

**ROCHDALE EARLY ADVANTAGE
CHARTER SCHOOL**

FINANCIAL STATEMENTS

JUNE 30, 2012

**(With comparative totals for period
from March 30, 2010 (date of inception)
June 30, 2011)**

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Rochdale Early Advantage Charter School

We have audited the accompanying statement of financial position of Rochdale Early Advantage Charter School (the "School") as of June 30, 2012, and the related statements of activities, functional expenses, and 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 these financial statements based on our audit. The prior period summarized comparative information has been derived from the School's June 30, 2011 financial statements and, in our report dated October 25, 2011, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 the School as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 09, 2012 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 on 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.

MBAF CPAs, LLC

New York, NY
November 09, 2012

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with comparative totals for June 30, 2011)

	2012	2011
Assets:		
Cash	\$ 550,961	\$ 254,753
Cash - restricted	100,040	25,004
Grants and other receivables	52,431	120,285
Prepaid expenses and other assets	9,943	4,539
Property and equipment, net	225,237	238,941
Website, net	1,090	2,024
Total Assets	\$ 939,702	\$ 645,546
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 39,513	\$ 50,839
Accrued salaries and other payroll related expenses	56,841	14,593
Loan payable	50,000	50,000
Deferred rent and other incentives	26,769	35,692
Deferred revenue	115	2,094
Total Liabilities	173,238	153,218
Net assets:		
Unrestricted	766,464	477,328
Temporarily restricted	-	15,000
Total Net Assets	766,464	492,328
Total Liabilities and Net Assets	\$ 939,702	\$ 645,546

The accompanying notes are an integral part of these financial statements.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(with comparative totals for the period from inception (March 31, 2010) to June 30, 2011)

	Unrestricted	Temporarily Restricted	Total 2012	2011
Operating revenue:				
State and local per pupil operating revenue	\$ 1,452,244	\$ -	\$ 1,452,244	\$ 950,273
Federal grants	114,513	-	114,513	258,360
State grants	6,756	-	6,756	3,310
Total operating revenue	1,573,513	-	1,573,513	1,211,943
Expenses:				
Program services:				
General education	1,051,225	-	1,051,225	762,688
Special education	82,147	-	82,147	-
Management and general	206,910	-	206,910	205,583
Total operating expenses	1,340,282	-	1,340,282	968,271
Excess from school operations	233,231	-	233,231	243,672
Support and other income:				
Contributions, grants and other income	11,761	-	11,761	142,686
Donated services	4,515	-	4,515	10,900
Other in-kind	24,594	-	24,594	95,066
Interest income	35	-	35	4
Net assets released from restrictions	15,000	(15,000)	-	-
Total support and other income	55,905	(15,000)	40,905	248,656
Change in net assets	289,136	(15,000)	274,136	492,328
Net assets – beginning of period	477,328	15,000	492,328	-
Net assets – at June 30,	\$ 766,464	\$ -	\$ 766,464	\$ 492,328

The accompanying notes are an integral part of these financial statements.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012
(with comparative totals for the period from inception (March 31, 2010) to June 30, 2011)

	Program Services			Supporting Services		2012	2011
	General Education	Special Education	Total	Management and General	and General		
Salaries	\$ 458,362	\$ 69,166	\$ 527,528	\$ 107,288	\$ 634,816	\$ 395,741	\$ 40,146
Payroll taxes and employee benefits	69,538	10,486	80,024	16,265	96,289	74,790	111,436
Classroom supplies and instructional materials	129,843	-	129,843	54,046	110,772	2,540	65,001
Professional fees	56,253	473	56,726	6,187	6,187	333	10,004
Advertising and recruiting	6,187	-	6,187	14,647	71,712	1,526	1,694
Staff professional development	57,065	-	57,065	79	79	13,660	6,851
Travel	-	-	-	2,426	10,549	7,502	95,066
Insurance	8,123	-	8,123	-	10,549	47,045	4,704
Field trips	3,091	-	3,091	-	3,091	5,291	24,129
Student food services	1,461	-	1,461	-	1,461	27,783	4,347
Office expense	8,781	1,325	10,106	3,554	13,660	1,177	2,829
Telephone and internet	7,498	-	7,498	232	7,730	4,808	-
Rent	98,409	-	98,409	3,044	101,453	-	-
Other in-kind	-	-	-	1,362	45,402	-	-
Repairs and maintenance	44,040	-	44,040	1,362	45,402	-	-
Furniture and fixtures - non-capitalizable	4,214	422	4,636	656	5,291	-	-
Security service	26,949	-	26,949	834	27,783	-	-
Technology service	5,530	119	5,649	333	5,982	-	-
Postage and delivery	1,033	156	1,189	242	1,431	-	-
Printing and photocopying	-	-	-	-	-	-	-
Interest expense	-	-	-	37	37	-	-
Bank fees	60,333	-	60,333	1,866	62,199	40,218	10,900
Depreciation and amortization	4,515	-	4,515	-	4,515	-	-
Donated services	-	-	-	-	-	-	-
Total expenses	\$ 1,051,225	\$ 82,147	\$ 1,133,372	\$ 206,910	\$ 1,340,282	\$ 968,271	\$ 968,271

