Bronx Global Learning Institute for Girls

Financial Statements
and
Independent Auditors' Report

June 30, 2011

Bronx Global Learning Institute for Girls

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Independent Auditors' Report

To the Board of Trustees of
Bronx Global Learning Institute for Girls
Bronx, New York

We have audited the accompanying statement of financial position of Bronx Global Learning Institute for Girls as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. 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.

We conducted our audit in accordance with auditing standards generally accepted of 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 Bronx Global Learning Institute for Girls as of June 30, 2011, 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 October 26, 2011, on our consideration of Bronx Global Learning Institute for Girls' 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 an 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 audit 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.

Vargas & Rivera, LLP

New City, New York
October 26, 2011

Bronx Global Learning Institute for Girls
Statement of Financial Position
June 30, 2011

ASSETS

Current Assets	
Cash - Operating	$ 872,372
Due from Government Agencies (Note 3)	94,153
Accounts Receivable	17,265
Prepaid Expenses	28,361
Total Current Assets	1,012,151
Fixed Assets	
Equipment, Furniture and Fixtures	229,209
Less: Accumulated Depreciation	(126,056)
Total Fixed Assets	103,153
Total Assets	$ 1,115,304

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Expenses	$ 35,962
Accrued Payroll and Related Expenses	188,479
Total Current Liabilities / Total Liabilities	224,441
Net Assets	
Unrestricted Net Assets	890,863
Total Net Assets	890,863
Total Liabilities and Net Assets	$ 1,115,304

See accompanying notes and independent auditors' report.

Bronx Global Learning Institute for Girls
Statement of Activities
For the year ended June 30, 2011

PUBLIC SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
Resident Student Enrollment	$ 2,676,317	$ -	$ 2,676,317
Food Service / Meals	90,582	-	90,582
Federal Funding	-	252,317	252,317
State and City Funding	-	54,398	54,398
In-kind Contributions (Note 6)	443,812	-	443,812
Corporate Contributions	6,366	-	6,366
Interest Income	1,229	-	1,229
	3,218,306	306,715	3,525,021
Net Assets Released From Restrictions	306,715	(306,715)	-
Total Public Support and Revenue	3,525,021	-	3,525,021
EXPENSES			
Program Services			
Regular Education	2,400,869	-	2,400,869
Special Education	23,017	-	23,017
	2,423,886	-	2,423,886
Supporting Services			
Management and General	603,452	-	603,452
Total Expenses	3,027,338	-	3,027,338
Change in Unrestricted Net Assets	497,683	-	497,683
Net Assets, Beginning of Year	393,180	-	393,180
Net Assets, End of Year	$ 890,863	$ -	$ 890,863

See accompanying notes and independent auditors' report.

Bronx Global Learning Institute for Girls
Statement of Cash Flows
For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Unrestricted Net Assets	$ 497,683
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	66,796
Changes in Assets and Liabilities	
(Increase) / Decrease in:	
Due from Government Agencies	135,003
Prepaid Expenses	(23,555)
Increase / (Decrease) in:	
Accounts Payable and Accrued Expenses	(15,175)
Accrued Payroll and Related Expenses	27,189
Total Adjustments	172,993
Net Cash Provided by Operating Activities	670,676
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Equipment, Furniture and Fixtures	(13,023)
Net Cash Used In Investing Activities	(13,023)
NET INCREASE IN CASH	657,653
CASH - BEGINNING OF YEAR	214,719
CASH - END OF YEAR	$ 872,372

See accompanying notes and independent auditors' report.

NOTE 1 - ORGANIZATION

Bronx Global Learning Institute for Girls (the "School") is a charter school for children located in Bronx, New York. In the first year of operation (2008-2009), the school operated grades kindergarten through first. The school plans to add one grade per year until a grade fifth is reached. It educates children in a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The School was chartered in February 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation
The net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in The United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions
The School records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulation time restriction ends 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. All contributions received in the year ended 2011 were unrestricted.

Recognition of Revenue
Government contract revenue is recognized as earned in the period services are provided and costs are incurred.

Cash and Cash Equivalents
For the purposes of the statement of cash flows, the School considers all highly liquid investments available for current use with an initial period of three months or less to be cash equivalents.

