Section I: School Information and Cover Page

School Name: Discovery Charter School

School Leader: Joseph L. Saia

Primary address: 125 Kings Highway South Rochester, NY 14617

School website: www.RochesterDiscovery.com

School email: jsaia@RochesterDiscovery.com

Telephone: 585.787.2105 **Fax:** 585.342.4003

BEDS #: 26-0801-86 (1002)

District/CSD of Location: East Irondequoit (260801060000)

Charter authorizer: New York State Board of Regents

Chair, Board of Trustees: David L. Vigren

Date school first opened for instruction: August 15, 2011

2011-12 Enrollment: Approximately 120 students

2011-12 Grades Served: Kindergarten-Second Grade

Our signatures below attest that all of the information contained herein is truthful and accurate.

Joseph Saia	8. 1. 2012
Joseph Saia, Head of Charter School	Signature and Date
David Vigren	8/1/2012
David Vigren, President, Board of Trustees	Signature and Date

Section II: Table of Contents

Section III: New York State School Report Card

Complete NYS Report Card available at https://reportcards.nysed.gov
(as of 7.1.12, NYSED has not posted a report card for DCS' first year)

Section IV: Key Focus Area Requirements

Progress Toward Charter Goals

See Appendix A- Required Tables of Progress Toward Charter School Goals

Instructional Time

See Appendix B- Instructional Time Table

Financial Information

See Appendix C- Total Expenditures and Administrative Expenditures Per Child

See Appendix D- Unaudited Financial Statements

See Appendix E- FY 2013 Budget and Narrative

Charter Revisions

DCS has not proposed any material and/or nonmaterial revisions to the school's charter during the 2011-2012 school year.

Board of Trustees

See Appendix F- Disclosure of Financial Interest Forms

See Appendix G- Board of Trustees Membership Table

Enrollment of Target Populations

See Appendix H- Enrollment and Retention Targets

Appendix A:

Academic Goals Table

2011-12 Progress Toward Attainment of Academic Charter Goals			
Academic goal or objective	*Measure used to evaluate progress toward attainment of goal or objective*	*2011-12 progress toward attainment of goal or objective*	*If not met, describe efforts to be undertaken to meet goal or objective*
Decrease number of continuously enrolled students at level 1 by 10%	NYS ELA and Math Assessments	NA: only K-2, no state assessments administered	
Increase number of continuously enrolled students at level 3	NYS ELA and Math Assessments	NA: only K-2, no state assessments administered	
Increase scores according to Commissioner's Performance Index for Adequate Yearly Progress	NYS ELA and Math Assessments	NA: only K-2, no state assessments administered	
By year 5, students in grades 3-6 who have been continuously enrolled at DCS will out-perform the district in which the majority of the students reside by 10%	NYS ELA and Math Assessments	NA: only K-2, no state assessments administered	
75% of the continuously enrolled students in grades 1 and 2 will demonstrate continuous improvement	Terra Nova Reading and Math assessments	NA: 1st year of instruction-no opportunity to show growth (benchmarks collected)	
75% of the continuously enrolled students in grades 1 and 2 will demonstrate a year's growth	Terra Nova Reading and Math assessments	NA: 1st year of instruction-no opportunity to show growth (benchmarks collected)	
75% of the students in grades 3-6 who are continuously enrolled at DCS will maintain a level 3 or increase to a level 4	NYS ELA and Math Assessments	NA: only K-2, no state assessments administered	

Organizational Goals Table

2011-12 Progress Toward Attainment of Organizational Charter Goals			
Organizational goal or objective	*Measure used to evaluate progress toward attainment of goal or objective*	*2011-12 progress toward attainment of goal or objective*	*If not met, describe efforts to be undertaken to meet goal or objective*
Open the school according to plan	Scheduled Opening Date	Met. Opened on time 8/15/2011 and completed a successful first year.	

Financial Goals Table

2011-12 Progress Toward Attainment of Financial Charter Goals			
Financial goal or objective	*Measure used to evaluate progress toward attainment of goal or objective*	*2011-12 progress toward attainment of goal or objective*	*If not met, describe efforts to be undertaken to meet goal or objective*
Meet budget	Budget surplus(deficit) plan	Met. Year 1 budget surplus projected.	

