

**MIDDLE COLLEGE HIGH SCHOOL**

**NATIONAL CONSORTIUM, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Changes in Net Assets .....	5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7-10
Supplementary Information - Schedules of Functional Expenses .....	11

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF TRUSTEES OF**

### **MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

We have audited the accompanying statements of financial position of Middle College High School National Consortium, Inc. (a nonprofit organization) (the "Organization") as of December 31, 2009 and 2008, and the related statements of activities, changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 Organization as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses on page 11 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Wilkin & Guttenplan", is written over a horizontal line.

WILKIN & GUTTENPLAN, P.C.  
Certified Public Accountants

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31,**

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,190,993	\$ 1,771,190
Other receivables, net	53,341	105,473
Grants receivables	2,537,041	3,834,056
Prepaid expenses	27,827	79,102
Property and equipment, net	<u>5,237</u>	<u>5,744</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 3,814,439</u></u></b>	<b><u><u>\$ 5,795,565</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued accrued expenses	\$ 16,657	\$ 33,320
Unconditional grants payable	-	147,173
Deferred revenue	<u>60,631</u>	<u>53,287</u>
<b>TOTAL LIABILITIES</b>	<b><u>77,288</u></b>	<b><u>233,780</u></b>
<b>NET ASSETS</b>		
Unrestricted net assets	666,917	667,359
Temporarily restricted net assets	<u>3,070,234</u>	<u>4,894,426</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,737,151</u></b>	<b><u>5,561,785</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 3,814,439</u></u></b>	<b><u><u>\$ 5,795,565</u></u></b>

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

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31,**

	<b>2009</b>			<b>2008</b>		
	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>TOTAL</b>	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>TOTAL</b>
<b>REVENUES:</b>						
Conference income	\$ 334,856	\$ -	\$ 334,856	\$ 362,034	\$ -	\$ 362,034
Contract funding	-	126,825	126,825	-	225,453	225,453
Membership dues	19,531	-	19,531	19,479	-	19,479
Interest income	-	15,180	15,180	-	96,531	96,531
Service fees and other income	184	-	184	51,622	-	51,622
Net assets released from restrictions	1,966,197	(1,966,197)	-	2,835,982	(2,835,982)	-
<b>TOTAL REVENUES</b>	<b>2,320,768</b>	<b>(1,824,192)</b>	<b>496,576</b>	<b>3,269,117</b>	<b>(2,513,998)</b>	<b>755,119</b>
<b>EXPENSES:</b>						
Program services	2,092,114	-	2,092,114	3,009,067	-	3,009,067
General and administrative	229,096	-	229,096	200,008	-	200,008
<b>TOTAL EXPENSES</b>	<b>2,321,210</b>	<b>-</b>	<b>2,321,210</b>	<b>3,209,075</b>	<b>-</b>	<b>3,209,075</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (442)</b>	<b>\$ (1,824,192)</b>	<b>\$ (1,824,634)</b>	<b>\$ 60,042</b>	<b>\$ (2,513,998)</b>	<b>\$ (2,453,956)</b>

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

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**STATEMENTS OF CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>			<u>2008</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	\$ 667,359	\$ 4,894,426	\$ 5,561,785	\$ 607,317	\$ 7,408,424	\$ 8,015,741
<b>CHANGE IN NET ASSETS</b>	<u>(442)</u>	<u>(1,824,192)</u>	<u>(1,824,634)</u>	<u>60,042</u>	<u>(2,513,998)</u>	<u>(2,453,956)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 666,917</u>	<u>\$ 3,070,234</u>	<u>\$ 3,737,151</u>	<u>\$ 667,359</u>	<u>\$ 4,894,426</u>	<u>\$ 5,561,785</u>

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

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,824,634)	\$ (2,453,956)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,835	3,552
Change in assets and liabilities:		
Other receivables	1,297,015	(225,453)
Grants receivable	52,132	11,184
Prepaid expenses	51,275	(47,252)
Accounts payable and accrued expenses	(16,663)	(11,885)
Unconditional grants payable	(147,173)	97,173
Deferred revenue	7,344	4,840
Agency funds	-	(60,959)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(577,869)</u>	<u>(2,682,756)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(2,328)</u>	<u>(1,561)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(580,197)	(2,684,317)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,771,190</u>	<u>4,455,507</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,190,993</u></u>	<u><u>\$ 1,771,190</u></u>

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

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**NOTE 1 - NATURE OF ORGANIZATION:**

Middle College High School National Consortium, Inc. (the "Consortium"), is a non-profit organization, located in Long Island, New York, whose mission is to provide leadership and support for members and prospective members to contribute to educational reform at secondary and post-secondary levels. The Consortium also aims to promote a national perspective on the middle college model that guides member schools' private practice and the development of the new middle colleges. The Consortium's activities include, among other things, festivals, theatre, programs for children with autism and awareness education of the local society's non-challenged population.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires the Consortium 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.

**Cash and Cash Equivalents** - Cash is held in bank deposit accounts which, at times, may exceed federally insured limits. Cash equivalents include money market accounts and certificates of deposit with original maturities of six months or less.

**Other Receivables** - On a periodic basis, the board of trustees evaluates the accounts receivable and estimates an allowance for doubtful accounts, based on history of past write-offs and collections. No allowance was deemed necessary as of December 31, 2009 and 2008.

