

**CHILDREN'S CHARTER SCHOOL, INC.**

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**FINANCIAL STATEMENTS**

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**JUNE 30, 2004 AND 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-8-04

**CHILDREN'S CHARTER SCHOOL, INC.**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Children's Charter School, Inc.


I have audited the accompanying statements of financial position of Children's Charter School, Inc. (a non-profit organization) as of June 30, 2004, and 2003 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Charter School, Inc. as of June 30, 2004, and 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2004, on my consideration of Children's Charter School, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.

My audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Baton Rouge, Louisiana  
November 20, 2004

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Children's Charter School, Inc.

I have audited the financial statements of Children's Charter School, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and 2003, and have issued my report thereon dated November 20, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Children's Charter School, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Children's Charter School, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information and use of the board of directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'B. H.', written in a cursive style.

Baton Rouge, Louisiana  
November 20, 2004

**CHILDREN'S CHARTER SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2004, AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Current assets		
Cash in bank	\$ 206,923	\$ 152,225
Certificates of deposit	55,000	55,000
Cash and money market account	2,108	2,096
Accounts receivables	53,217	63,659
Prepaid expense	281	
Marketable securities	<u>136,876</u>	<u>138,359</u>
Total current assets	<u>454,406</u>	<u>411,338</u>
Property and equipment		
Land	139,066	139,066
Building	111,528	111,528
Building and land improvements	99,677	90,147
Furniture	16,741	15,466
Machinery and equipment	80,196	77,331
Playground equipment	<u>12,581</u>	<u>12,581</u>
	459,789	446,120
Less accumulated depreciation	<u>(89,947)</u>	<u>(67,150)</u>
Net property and equipment	<u>369,842</u>	<u>378,970</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 824,248</b></u>	<u><b>\$ 790,308</b></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,820	\$ 4,043
Payroll taxes withheld and accrued	<u>1,942</u>	<u>1,084</u>
Total current liabilities	<u>8,762</u>	<u>5,128</u>
NET ASSETS		
Unrestricted	672,147	652,815
Restricted	<u>143,340</u>	<u>132,365</u>
TOTAL NET ASSETS	<u>815,487</u>	<u>785,180</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 824,248</b></u>	<u><b>\$ 790,308</b></u>

See accountant's report and notes to financial statements.

**CHILDREN'S CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
State charter school funding	\$ 884,850	\$ 0	\$ 884,850
Grants	0	84,500	84,500
Book and supply sales	2,477	0	2,477
Other miscellaneous revenue	70,061	0	70,061
Net assets released from restrictions:			
Restrictions satisfied by payments	73,525	(73,525)	0
Total revenue and support	1,030,914	10,975	1,041,889
<b>EXPENSES</b>			
Program service expenses			
Academic programs	839,300	0	839,300
Supporting services expenses			
General and administrative	172,282	0	172,282
Total expenses	1,011,582	0	1,011,582
Change in net assets	19,332	10,975	30,307
Net assets at beginning of the year	652,815	132,365	785,180
Net assets at end of the year	\$ 672,147	\$ 143,340	\$ 815,487

See accountant's report and notes to financial statements.

**CHILDREN'S CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
State charter school funding	\$ 842,582	\$ 0	\$ 842,582
Grants	32,269	20,000	52,269
Book and supply sales	3,371		3,371
Other miscellaneous revenue	20,054		20,054
Net assets released from restrictions			
Restrictions satisfied by payments	62,756	(62,756)	0
Total revenue and support	961,031	(42,756)	918,275
<b>EXPENSES</b>			
Program service expenses			
Academic programs	897,618		897,618
Supporting services expenses			
General and administrative	86,652		86,652
Total expenses	984,270	0	984,270
 Change in net assets	 (23,239)	 (42,756)	 (65,995)
 Net assets at beginning of the year	 676,054	 175,120	 851,174
 Net assets at end of the year	 \$ 652,815	 \$ 132,364	 \$ 785,180

See accountant's report and notes to financial statements.



**CHILDREN'S CHARTER SCHOOL, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Change in net assets	\$ 30,307	\$ (65,994)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	22,797	21,728
Noncash investment loss	6,311	6,641
(Gain) loss on disposal of securities	0	(1,569)
(Increase) decrease in accounts receivable	10,442	142
Increase (decrease) in accounts payable	2,776	1,245
Increase (decrease) in other accrued liabilities	<u>858</u>	<u>444</u>
 Total adjustments	 <u>43,183</u>	 <u>28,631</u>
 Net cash provided (used) by operating activities	 73,490	 (37,363)
 Cash flows from investing activities		
Purchases of property and equipment	(13,669)	(51,386)
Proceeds from disposal of securities	0	282,123
Purchase of securities	<u>(4,828)</u>	<u>(291,491)</u>
 Net cash provided (used) by investing activities	 <u>(18,498)</u>	 <u>(60,754)</u>
 Net increase (decrease) in cash and equivalents	 54,992	 (98,117)
 Cash and equivalents at beginning of the year	 <u>209,320</u>	 <u>307,438</u>
 Cash and equivalents at end of year	 <u>\$ 264,313</u>	 <u>\$ 209,320</u>

See accountant's report and notes to financial statements.

