

THE UFT CHARTER SCHOOL

**Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2014 and 2013



THE UFT CHARTER SCHOOL
For the Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The UFT Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of The UFT Charter School (the "School"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

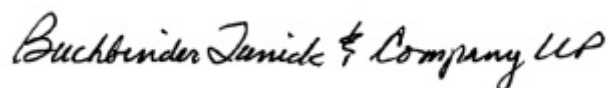
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The UFT Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the School's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of The UFT Charter 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The UFT Charter School's internal control over financial reporting and compliance.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 28, 2014

THE UFT CHARTER SCHOOL
Statements of Financial Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 3,140,116	\$ 566,309
Grants receivable	685,134	473,805
Other receivable	-	5,380
Prepaid expenses	29,635	-
Inventory	41,871	36,288
Furniture and equipment, net	<u>356,818</u>	<u>470,400</u>
Total assets	<u>\$ 4,253,574</u>	<u>\$ 1,552,182</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 506,140	\$ 160,932
Due to United Federation of Teachers	312,571	78,859
Accrued sick and vacation pay	<u>271,047</u>	<u>362,756</u>
Total liabilities	<u>1,089,758</u>	<u>602,547</u>
Net assets :		
Unrestricted	3,054,037	856,592
Temporarily restricted	<u>109,779</u>	<u>93,043</u>
Total net assets	<u>3,163,816</u>	<u>949,635</u>
Total liabilities and net assets	<u>\$ 4,253,574</u>	<u>\$ 1,552,182</u>

See notes to financial statements.

THE UFT CHARTER SCHOOL
Statements of Activities
For the years ended June 30, 2014 and 2013

	2014			2013		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue:						
Local per pupil operating revenue	\$ 14,403,549	\$ 14,403,549	\$ -	\$ 14,925,202	\$ 14,925,202	\$ -
Government grants	706,455	-	706,455	630,731	-	630,731
Contributions	1,000	1,000	-	236,748	200	236,548
Interest income	4,860	4,860	-	2,000	2,000	-
School uniform sales	12,822	12,822	-	22,848	22,848	-
Other income	35,786	35,786	-	40,759	40,759	-
Net assets released from purpose restrictions	-	689,719	(689,719)	-	843,877	(843,877)
Total operating revenue	<u>15,164,472</u>	<u>15,147,736</u>	<u>16,736</u>	<u>15,858,288</u>	<u>15,834,886</u>	<u>23,402</u>
Expenses:						
Program services:						
Regular Education	10,402,214	10,402,214	-	10,953,512	10,953,512	-
Special Education	714,114	714,114	-	803,187	803,187	-
Supporting services:						
Management and general	1,824,091	1,824,091	-	1,760,503	1,760,503	-
Fundraising	9,872	9,872	-	10,332	10,332	-
Total expenses	<u>12,950,291</u>	<u>12,950,291</u>	<u>-</u>	<u>13,527,534</u>	<u>13,527,534</u>	<u>-</u>
Change in net assets	2,214,181	2,197,445	16,736	2,330,754	2,307,352	23,402
Net assets (deficit):						
Beginning of year	949,635	856,592	93,043	(1,381,119)	(1,450,760)	69,641
End of year	<u>\$ 3,163,816</u>	<u>\$ 3,054,037</u>	<u>\$ 109,779</u>	<u>\$ 949,635</u>	<u>\$ 856,592</u>	<u>\$ 93,043</u>

See notes to financial statements.

THE UFT CHARTER SCHOOL
Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,214,181	\$ 2,330,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	207,876	254,429
(Increase) decrease in operating assets:		
Grants receivable	(211,329)	(171,396)
Other receivable	5,380	(5,073)
Prepaid expenses	(29,635)	-
Inventory	(5,583)	7,110
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	345,208	(67,840)
Due to Green Dot NY Charter School	-	(749)
Accrued sick and vacation pay	<u>(91,709)</u>	<u>5,713</u>
Net cash provided by operating activities	<u>2,434,389</u>	<u>2,352,948</u>
Cash flows from investing activities:		
Additions to furniture and equipment	<u>(94,294)</u>	<u>(39,520)</u>
Net cash (used in) investing activities	<u>(94,294)</u>	<u>(39,520)</u>
Cash flows from financing activities:		
Due to (from) United Federation of Teachers	<u>233,712</u>	<u>(1,868,538)</u>
Net cash provided by (used in) financing activities	<u>233,712</u>	<u>(1,868,538)</u>
Net increase in cash and cash equivalents	2,573,807	444,890
Cash and cash equivalents:		
Beginning of year	<u>566,309</u>	<u>121,419</u>
End of year	<u>\$ 3,140,116</u>	<u>\$ 566,309</u>

See notes to financial statements.

