - Other	-	37,363	-	2,946	40,309	60,440
Food	-	-	33,498	-	33,498	28,965
Business Services	-	-	-	26,912	26,912	33,376
Insurance	15,732	-	-	9,120	24,852	21,361
Consultants - Education	24,153	-	-	-	24,153	34,823
Seminar Expenses	23,466	-	-	-	23,466	15,220
Other Expenses	7,589	-	-	9,931	17,520	12,453
Textbooks	10,718	-	-	-	10,718	2,753
Printing	10,269	-	-	-	10,269	9,419
Accounting and Auditing Fees	-	-	-	8,500	8,500	8,100
Legal	-	-	-	5,209	5,209	2,290
Library	2,558	-	-	-	2,558	4,528
Archive Expense	-	-	-	-	-	38,098
Depreciation	<u>430,419</u>	<u>37,363</u>	<u>33,498</u>	<u>96,547</u>	<u>597,827</u>	<u>700,357</u>
	<u>81,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,856</u>	<u>97,792</u>
Total Expenses	<u>\$ 2,141,694</u>	<u>\$ 88,549</u>	<u>\$ 33,498</u>	<u>\$ 338,790</u>	<u>\$ 2,602,531</u>	<u>\$ 2,662,181</u>

See Independent Auditors' Report an Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011
(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, 2011 and 2010, 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 assets released from restrictions. Temporarily restricted net assets consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Equipment, Supplies, and Other Expenses	\$ 15,020	\$ 15,020

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

June 30, 2011

(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:

	2011	2010
Checking	\$ 72,520	\$ 524,570
Savings	803,365	318,792
Certificate of Deposit - 90 Day Maturity	-	237,169
Total	\$ 875,885	\$1,080,531

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.

State and Federal Aid Receivable

State and Federal Aid receivable is 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, 2011 and 2010.

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, 2011

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (Continued)

Fixed assets consisted of the following at June 30:

	2011	2010
Leasehold Improvements	\$ 544,590	\$ 544,590
Equipment	286,416	266,762
Less: Accumulated Depreciation	(512,203)	(430,325)
Net Improvements and Equipment	\$ 318,803	\$ 381,027

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:

	Years
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 \$81,856 and \$97,792 for the years ended June 30, 2011 and 2010, 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, 2008 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, 2011

(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:

	2011	2010
Certificate of Deposit - 105 Day Maturity	\$ -	\$ 238,194
Certificate of Deposit - 185 Day Maturity	234,903	233,732
Mutual Funds	839,382	163,668
	\$ 1,074,285	\$ 635,594

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, 2011
(Continued)

NOTE 3 - 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, 2011. Accumulated depreciation in the amount of \$34,536 has been recorded, related to this asset.

The following is a schedule of future minimum lease payments under all capitalized leases as of June 30, 2011:

<u>Year</u>	<u>Amount</u>
2012	\$ 2,384

NOTE 4 - COMMITMENTS

The School has entered into an operating lease for its 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>
2012	\$ 197,748
2013	202,274
2014	208,706
2015	217,054

NOTE 5 - SPECIAL EDUCATION AND OTHER 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, 2011

(Continued)

NOTE 5 - SPECIAL EDUCATION AND OTHER SERVICES (Continued)

The School also receives State Aid in the form of textbooks, computer hardware, computer software and library materials from the Rochester City School District. The total aid received for the years ended June 30, 2011 and 2010 was \$18,372 and \$20,969, respectively.

NOTE 6 - 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, 2011 and 2010, approximately 150 and 115 families provided 6,930 and 4,439 hours of service, respectively. There were also 13 board members who donated 260 hours during the years ended June 30, 2011 and 2010. Volunteers help with many tasks at the School such as serving meals, chaperoning field studies, preparing classroom materials, and serving on the board.

NOTE 7 - 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 July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010, are required to contribute 3.5% of their annual salary for their entire working career. Employers are required to contribute at an actuarially determined rate, currently 8.62% of the annual covered payroll for the fiscal year ended June 30, 2011. The rate applicable to the fiscal years ended June 30, 2010 and 2009 was 6.19% and 7.63%, respectively. The total required contributions paid during the years ended June 30, 2011, 2010, and 2009 were \$92,143, \$112,403 and \$122,064, respectively. The retirement contribution expense totaled \$123,487, \$79,353, and \$97,394 for the years ended June 30, 2011, 2010, and 2009, respectively.

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

(Continued)

NOTE 7 - PENSION EXPENSE (Continued)

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 voted to make a discretionary contribution of \$25,000 for each of the years ended June 30, 2011 and 2010.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 12, 2011, which is the date the statements were available for issuance.

**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
Genesee Community Charter School

We have audited the financial statements of Genesee Community Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. 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 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 management of Genesee Community Charter School in a separate letter dated August 16, 2011.

This report is intended for the information of management and the New York State Education Department, and is not intended to be and should not be used by anyone, other than these specified parties.

Heveron & Heveron

Heveron & Heveron
Certified Public Accountants

Rochester, New York
October 12, 2011