Charter-Specific Goals Table

2011-12 Progress Toward Attainment of Charter-Specific Goals			
Charter-specific goal or objective	*Measure used to evaluate progress toward attainment of goal or objective*	*2011-12 progress toward attainment of goal or objective*	*If not met, describe efforts to be undertaken to meet goal or objective*
Establish a Parent Organization	Bylaws adopted. Organization functioning.	Met. Bylaws adopted. Leadership elected, active at DCS and attendance/involvement increasing.	
Expand Board of Directors	New trustees added.	Met. New members successfully integrated and parent representative selection under way	
Expeditionary Learning (EL) Model Implemented	EL Implementation Review	Met. Implementing into the upper half of EL schools nationally (e.g. Professional Development delivered, intimately working with an EL school designer, collaborating with both local and national network)	

Appendix B: Instructional Timetable

2011-12 Instructional Time	
Total number of instructional days for the 2011-12 school year	DCS 200 (RCSD 183; EISD 181*)
First and last day of the 2011-12 school year	Aug. 15, 2011-June 29th, 2012
Length of school day (please note if schedule varies throughout the week or the year)	DCS 8 hours 7:30-3:30 (RCSD/EISD 6.5)

*Rochester City School District (where 96% of students reside) & East Irondequoit Central School District (district where DCS is physically housed)

Appendix C: Unaudited Total Expenditures and Administrative Expenditures Per Child

Charter School Name: Discovery Charter School	Charter School Code: 260901961002
Contact Person: Joyce Martelli	Phone: 585-342-402

REVENUES

A	State Sources	$ 3,025
B	Federal Sources	486,817
C	Public School Districts	
	Basic Operating Revenues	1,473,980
	State Aid-Pupils with Disabilities	15,352
	Other Revenue	19,111
D	All Other Revenues	28,959
E	Total Revenues From All Sources	$ 2,027,244

EXPENDITURES

		Salaries	Other	Total
F	General Administration	$131,350	$ 113,681	$245,031
G	Instructional Supervision	66,625	-	66,625
H	All Other Instruction	545,704	207,081	752,785
I	Pupil Services	66,928	1,260	68,188
J	Pupil with Disabilities	62,683	333	63,016
K	Transportation	-	23,236	23,236
L	Community Service	-	-	-
M	Operation and Maintenance	-	269,226	269,226

N	Employee Benefits	258,169
O	Debt Service	15,645
P	School Lunch	76,519
Q	Capital Expense	161,814
R	Grand Total Expenditures	$2,000,254

S	Enrollment	122.19
T	Total Expenditures Per Pupil R/S	$ 16,371
U	Total General Administration Per Pupil F/S	$ 2,005

Appendix D: Unaudited Financial Statements

June Profit and Loss Statement 2012

	ACTUAL YTD 06/30/2012
Income	
Per Pupil Allocation Income	$ 1,473,980
Contributions	21,459
Food Service Income	80,930
Federal Title IIA	7,268
Federal Title I	74,653
Federal CSP	216,172
High Cost Aid from District	15,351
District Textbook Funds	19,112
TOTAL INCOME	**$ 1,908,925**
Expense	
Salaries & Wages	873,290
Employee Benefits	258,169
Total Personnel Expense	**1,131,459**
School Operations	
Minor Equipment	74,258
Transportation	23,236
Miscellaneous Expense	4,586
Office Supplies	6,324
Classroom Supplies	18,339
Special Education Supplies	333
Food Service Supplies	2,770
Postage/Printing/Copying	4,241
Telephone	952
Marketing & Advertising	829
Travel	2,493
Professional Development Exp	2,441
Board Expense	267
Student Field Trips	1,235
Textbooks	30,173
Uniforms	132
Computers	32
Meeting Expense	294
Subscriptions/Membership	1,930
Student Testing	6,563
Total School Operations	**181,428**

Contracted Services	
Accounting/Auditing	8,500
Nurse Contract	1,260
Landlord - Admin. Services	13,000
Legal Fees	11,519
Landlord - IT Services	25,000
Expeditionary Learning Fees	74,917
Cameleon Fees	9,000
Food Service Fees	72,480
Payroll Processing	3,509
TotalContracted Services	**219,185**
Facility Operation	
Insurance	12,477
Janitorial	12,863
Maintenance & Repairs	2,149
Facility Lease	232,224
Total Facility Operation	**259,713**
Other	
Loan Interest Expense	7,243
Depreciation	23,060
Fund Raising Expenses	708
Total Other Expenses	**31,011**
TOTAL EXPENSES	**1,822,796**
NET OPERATING SURPLUS/(DEFICIT)	**86,129**
CSP Capital Grant	110,819
Donations for Capital	7,500
NET SURPLUS/(DEFICIT) INCLUDING REVENUE FOR CAPITAL EXPENDITURES	**$ 204,448**