THE UFT CHARTER SCHOOL
Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Nature of Organization

The UFT Elementary Charter School was formed under an education corporation that operates charter schools in the borough of Brooklyn, New York City. On July 21, 2005, the Board of Regents of the University of the State of New York for and on behalf of the Education Department of the State of New York granted the School a provisional charter valid for a term of five years from the effective date of July 15, 2005 and renewable upon expiration. On July 25, 2006, the New York State Board of Regents approved a revision to the charter for the name of the UFT Elementary Charter School to be changed to The UFT Charter School (the "School"). Beginning September 2006, The UFT Secondary Charter School commenced classes. The UFT Secondary Charter School operates under the same charter as the School. On February 26, 2013, the Charter School's Committee approved a renewal with conditions for a two-year term through July 31, 2015.

The School's mission is to prepare all students to achieve academic and personal excellence, to graduate students fully prepared for a demanding secondary education, and to help prepare students for meaningful lives as full democratic citizens in a free society.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

Unrestricted net assets are not restricted by donors/grantors, or the donor/grantor-imposed restrictions have expired.

Temporarily restricted net assets contain donor/grantor-imposed restrictions that permit the School to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the School.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. As of June 30, 2014 and 2013, the School did not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as released from purpose restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

Grants Receivable

Unconditional grants receivable are recognized as revenue in the period in which the grant is awarded. Conditional grants receivable are recognized when the conditions on which they depend are substantially met.

Inventory

Inventory is recorded at cost, which approximates net realizable value. Inventory at June 30, 2014 and 2013 consists of shirts to be worn as part of a school uniform. The shirts are available for sale only to students and their families.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment is recorded at cost except for assets acquired in accordance with government contracts, which are recorded as expenses of such contracts because the government agency retains title to the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to seven years.

Contributions and Grants

Contributions and grant revenue received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from purpose restrictions.

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

Promises to Give

Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give are recognized in the period received.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The School has evaluated subsequent events and transactions through October 28, 2014, the date that the financial statements were available to be issued.

Note 3 - Furniture and Equipment

At June 30, 2014 and 2013, furniture and equipment consisted of:

	2014	2013
Classroom and office furniture	\$ 637,766	\$ 637,067
Classroom and office computers and equipment	1,605,069	1,511,474
	2,242,835	2,148,541
Less: accumulated depreciation	(1,886,017)	(1,678,141)
Furniture and equipment, net	\$ 356,818	\$ 470,400

During the years ended June 30, 2014 and 2013, depreciation expense amounted to \$207,876 and \$254,429, respectively.

Note 4 - Related Party Transactions

The School is related to the United Federation of Teachers, Local 2, AFT (the "UFT"). The School utilizes the resources and personnel of the UFT and UFT Welfare Fund to effectuate cost savings and to minimize duplication of efforts. During the years ended June 30, 2014 and 2013, the School was allocated \$312,571 and \$315,397 from these entities, respectively. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses, the UFT contributed \$-0- and \$236,548 to the School for the years ended June 30, 2014 and 2013, respectively.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 5 - Temporarily Restricted Net Assets

At June 30, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	2014	2013
Temporarily restricted:		
Title I Grant - NYS Department of Education 9/1/13- 8/31/14	\$ 109,779	\$ -
Title I Grant - NYS Department of Education 9/1/12 - 8/31/13	-	93,043
Total temporarily restricted net assets	\$ 109,779	\$ 93,043

The School has adopted investment and spending policies for endowment assets (donor-restricted and board-designated) that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2014 and 2013, the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

Effective September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Note 6 - Pension Plan

Effective fiscal year 2008, the School began contributing to the Teachers Retirement System, a defined contribution plan. The total amounts contributed for the years ended June 30, 2014 and 2013 were \$1,265,175 and \$962,716, respectively.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 7 - Concentrations

Credit Risk

The School maintains cash balances at a banking institution. Accounts are insured by the Federal Deposit Insurance Corporation. The School does not anticipate any risk problems.

Significant Funding

The School has entered into service contracts and grant agreements with New York State and New York City government agencies that are subject to business risks associated with the economy and administrative directives, rules and regulations that are subject to change. A significant reduction in revenue from these various governmental agency contracts would have an adverse effect on the School's programs.