**Basis of Presentation** - The Consortium prepares its financial statements in accordance with generally accepted accounting principles. As such, the Consortium is required to report information regarding its financial position and activities according to two classes of net assets as follows:

**Unrestricted Net Assets** - Unrestricted net assets are not subject to any donor imposed stipulations. Revenues are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets result from grants and other contributions that are received with donor stipulations that limit the use of the donated assets.

(CONTINUED)

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Property and Equipment** - Property and equipment is stated at cost. Computers are being depreciated over the estimated useful lives of five years.

**Income Taxes** - The Consortium is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Consortium did not conduct any unrelated business activities and therefore, has made no provision for income taxes in the accompanying financial statements. The Consortium's prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service.

**Grants and Other Contributions** - All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or the 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.

The Consortium receives dues from its members. Dues received for the current year's membership are recognized as revenue in the current year. The revenue arising from dues received for a future year's membership is deferred until that year. Other revenue is recognized when services are performed.

Grants are recorded as expenses when they are approved by the Consortium's external review board and the grantees are notified. Unconditional grants payable are recipient amounts committed but not yet disbursed at year end.

**Functional Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Subsequent Events** - The board has evaluated subsequent activity through the date of the auditors' report, which is the date the financial statements were available to be issued (See Note 8).

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**NOTE 3 - PREPAID EXPENSES:**

Prepaid expenses consists of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Professional services	\$ 10,000	\$ 10,000
Hotel and conferences	8,656	10,738
Consulting	2,223	49,892
Other	3,648	5,790
Rent	<u>3,300</u>	<u>2,682</u>
Total Prepaid Expenses	<u>\$ 27,827</u>	<u>\$ 79,102</u>

**NOTE 4 - PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Computers	\$ 14,175	\$ 11,847
Leasehold improvements	<u>-</u>	<u>3,550</u>
Property and equipment	14,175	15,397
Less: accumulated depreciation	<u>(8,938)</u>	<u>(9,653)</u>
Property and equipment, net	<u>\$ 5,237</u>	<u>\$ 5,744</u>

The Consortium uses estimates in determining the depreciable lives of property and equipment.

**NOTE 5 - GRANTS RECEIVABLE:**

Grants receivable include unconditional promises to give as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 2,544,015	\$ 1,423,840
Receivable in one to five year	-	2,544,015
Discount to present value	<u>(6,974)</u>	<u>(133,799)</u>
Total	<u>\$ 2,537,041</u>	<u>\$ 3,834,056</u>

Grants receivable have been discounted for the years ending December 31, 2009 and 2009 utilizing a discount rate of 0.23% and 1.9%, respectively.

At December 31, 2009 and 2008, all grants receivable are due from the Bill and Melinda Gates Foundation.

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**NOTE 6 - GRANTS PAYABLE:**

The Consortium awarded certain conditional grants to plan and implement Early College and Middle College High School programs. Such grants are subject to the satisfaction of performance requirements that have not yet been substantially met by the recipients. Once the recipient has met all the requirements the grant is then recorded as an unconditional grant payable and a corresponding amount is transferred from temporarily restricted assets to unrestricted assets. There were no unconditional grants payable for the year ended December 31, 2009 and \$147,173 for the year ended December 31, 2008.

**NOTE 7 - PENSION PLAN:**

The Consortium maintains a group tax-deferred annuity contract for substantially all its employees, in accordance with the provisions of Section 403(b) of the Internal Revenue Code. This plan requires that all contributions, if any, be made by the employees.

**NOTE 8 - SUBSEQUENT EVENT:**

Subsequent to the year ending December 31, 2009, the Consortium started charging fees to schools that wanted to implement an early college program. The Consortium agreed to setup a middle college at Oakhaven High School at a cost of \$23,325. These fees were related to telephone support, on-site coaching, leadership residency and dues for the summer institute.

**NOTE 9 - RELATED PARTY:**

During the year ending December 31, 2009, the Consortium entered into a lease agreement to rent office space for one year starting on April 1, 2009. The office space is co-owned by Cecilia Cunningham who is the executive director of the Consortium. Total annual rent expense per the lease agreement is \$39,600.

**MIDDLE COLLEGE HIGH SCHOOL NATIONAL CONSORTIUM, INC.**

**SUPPLEMENTARY INFORMATION**

**SCHEDULES OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED DECEMBER 31,**

	<b>2009</b>			<b>2008</b>
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Total</b>	<b>Comparative Total</b>
Salaries	\$ 584,343	\$ 129,253	\$ 713,596	\$ 655,189
Grants to schools	610,400	-	610,400	1,515,217
Consulting	436,458	-	436,458	427,564
Conferences	313,775	-	313,775	369,448
Travel	63,901	-	63,901	90,466
Occupancy and office	50,907	3,496	54,403	42,003
Accounting and legal fees	-	51,075	51,075	19,416
Supplies	10,876	5,057	15,933	28,365
Telephone	-	14,022	14,022	12,827
Computer maintenance	11,653	-	11,653	6,021
Miscellaneous	-	11,033	11,033	5,268
Printing and reproduction	7,118	791	7,909	10,138
Equipment rental and maintenance	-	5,858	5,858	4,088
Insurance	-	5,453	5,453	5,678
Depreciation	-	2,835	2,835	3,552
Postage and delivery	2,008	223	2,231	4,110
Bad debt expenses	675	-	675	3,652
Stipend	-	-	-	6,073
<b>TOTAL EXPENSES</b>	<b>\$ 2,092,114</b>	<b>\$ 229,096</b>	<b>\$ 2,321,210</b>	<b>\$ 3,209,075</b>