June Balance Sheet 2012

ASSETS	
Current Assets	
Checking/Savings	
M & T Bank OPERATING CHECKING	$ 284,002
State Escrow Account	25,000
M & T Bank Temp Restri Checking	968
Total Checking/Savings	309,970
State and Federal Receivables	25,833
Prepaid Expenses	12,650
Total Current Assets	38,483
Fixed Assets	
Food Service Equipment	6,486
Classroom/Playground Equipment	55,607
Computer Equipment	57,415
Office Equipment	2,000
Leasehold Improvements	68,255
Accumulated Depreciation	-7,701
Accumulated Amortization	-15,359
Total Fixed Assets	166,703
TOTAL ASSETS	**$ 515,156**
LIABILITIES & FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	$ 58,525
Other Current Liabilities	
Accrued Liabilities	139,342
Deferred Per Pupil Allocation	44,409
Current Portion of Long-Term Debt	55,565
Total Other Current Liabilities	239,316
Total Current Liabilities	297,841
Long Term Debt	88,790
Total Liabilities	386,631
Fund Balance	
Unrestricted	127,557
Temporarily Restricted	968
Total Fund Balance	128,525
TOTAL LIABILITIES & FUND BALANCE	**$ 515,156**

Appendix E: FY 2013 Budget and Narrative

DISCOVERY CHARTER SCHOOL
2012-13 BUDGET

	BOARD APPROVED
REVENUE	
Per Pupil Revenue	$ 1,928,597
Federal Funding	
Title I	104,000
Title IIA	7,995
IDEA Special Needs	20,000
CSP Grant	190,176
Child Nutrition Funding-Federal/State	117,000
Total Revenue from Federal Sources	439,171
Local and Other Reveune Sources	25,000
TOTAL REVENUE	**2,392,768**
EXPENSES	
Personnel and Benefits	
Administrative Salaries	243,000
Instructional Salaries	810,500
Food Service	19,000
Salary Adjustments	29,510
Performance Reserve	14,000
Employee Benefits	327,566
Total Personnel and Benefits	**1,443,576**
Contracted Services	
Accounting / Audit	10,000
Consultants-Exp. Learning	60,000
Consultants - Technical Assist.	5,000
Legal	12,000
Landlord - IT	27,500
Landlord - Admin	13,780
Nurse Services	1,400
Food Service / School Lunch	111,440
Payroll Services	3,651
Other Purchased / Professional / Consulting	3,200
Total Contracted Services	**247,971**
School Operations	
Board Expenses	500
Classroom / Teaching Supplies & Materials	21,600
Special Ed Supplies & Materials	3,000
Textbooks / Workbooks	20,000
Minor Equipment / Furniture	15,100
Telephone	1,200

Technology- Computers/Software	11,000
Student Testing & Assessment	11,399
Postage/Printing/Copying	10,000
Field Trips	4,000
Transportation (student)	21,545
Office Expense	8,000
Staff Development (non EL)	7,000
Uniforms	800
Student Recruitment / Marketing	1,500
School Meals / Lunch Supplies	4,000
Travel (Staff)	5,000
Meeting Expenses	1,500
Enrichment Programs	50,000
Subscriptions/Memberships	3,500
Other	5,000
Total School Operations	**205,644**
Facility Operation and Maintenance	
Insurance	12,888
Janitorial	17,904
Building and Land Rent / Lease	230,486
Repairs & Maintenance	2,500
Total Facility Operation and Maintenance	**263,778**
Other Expenses	
Interest Expense	4,437
Depreciation/Amortization	42,850
Contingency	30,000
Total Other Expenses	**77,287**
TOTAL EXPENSES	**2,238,256**
NET OPERATING SURPLUS/(DEFICIT)	**154,512**
Donations for Capital	-
NET SURPLUS/(DEFICIT) INCLUDING REVENUE FOR CAPITAL EXPENDITURES	**$ 154,512**

DISCOVERY CHARTER SCHOOL
2012-13 BUDGET NARRATIVE

REVENUE
Per Pupil Revenue **$1,928,597**
The FTE for 2012-13 budget is 160 students Kindergarten through Third Grade.