Note 8 - Tax Status

The School has been determined by the Internal Revenue Service (the "IRS") to be exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2014, the School's Form 990s for the years 2010 through 2013 remain eligible for examination by the IRS.

**THE UFT CHARTER SCHOOL
(Supplemental Schedules)
Schedules of Functional Expenses
For the years ended June 30, 2014 and 2013**

	2014					2013				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Regular Education	Special Education	Management and General	Fundraising	Total	Regular Education	Special Education	Management and General	Fundraising	Total
Salaries	\$ 6,393,314	\$ 448,410	\$ 754,195	\$ 6,529	\$ 7,602,448	\$ 7,014,896	\$ 538,110	\$ 806,692	\$ 6,699	\$ 8,366,397
Payroll taxes	492,850	34,568	57,320	477	585,215	543,183	41,668	61,421	482	646,754
Employee benefits	2,184,842	153,228	271,826	2,688	2,612,584	1,841,296	141,210	249,490	3,040	2,235,036
Provision for sick and vacation pay	(58,328)	(16,614)	(16,768)	-	(91,710)	25,127	(8,363)	(11,050)	-	5,714
Classroom textbooks and supplies	191,285	15,197	-	-	206,482	168,743	11,422	-	-	180,165
Classroom furniture and equipment	94,168	7,481	-	-	101,649	86,308	5,842	-	-	92,150
Office furniture and equipment	-	-	9,636	-	9,636	-	-	19,665	-	19,665
Consulting	-	-	460,374	-	460,374	-	-	383,843	-	383,843
After school program	509,465	40,476	-	-	549,941	701,591	47,492	-	-	749,083
School uniforms	38,899	3,090	-	-	41,989	39,044	2,643	-	-	41,687
Insurance	38,845	2,976	85,917	-	127,738	42,862	3,289	76,215	-	122,366
Telephone	65,133	4,570	7,684	70	77,457	32,747	2,511	3,765	31	39,054
Meetings and conferences	-	-	39,947	-	39,947	-	-	29,174	-	29,174
Auditing	-	-	37,500	-	37,500	-	-	36,900	-	36,900
Teacher recruitment	16,757	1,331	-	-	18,088	15,267	1,033	-	-	16,300
Printing	55,062	3,863	6,496	59	65,480	40,651	3,117	4,674	39	48,481
Office supplies	-	-	11,645	-	11,645	-	-	11,992	-	11,992
Postage	10,495	736	1,238	11	12,480	6,166	473	709	6	7,354
Copying	64	4	7	-	75	54	4	5	1	64
Teachers' discretionary	(2,753)	(219)	-	-	(2,972)	(164)	(11)	-	-	(175)
Student trips	93,565	7,434	-	-	100,999	79,245	5,364	-	-	84,609
Food service	9,227	733	-	-	9,960	9,078	614	-	-	9,692
Maintenance and supplies	-	-	13,973	-	13,973	-	-	26,942	-	26,942
Payroll processing	7,040	494	831	8	8,373	8,196	628	942	8	9,774
Student testing materials	15,978	1,269	-	-	17,247	33,916	2,296	-	-	36,212
School programs	38,876	3,089	-	-	41,965	14,677	994	-	-	15,671
Student recruitment	232	18	-	-	250	10,885	737	-	-	11,622
Legal fees	-	-	30,049	-	30,049	-	-	13,698	-	13,698
Legal settlement	-	-	20,000	-	20,000	-	-	-	-	-
Depreciation	178,983	-	28,893	-	207,876	212,173	-	42,256	-	254,429
Miscellaneous	28,215	1,980	3,328	30	33,553	27,571	2,114	3,170	26	32,881
Total expenses	\$ 10,402,214	\$ 714,114	\$ 1,824,091	\$ 9,872	\$ 12,950,291	\$ 10,953,512	\$ 803,187	\$ 1,760,503	\$ 10,332	\$ 13,527,534

See independent auditor's report.



**INDEPENDENT AUDITOR'S 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**

The Board of Trustees
The UFT Charter School

We have audited, in accordance with the 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, the financial statements of The UFT Charter School, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The UFT Charter School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The UFT Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of The UFT Charter School's internal control.

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 a combination of deficiencies, in internal control, 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

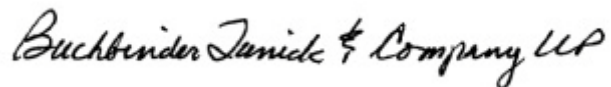
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The UFT Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 28, 2014