

**KIPP TECH VALLEY CHARTER SCHOOL
FINANCIAL REPORT
JUNE 30, 2010**

KIPP TECH VALLEY CHARTER SCHOOL

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**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 91,396	\$ 4,852
Due from school districts	177,493	236,868
State and federal aid receivable	74,166	222,266
Prepaid expenses	6,044	4,060
Total Current Assets	<u>349,099</u>	<u>468,046</u>
 Plant, Equipment and Textbooks		
Equipment	261,623	247,750
Leasehold improvements	139,386	139,386
Textbooks	51,597	51,597
Total	<u>452,606</u>	<u>438,733</u>
Less accumulated depreciation and amortization	<u>(285,162)</u>	<u>(208,067)</u>
Net Plant, Equipment and Textbooks	<u>167,444</u>	<u>230,666</u>
 TOTAL ASSETS	 <u>\$ 516,543</u>	 <u>\$ 698,712</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 137,951	\$ 239,827
Accrued expenses	125,413	90,212
Due to funding source	116,921	116,921
Note payable	-	200,000
Total Current Liabilities	<u>380,285</u>	<u>646,960</u>
 Net Assets	 <u>136,258</u>	 <u>51,752</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 516,543</u>	 <u>\$ 698,712</u>

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Revenue		
Public School Districts		
Resident student enrollment	\$ 3,422,310	\$ 3,234,073
Students with disabilities	129,644	90,548
Grants		
Federal	331,715	243,693
State	11,082	13,690
Other	16,184	27,338
Total Revenue	<u>3,910,935</u>	<u>3,609,342</u>
Expenses		
Program Services		
Regular education	2,430,485	2,215,259
Special education	107,788	98,094
Other programs	537,446	495,936
Supporting Services		
Management and general	750,710	658,704
Total Expenses	<u>3,826,429</u>	<u>3,467,993</u>
Change in Net Assets	84,506	141,349
Net Assets, Beginning of Year	<u>51,752</u>	<u>(89,597)</u>
Net Assets, End of Year	<u>\$ 136,258</u>	<u>\$ 51,752</u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 84,506	\$ 141,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	77,095	84,531
Bad debt expense	132,771	64,061
(Increase) decrease in assets:		
Due from school districts	(73,396)	(54,137)
State and federal aid receivable	148,100	(156,190)
Prepaid expenses	(1,984)	5,707
Increase (decrease) in liabilities:		
Accounts payable	(101,876)	(312,337)
Accrued expenses	35,201	21,853
Due to funding source	-	116,921
Bank overdrafts	-	(3,676)
Net Cash Provided (Used) By Operating Activities	<u>300,417</u>	<u>(91,918)</u>
Cash Flows From Investing Activities		
Expenditures for plant, equipment and textbooks	<u>(13,873)</u>	<u>(8,230)</u>
Cash Flows From Financing Activities		
Proceeds from note payable	50,000	200,000
Repayment of note payable	(250,000)	(95,000)
Net Cash Provided (Used) by Financing Activities	<u>(200,000)</u>	<u>105,000</u>
Net Increase in Cash	86,544	4,852
Cash, Beginning of Period	<u>4,852</u>	<u>-</u>
Cash, End of Period	<u>\$ 91,396</u>	<u>\$ 4,852</u>
Supplemental Data		
Cash paid for interest	<u>\$ -</u>	<u>\$ 984</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Purchase of plant, equipment and textbooks	\$ 13,873	\$ 125,151
Less: accounts payable	-	116,921
Expenditures for plant, equipment and textbooks	<u>\$ 13,873</u>	<u>\$ 8,230</u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. ORGANIZATION, GOVERNANCE AND OPERATIONS

Organization

The KIPP Tech Valley Charter School ("the School") was organized in 2004 to operate a charter school pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York ("State University"). During 2010, the State University renewed the School's provisional charter, for a term of five years with the provisional charter expiring in 2015.

During 2009-2010 the School's educational operations serving principally Albany, NY and surrounding areas had an annualized full time enrollment of 294 students in grades 5 through 8.

Governance and Operations

The School is governed by Board of Trustees in accordance with the School's by-laws. The School is a member of Knowledge is Power Program (KIPP) a network of nationally recognized private sector schools through a trademark license agreement with the KIPP Foundation. KIPP provides support and member services to the School to assist the School in fulfilling its mission of preparing all students for future opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School prepares its financial statements on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities, and recognizes revenue when earned and expenses when incurred.

Basis of Presentation

In accordance with generally accepted accounting principles, information regarding financial position and activities are reported according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted. There were no permanently restricted net assets for the years ended June 30, 2010 and 2009, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

The School reports grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

The School reports restricted grants as unrestricted support whenever the restrictions are met in the same year the grants are received.

Cash

For the purposes of reporting its cash flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School also follows the policy of maintaining its cash balances with high quality financial institutions.

Revenue Recognition

A substantial portion of the School's revenue and related receivables is derived from its arrangement with the Albany City School District, which reimburses the School based on per capita enrollment. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents entitlements and is recognized as earned as allowable expenditures are incurred. Costs are subject to audit and changes, if any, are recognized in the year known.

Bad Debts

The School uses the direct write-off method of accounting for bad debt. No allowance for uncollectible accounts has been provided since it is believed that such an allowance would not be material.

Bad debt expenses was \$132,771 and \$64,061 for the years ended June 30, 2010 and 2009, respectively.