Income Tax Status
The School is a not-for-profit corporation organized under the laws of the State of New York. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment, Furniture and Fixtures,
Equipment, furniture and fixtures are valued at cost less accumulated depreciation. Depreciation is computed on a straight line basis over the estimated useful lives of the related assets or the term of the lease agreement. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period. The School capitalizes assets with cost of $500 and over. Depreciation is calculated based on the useful lives of the assets as follows: Equipment, Furniture and Fixtures 3 - 7 Years.

Functional Allocation of Expenses
Expenses relating to more than one function are allocated to program service and management and general based on employee time estimates or other appropriate usage factors.

Contributed Services
Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

NOTE 3 – PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT

Under the School's Charter School Agreement and the Charter School Act, the School is entitled to received funding from both State and Federal sources that are available to public schools. These funds include State pupil enrollment funds and Federal food subsidies and Title I, IIA, IID, IV and V funds. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school district of the children enrolled in the school. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

Amounts due from governmental agencies as of June 30, 2011 are $94,153.

NOTE 4 – DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the Plan is voluntary. Employees may contribute up to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was $17,617 for 2011. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NOTE 5 – MANAGEMENT FEES

Victory Schools, Inc. (VSI) d/b/a Victory Education Partners (VEP) manages the operations of the School under a management agreement entered into by the School and VSI. The agreement was executed in July 2008. Per the terms of the agreement, VSI assumes responsibility for task and functions associated with the educational services to be provided to the children enrolled as students as the School in accordance with the terms of the Charter and the Charter Schools Act, subject to the appropriate oversight from the School's Board of Trustees.

In providing the above services, VEP is paid a management fee in the amount equal to the product of the total full-time equivalent enrollment of students in the Charter School as defined under Section 119.1 of the New York State Commissioner of Education Regulations multiplied by one thousand dollars ($2,000) (The "Per Pupil Fee"). The Per Pupil Fee shall be increased or decreased each year by the percentage increase or decrease in the Final Adjusted Per Pupil for charter schools in the New York City school district as calculated by the New York State Education Department annually.

NOTE 6 – IN-KIND GOODS AND SERVICES

The School received in-kind goods and service of facilities and services from various sources. In-kind contributions in the statement of activities and the schedule of functional expenses consisted of the following for the year ended June 30, 2011:

Rent	$ 326,449
Maintenance/Security	41,420
Utilities	75,943
Food Service / Meals	90,779
	$ 534,591

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Audits by Funding Sources

The School participates in a number of Federal and State programs. These programs require that the School complies with certain requirement of laws, regulations, contracts, and agreements applicable to the program in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or result of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 8 – CONCENTRATION OF RISK

The School is dependent on various government agencies for funding, and is responsible for meeting the requirements of such agencies. If the school was to lose students or the related government funding, it could have a substantial effect on its ability to continue operations.

NOTE 9 – SUBSEQUENT EVENTS

The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 26, 2011, for these financial statements.

Supplemental Information

Bronx Global Learning Institute for Girls
Schedule of Functional Expenses
For the year ended June 30, 2011

Personnel Service Costs	Regular Education	Special Education	Total Programs	Support Services	Total
Salaries					
Administrative Staff Personnel	$ 251,313	$ 2,404	$ 253,717	$ -	$ 253,717
Instructional Personnel	996,258	9,532	1,005,790	-	1,005,790
Non-Instructional Personnel	6,913	66	6,979	72,696	79,675
Total Personnel Service Costs	1,254,484	12,002	1,266,486	72,696	1,339,182
Fringe Benefits	221,508	2,119	223,627	12,836	236,463
Retirement Benefits	16,502	158	16,660	957	17,617
Payroll Taxes	98,604	943	99,547	5,714	105,261
Total Personnel and Related Expenses	1,591,098	15,222	1,606,320	92,203	1,698,523
Operating Expenses					
Management Fee (Note 5)	-	-	-	430,126	430,126
Consultants - Education	22,969	220	23,189	1,331	24,520
Food	5,640	-	5,640	-	5,640
Insurance	8,634	83	8,717	23,482	32,199
Supplies and Materials	86,550	828	87,378	5,015	92,393
Technology	30,385	307	30,692	-	30,692
In-kind Goods and Services (Note 6)	500,356	4,788	505,144	29,447	534,591
Staff Development	31,731	304	32,035	1,839	33,874
Marketing and Recruiting	2,746	26	2,772	160	2,932
Auditing Fees	-	-	-	8,000	8,000
Office Expense	23,453	224	23,677	1,360	25,037
Maintenance and Repairs	4,147	40	4,187	240	4,427
Equipment Leases	12,065	153	12,218	3,054	15,272
Transportation	4,428	45	4,473	-	4,473
Depreciation	62,570	599	63,169	3,625	66,794
Other Expenses	14,097	178	14,275	3,570	17,845
Total Operating Expenses	809,771	7,795	817,566	511,249	1,328,815
TOTAL EXPENSES	$ 2,400,869	$ 23,017	$ 2,423,886	$ 603,452	$ 3,027,338