The accompanying notes are an integral part of these financial statements.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

(with comparative totals for the period from inception (March 31, 2010) to June 30, 2011)

	2012	2011
Cash flows from operating activities:	\$ 274,136	\$ 492,328
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:	62,199	40,218
Depreciation and amortization		
Changes in operating assets and liabilities:	(75,036)	(25,004)
Cash - restricted	67,854	(120,285)
Grants and other receivables	(5,404)	(4,539)
Prepaid expenses and other assets	(11,326)	50,839
Accounts payable and accrued expenses	42,248	14,593
Accrued salaries and other payroll related expenses	(8,923)	35,892
Deferred rent and other incentives	(1,979)	2,094
Deferred revenue		
Net cash provided by operating activities	343,769	485,936
Cash flows from investing activities:	(47,561)	(278,381)
Purchase of property and equipment	-	(2,802)
Development of website		
Net cash used in investing activities	(47,561)	(281,183)
Cash flows from financing activities:	-	150,000
Proceeds from loan	-	(100,000)
Repayments towards loan		
Net cash provided by financing activities	-	50,000
Net Increase in cash	296,208	254,753
Cash - beginning of period	254,753	-
Cash - at June 30,	\$ 550,961	\$ 254,753

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:	\$	-	\$ 4,750
Interest	\$	-	-
Income taxes			

The accompanying notes are an integral part of these financial statements.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. NATURE OF THE ORGANIZATION:

Rochdale Early Advantage Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. On January 15, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School opened its doors in the Fall of 2010 in Rochdale, New York with a rigorous academic program and a highly structured and supportive school culture.

The School, as determined by the Internal Revenue Service, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

The School's primary sources of income are from per pupil and other government funding.

In fiscal year 2012, the School operated classes for students in grades K-2.

2. SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets -- permanently restricted, temporarily restricted, and unrestricted -- be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- Permanently Restricted -- Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.
- Temporarily Restricted -- Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2012

activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

- Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2012.

Cash - restricted

An escrow account of \$100,040 is held aside for contingency purposes as required by the New York City Department of Education ("NYCDOE").

Grants and Other Receivables

Grants and other receivables represent unconditional promises to give. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$52,431 and \$120,285 at June 30, 2012 and 2011, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2012. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue from the state and local government resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue from state and local government grants in the accompanying statement of financial position.

Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Leasehold improvements are amortized over the shorter of the useful life of the asset or the life of the lease. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairments

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an

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NOTES TO FINANCIAL STATEMENTS June 30, 2012

impairment loss. No impairment losses were required to be recognized for the year ended June 30, 2012.

Donated Services

The School receives contributed legal services that are an integral part of its operations. Such services are only recorded as contributions in-kind, at their fair value, provided the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Donated services received are estimated at \$4,515 and \$10,900 for the periods ended June 30, 2012 and 2011, respectively, and are reflected as donated services as both income and expense in the accompanying financial statements.

Advertising

The school expenses advertising costs as incurred. The school incurred \$832 and \$234 of advertising costs for the periods ended June 30, 2012 and 2011, respectively, which is included in the accompanying statement of functional expenses under advertising and recruiting.