EXPENSES
Personnel and Benefits **$1,443,576**
Personnel - Salaries are based on a 2% increase from 2011-12 and an additional 5 staff added as the school expends.

Contracted Services **$247,971**
Total increase was approximately 24%. The largest increase was for food service meals.

School Operations **$205,644**
Total increase was approximately 23%. The addition of an enrichment program was the most significant increase.

Facility Operation & Maintenance **$263,778**
This is a decrease from last year in this category, driven by lower rent.

Appendix F: Disclosure of Financial Interest Forms

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Betsy Archibald
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** Board of Regents SED
4. **Home Address*** [redacted]
5. **Business Addres**[redacted]
6. **Daytime Phone***[redacted]
7. **E-Mail Address***[redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Treasurer, Chair of Finance Committee

9. Is the trustee an employee of the school? **Yes** X **No**

   If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___**Yes** X **No**

    If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None.** Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write "None" if applicable. Do not leave this space blank. None			

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school **and** in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None.**

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write "None" if applicable. Do not leave this space blank. NONE				

Betsy Archibald
Signature

6-11-12
Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Daniel L. Aureli
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** ______
4. **Home Address*** [redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Vice chairperson 1-18-11 - present

9. Is the trustee an employee of the school? ___Yes ✓No

   If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___**Yes** ✓**No**

    If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None**. Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write "None" if applicable. Do not leave this space blank.			
None →			

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None**.

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write "None" if applicable. Do not leave this space blank.				
None →				

[signature] 6-19-12

Signature Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Joseph M. Martino
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** NYSED
4. **Home Address*** [redacted]
5. **Business Addres**[redacted]
6. **Daytime Phone***[redacted]
7. **E-Mail Address***[redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)

   Trustee, Chair of Personnel/Human Resources Committee, member of Executive Committee

9. Is the trustee an employee of the school? ___**Yes** _X_**No**

   If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___**Yes** _X_**No**

    If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None.** Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
*2011-12 None *2012-13 SY	*Anticipated Contract 9/2012 with EnCompass to support extension of afterschool program at Discovery. Trustee is also Executive Director and Board Member of EnCompass.	*Recused self from June2012 Discovery Board vote and discussion and will continue to do so with regard to this DCS initiative.	*Joseph M. Martino, Executive Director of EnCompass, Board Member

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None.**

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
*2011-12 None *2012-13 SY EnCompass: Resources for Learning	*Anticipated Extension to afterschool program	*$60,000	*Joseph M. Martino, Executive Director of EnCompass, Board Member	*Recused self from vote and discussion, assisted in trying to find alternative provider

[signature] July 2, 2012

Signature Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Delmonize A. Smith
2. **Charter School Name** Discovery Charte School
3. **Charter Authorizer Entity** NYS
4. **Home Addres**[redacted]
5. **Business Add**
6. **Daytime Pho**
7. **E-Mail Addres**
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Board Member, HR Committee member

9. Is the trustee an employee of the school? ___Yes ✓ No

   If Yes, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___Yes ✓ No

    If Yes, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None.** Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write "None" if applicable. Do not leave this space blank. None			

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None.**

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write "None" if applicable. Do not leave this space blank. None				

Delmonze A. Amado [signature] 08/16/2012

Signature Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Grace Tillinghast
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** SED
4. **Home Address*** [redacted]
5. **Business Address*** [redacted]
6. **Daytime Phone*** [redacted]
7. **E-Mail Address*** [redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Secretary

9. Is the trustee an employee of the school? ___**Yes** X **No**

   If **Yes,** please provide a description of the position you hold and your responsibilities, your salary and your start date.

   ____

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___**Yes** X **No**

    If **Yes,** please provide a description of the position you hold and your responsibilities, your salary and your start date.

    ____

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None**. Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write "None" if applicable. Do not leave this space blank. na	na	na	na

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None**.

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write "None" if applicable. Do not leave this space blank. na	na	na	na	na

Grace Fillinghast

Signature

June 06, 2012

Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** V. Ferris Todd
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** __________
4. **Home Address*** [redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Trustee

9. Is the trustee an employee of the school? ___Yes X No

   If Yes, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___Yes X No

    If Yes, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None**. Please note that if you answered Yes to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write "None" if applicable. Do not leave this space blank.			
NONE	NONE	NONE	NONE

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None**.