**CHILDREN'S CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

**NOTE A: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Children's Charter School, Inc. (the School) is a not-for-profit organization incorporated on November 8, 1995, under Louisiana Revised Statute 17:3991. The School operates a charter school in Baton Rouge, Louisiana under contract with the East Baton Rouge Parish School Board. The School is primarily funded by funds received under this contract.

Basis of Accounting

The School prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

In accordance with SFAS No. 117, *Financial Statements for Not-for-profit Organizations*, the School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted assets. The School has no permanently restricted assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Buildings, Equipment, Improvements, and Depreciation

Acquisitions of buildings, equipment, and improvements and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment, and improvements are stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the related assets.

Contributions

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

**CHILDREN'S CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

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 stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Expense Allocation

The costs of providing various academic programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments

The School carries its investment in debt securities (certificate of deposit) at their fair value in the Statements of Financial Position.

Income Taxes

Children's Charter School, Inc. is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The School maintains cash balances at a financial institution located in Baton Rouge, Louisiana. The Federal Deposit Insurance Corporation insures the balances up to \$100,000. At June 30, 2004 and 2003, the School's uninsured cash balances totaled \$161,923 and \$124,069, respectively.

Concentration of Funding Sources

The School received approximately 86% and 92% of its annual budget from the East Baton Rouge Parish School Board in the years ended June 30, 2004 and 2003, respectively.

**NOTE B: FAIR VALUES OF FINANCIAL INSTRUMENTS**

The estimated fair values of the School's financial instruments, none of which are held for trading purposes, are as follows:

Cash, certificates of deposit, and cash in money market accounts are carried at \$264,031 and \$209,321 in the years ended June 30, 2004 and 2003, respectively, and have a fair value of the same amounts because of the short maturities of those investments.

**CHILDREN'S CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

**NOTE C: LEASES**

The School also has operating leases for the use of modular buildings. The leases are for a term of one year, commencing in July 1999 and terminating in June 2000, and commencing in July 2000 and terminating in June 2001. The leases contain the option to extend the leases on a month-to-month basis until the equipment is returned to the lessor. During the extension period, lessor has the right to, on thirty days' notice, increase the rental rate per month by the percentage increase in the Consumer Price Index (CPI) and to increase any other fee or charge previously quoted in the lease agreement. The lessee has extended the leases and is now on a month-to-month basis. Rental expense for these leases in the amounts of \$23,019 and \$25,886 has been charged to operations during the years ended June 30, 2004 and 2003, respectively.

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**SUPPLEMENTAL INFORMATION**

**CHILDREN'S CHARTER SCHOOL, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTALS</u>
Depreciation expense	\$ 22,797	\$ -	\$ 22,797
Development assessment	-	28,888	28,888
Equipment lease	6,725	-	6,725
Food service	120,965	-	120,965
Insurance	84,868	-	84,868
Materials and supplies	20,822	9,083	29,905
Miscellaneous expenses	67,926	1,009	68,935
Payroll taxes	15,915	-	15,915
Professional development	8,607	-	8,607
Professional services	25,590	-	25,590
Rent	23,019	-	23,019
Repair and maintenance	34,440	-	34,440
Retirement	35,727	-	35,727
Salaries	332,137	76,240	408,377
Security	2,617	-	2,617
Special events	2,411	-	2,411
State association expenses	-	45,920	45,920
State conference expenses	-	8,127	8,127
Telephone	-	3,014	3,014
Textbooks	-	-	-
Transportation service	12,169	-	12,169
Travel expenses	6,200	-	6,200
Utilities	16,366	-	16,366
	<u>\$ 839,300</u>	<u>\$ 172,282</u>	<u>\$ 1,011,582</u>

**CHILDREN'S CHARTER SCHOOL, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTALS</u>
Depreciation expense	\$ 21,728	\$ -	\$ 21,728
Equipment lease	4,980	-	4,980
Food service	110,498	-	110,498
Insurance	84,004	-	84,004
Materials and supplies	30,748	7,849	38,597
Miscellaneous expenses	80,331	663	80,993
Payroll taxes	20,980	-	20,980
Professional development	6,318	-	6,318
Professional services	30,619	-	30,619
Rent	25,886	-	25,886
Repair and maintenance	34,765	-	34,765
Retirement	28,195	-	28,195
Salaries	362,877	66,016	428,893
Security	4,712	-	4,712
Special events	8,142	-	8,142
Telephone	-	12,125	12,125
Textbooks	175	-	175
Transportation service	26,230	-	26,230
Travel expenses	4,519	-	4,519
Utilities	11,912	-	11,912
	<u>\$ 897,618</u>	<u>\$ 86,652</u>	<u>\$ 984,270</u>