Deferred Rent Expense

Rent expense is recognized on a straight-line basis over the life of the respective lease, including future fixed escalations of rent, rather than in accordance with lease payments. Deferred rent expense represents the adjustment to future rents as a result of using the straight-line method.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management based upon benefits received.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Subsequent Events

The School has evaluated events through November 09, 2012, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2012 financial statements include certain prior period summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for the period March 30, 2010 (date of inception) to June 30, 2011 are presented. As a result, the June 30, 2011 comparative information

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2012

does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2011 information should be read in conjunction with the School's financial statements for the period ended June 30, 2011, from which the summarized information was derived.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The School files informational returns in the United States federal jurisdiction. All returns that have been filed are subject to audit.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

Reclassifications

Certain accounts in the prior-period financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. This had no effect on net assets or the change in the net assets for the prior period.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of June 30:

	2012	2011	Estimated Useful Lives
Furniture and fixtures	\$ 42,346	\$ 33,037	7 years
Computer hardware and software	13,744	4,392	3 years
Equipment	20,376	11,286	5 years
Leasehold Improvements	249,476	229,666	5 years
	325,942	278,381	
Less: accumulated depreciation and amortization	(100,705)	(39,440)	
	\$225,237	\$238,941	

Depreciation and amortization expense for the period ended June 30, 2012 and 2011 was \$61,265 and \$39,440, respectively.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2012

4. WEBSITE: Development costs related to the School's website amounting to \$2,802 have been capitalized. These costs are amortized over the estimated life of three years using the straight-line method. Amortization expense for the periods ended June 30, 2012 and 2011 was \$934 and \$778, respectively. Accumulated amortization totaled \$1,712 and \$778 at June 30, 2012 and 2011, respectively.

5. DEFERRED LEASE INCENTIVES: Deferred lease incentives are the portion of property and equipment additions that were paid for by the landlord. The lease incentives are being amortized over the term of the underlying lease using the straight-line method. Amortization expense for the periods ended June 30, 2012 and 2011 was \$8,923 and \$7,808, which is included in the accompanying statement of functional expenses under rent expense.

6. LOAN PAYABLE: On July 16, 2010, the School obtained a \$50,000 non-interest bearing loan from the New York City Charter School Center. The loan is due in full on September 30, 2013. The outstanding principal at both June 30, 2012 and 2011 was \$50,000.

On August 4, 2010, the School obtained a \$100,000 unsecured loan from Brita Specialties, Inc. The principal and interest (at 12% per annum) were both paid in full on January 4, 2011. Interest expense amounted to \$9,198 for the period ended June 30, 2011.

7. AGREEMENT FOR SCHOOL FACILITY: The School entered into a sublease agreement with the New Jerusalem Baptist Church, effective July 1, 2010. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2015, with a one year renewal option. Monthly rental payments are \$9,198 for the term of the lease.

Future minimum rental payments are as follow:

Year ended June 30,		
2013	\$	110,376
2014		110,376
2015		110,376
	\$	331,128

Rent expense for the periods ended June 30, 2012 and 2011 was \$101,453 and \$102,568, respectively, which is included in the accompanying statement of functional expenses under rent.

8. RISK MANAGEMENT: The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2012

- 9. CONCENTRATIONS:**
- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at major financial institutions that, at times, may exceed the Federal Deposit Insurance Corporation ("FDIC") limits. The FDIC has temporarily increased the limit to \$250,000.
 - B. The School received approximately 91% and 72% of its revenue from per pupil funding from NYCDOE for the periods ended June 30, 2012 and 2011, respectively.
 - C. Four grantors accounted for 100% of grants and other receivables at June 30, 2012. Three grantors accounted for 100% of grants and other receivables at June 30, 2011.
 - D. Four vendors accounted for approximately 65% and 85% of accounts payable at ended June 30, 2012 and 2011, respectively.

**10. TEMPORARILY
RESTRICTED NET
ASSETS:**

Temporarily restricted net assets consist of the following:

June 30,	2012	2011
Purpose restricted – NYCDOE escrow	\$ -	\$ 15,000
Total	\$ -	\$ 15,000

The temporarily restricted net asset of \$15,000 for the NYCDOE escrow account requirement was released during the fiscal year 2012 by transferring the funds into an escrow account, thus satisfying the restricted purpose.