Plant, Equipment, Textbooks, Depreciation and Amortization

Equipment and textbooks are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the assets estimated useful lives. Leasehold improvements are amortized over the life of the operating lease for the educational facilities. The following are the estimated useful lives used for depreciation and amortization:

	<u>Years</u>
Equipment	3-5
Textbooks	3
Leasehold improvements	7

Depreciation and amortization expense was \$77,095 and \$ 84,531 for the years ended June 30, 2010 and 2009, respectively.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plant, Equipment, Textbooks and Depreciation

Maintenance and repairs are charged to operations when incurred. When property, plant and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and the School is also exempt from state income tax.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The School's significant financial instruments are cash, accounts receivables and liabilities and approximate fair value because of the short maturity of these instruments. The carrying amount of the note payable approximates fair value due to the interest rates currently available to the School for notes payable with similar terms and maturity.

Public Relations

The School records public relations cost as expenses when they are incurred. Public relations expense was \$4,214 and \$11,464 for the years ended June 30, 2010 and 2009, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

The School has evaluated subsequent events through _____ which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2009, have been incorporated into these financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

3. NOTE PAYABLE

	<u>2010</u>	<u>2009</u>
Brighter Choice Foundation, unsecured, payable upon demand. Interest rate 4.25%.	<u>\$ -</u>	<u>\$ 200,000</u>

4. GRANTS

Grant support and revenue represents the portion of the grants utilized for operations and to acquire equipment and textbooks. The School depends on grants for a portion of its support.

	<u>2010</u>	<u>2009</u>
	<u>Grant Receipts Expended</u>	<u>Grant Receipts Expended</u>
New York State Department of Education		
Entitlement grants	\$ 199,027	\$ 157,504
Child Nutrition	<u>143,770</u>	<u>99,879</u>
Total Grant Support and Revenue	<u>\$ 342,797</u>	<u>\$ 257,383</u>

5. OPERATING LEASE

The School has entered into a lease agreement for the lease of educational facilities under an operating lease that expires on June 30, 2012. Monthly lease payments are \$37,500. In the event that any portion of the premises is leased to a co-tenant, the School shall only be responsible for paying its rent on a pro rata basis, based upon the School's occupied square footage. For the year ended June 30, 2009, 100% of the facility will be leased by the School.

The School leases office equipment under in non-cancelable operating leases that expires in 2011 and 2013. Monthly lease payments are \$1,375.

Rent expense was \$481,696 and \$ 470,762 for the years ended June 30, 2010 and 2009. The minimum annual lease payments are as follows:

2011	\$	466,493
2012		454,793
2013		4,393

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

6. PLANT, EQUIPMENT AND TEXTBOOKS

The details of property, equipment and textbooks and accumulated depreciation for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 261,623	\$ 247,750
Textbooks	51,597	51,597
Leasehold improvements	<u>139,386</u>	<u>139,386</u>
Total Property, Equipment and Textbooks	452,606	438,733
Accumulated depreciation and amortization	<u>(285,162)</u>	<u>(208,067)</u>
Net Property, Equipment and Textbooks	<u>\$ 167,444</u>	<u>\$ 230,666</u>

7. EMPLOYEE RETIREMENT PLAN

The School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the School and its employees. The related expense for the years ended June 30, 2010 and 2009 was \$37,534 and \$23,919, respectively.

KIPP TECH VALLEY CHARTER SCHOOL
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	<u>Program Services</u>					2010 Totals	2009 Totals
	Regular Education	Special Education	Other Programs	Management and General			
Functional Expenses							
Personnel service	\$ 1,419,493	\$ 60,000	\$ -	\$ 310,901	\$ 1,790,394	\$ 1,545,060	
Fringe benefits	286,246	12,099	-	62,694	361,039	313,647	
Staff development	9,181	-	-	830	10,011	2,000	
Travel	-	-	-	6,961	6,961	7,238	
Telephone	-	-	-	28,171	28,171	27,458	
Instructional supplies	47,830	2,936	344	-	51,110	62,552	
Field trips	-	-	73,316	-	73,316	115,598	
Food program	-	-	172,442	-	172,442	161,576	
Legal	-	-	-	5,203	5,203	4,398	
Accounting	-	-	-	19,672	19,672	21,454	
Consultants	23,673	2,500	-	19,173	45,346	43,669	
Board expenses	-	-	-	506	506	712	
Office supplies and materials	-	-	-	40,314	40,314	41,113	
Depreciation and amortization	64,598	3,079	3,919	5,499	77,095	84,531	
Utilities	44,191	2,106	2,681	3,762	52,740	68,841	
Lease							
Facilities	377,055	17,970	22,875	32,100	450,000	450,000	
Equipment	15,848	-	-	15,848	31,696	20,762	
Repairs and maintenance	99,426	4,739	6,032	8,464	118,661	117,303	
Transportation	-	-	254,612	-	254,612	177,645	
Insurance	20,198	963	1,225	8,297	30,683	29,986	
Interest	-	-	-	-	-	984	
Fundraising	-	-	-	6,629	6,629	5,311	
Miscellaneous equipment	-	-	-	1,735	1,735	1,137	
Recruitment	-	-	-	5,645	5,645	4,840	
Student services	22,746	1,396	-	-	24,142	27,861	
Public relations	-	-	-	4,214	4,214	11,464	
Bad debts	-	-	-	132,771	132,771	64,061	
Fees and licensing	-	-	-	31,321	31,321	56,792	
Total Functional Expenses	\$ 2,430,485	\$ 107,788	\$ 537,446	\$ 750,710	\$ 3,826,429	\$ 3,467,993	