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Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed Accordance with *Government Auditing Standards*

To the Board of Trustees of
Bronx Global Learning Institute for Girls
Bronx, New York

We have audited the financial statements of Bronx Global Learning Institute for Girls as of and for the year ended June 30, 2011 and have issued our report thereon dated October 26, 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

Management of Bronx Global Learning Institute for Girls is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bronx Global Learning Institute for Girls' internal conrol over financial reporting as a basis for designing our audting 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 Bronx Global Learning Institute for Girls' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bronx Global Learning Institute for Girls' 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Bronx Global Learning Institute for Girls' financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 2011-1 and 2011-2.

Bronx Global Learning Institute for Girls' response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Bronx Global Learning Institute for Girls' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, the New York City Department of Education, the Charter Schools Institute of the State University of New York, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vargas & Rivera, LLP

New City, New York
October 26, 2011

Bronx Global Learning Institute for Girls
Schedule of Findings and Responses
For the year ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes ✓ No
Significant deficiency(ies) identified?	_____ Yes ✓ None reported
Noncompliance material to financial statements noted?	_____ Yes ✓ No

Section II - Financial Statement Findings

Finding 2011-1

Criteria:
In accordance with New York City Department of Education (NYCDOE), schools are to maintain student files containing documentation supporting verifiable legal residence. Upon registration, proof of residence will be verified by any two acceptable documents established by NYCDOE.

Statement of Condition:
The student files tested did not have the required proof of residence information. Out of the twenty-eight files tested, three were in full compliance, 14 had one acceptable document, and 11 did not have acceptable documents.

Context:
A sample of twenty-eight student files were selected to verify the registration documents were complete.

Effect:
Noncompliance with provisions of the NYCDOE for determining and establishing verifiable legal residence.

Cause:
Quality review procedures not consistently or adequately maintained by charter school staff or managment agent engaged to assist in providing administrative and accounting services for the charter school.

Recommendation:
Establish and maintain quality review procedures to ensure that each student file maintained by the school is adequately supported by required documentation needed to establish and determine verifiable legal residency.

Management's Response and Corrective Action Plan:
Management agrees with the finding and is in the process of updating all student files.

Bronx Global Learning Institute for Girls
Schedule of Findings and Responses
For the year ended June 30, 2011

Finding 2011-2

Criteria:
In accordance with the Department of Treasury, Internal Revenue Service, file Form 1099-MISC, Miscellaneous Income, for each person to whom you have paid during the year nonemployee compensation of $600 or more for services in the course of our trade or business.

Statement of Condition:
Payments were issued to nonemployees that exceeded $600 as compensation and was not reported to the Internal Revenue Service for the calendar year 2010.

Context:
Examined managements schedule of nonemployee compensation for the calendar year 2010. Payments made in excess of $600 were traced to copies of the IRS Form 1099 Misc. Four out of the eight consultants were not issued the IRS form because vendor information was incomplete (social security / taxpayer identification number and address).

Effect:
Noncompliance with provisions of the Internal Revenue Service for reporting nonemployee compensation that exceeded $600.

Cause:
Consultants complete information was not obtained prior to issuance of payment.

Recommendation:
Establish and maintain review procedures to ensure complete vendor information is obtained from consultants prior to issuing payment for services.

Management's Response and Corrective Action Plan:
We agree with this recommendation and will institute it immediately.