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write "None" if applicable. Do not leave this space blank.				
NONE	NONE	NONE	NONE	NONE

V. Fergus Todd   6/7/2012

Signature   Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** Sara B. Varhus
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** [redacted]
4. **Home Address*** [redacted]
5. **Business Addres**[redacted]
6. **Daytime Phone***[redacted]
7. **E-Mail Address***[redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)

____

____

9. Is the trustee an employee of the school? ___**Yes** X **No**

   If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

   ____

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___**Yes** X **No**

    If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

    ____

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None**. Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	**Nature of Financial Interest/Transaction**	**Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)**	**Name of person holding interest or engaging in transaction and relationship to yourself**
Please write "None" if applicable. Do not leave this space blank. None	None	None	None

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school <u>and</u> in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None**.

Organization conducting business with the school	**Nature of business conducted**	**Approximate value of the business conducted**	**Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest**	**Steps Taken to Avoid Conflict of Interest**
Please write "None" if applicable. Do not leave this space blank. None	None	None	None	None

Sara B. Varker
Signature

June 14, 2012
Date

Disclosure of Financial Interest by a New York Charter School Board of Trustees Member
Annual Report 2011-2012

**Note: This Disclosure is a public record, but asterisked data fields will be redacted.*

1. **Trustee Name (print)** David L. Vigren
2. **Charter School Name** Discovery Charter School
3. **Charter Authorizer Entity** NYSED
4. **Home Address*** [redacted]
5. Summer ~~**Business**~~ **Addres**[redacted]
6. **Daytime Phone***[redacted]
7. **E-Mail Address***[redacted]
8. List all positions held on board (e.g., chair, treasurer, parent representative)
   Board Chair; Executive Committee Chair

9. Is the trustee an employee of the school? ___ **Yes** X **No**

   If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

10. Is the trustee an employee or agent of the management company or institutional partner of the charter school? ___ **Yes** X **No**

    If **Yes**, please provide a description of the position you hold and your responsibilities, your salary and your start date.

11. Identify each interest/transaction (and provide the requested information) that you or any of your immediate family members or any persons who live with you in your house have held or engaged in with the charter school during the time you have served on the board, and in the six-month period prior to such service. If there has been no such financial interest or transaction, write **None.** Please note that if you answered **Yes** to Question 2-4 above, you need not disclose again your employment status, salary, etc.

Date(s)	Nature of Financial Interest/Transaction	Steps taken to avoid a conflict of interest, (e.g., did not vote, did not participate in discussion)	Name of person holding interest or engaging in transaction and relationship to yourself
Please write	"None" if applicable.	Do not leave this	space blank.
	NONE		

12. Identify each individual, business, corporation, union association, firm, partnership, committee proprietorship, franchise holding company, joint stock company, business or real estate trust, non-profit organization, or other organization or group of people doing business with the school and in which such entity, during the time of your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or other relationship. If you are a member, director, officer or employee of an organization formally partnered with the school that is doing business with the school through a management or services agreement, please identify only the name of the organization, your position in the organization as well as the relationship between such organization and the school. If there was no financial interest, write **None.**

Organization conducting business with the school	Nature of business conducted	Approximate value of the business conducted	Name of Trustee and/or immediate family member of household holding an interest in the organization conducting business with the school and the nature of the interest	Steps Taken to Avoid Conflict of Interest
Please write	"None"	if applicable.	Do not leave this space	blank.
NONE				

[signature]
Signature

6/17/2012
Date

Appendix G: Board of Trustees Membership Table

Current Board Members					
Trustee Name and Email Address	**Position on the Board**	**Committee affiliation(s)**	**Voting Member**	**Expertise, and/or additional role at school**	**Number of terms served and length of each, including date of election and expiration**
David Vigren dvigren@frontiernet.net	Chair	Executive	Yes	Business Finance	* Initial Trustee *Elected 1/18/2011 *Term expires 7.13
Daniel Aureli, Esquire dlaesq@frontiernet.net	Vice-Chair	Executive	Yes	Legal	*Initial Trustee *Elected 1/18/2011 *Term expires 7.12
Betsy Archibald barchiba@rochester.rr.com	Treasurer	Executive Audit/Finance	Yes	CPA	*Initial Trustee *Elected 1/18/2011 *Term expires at 7.13
Grace Tillinghast Mendoza@rochester.rr.com	Secretary	Executive	Yes	Education Fundraising	*Initial Trustee *Elected 1/18/2011 *Term expires at 7.12
Joseph Martino jmartino@e2ny.org	Trustee	Executive Audit/Finance HR/Personnel	Yes	Education Business	*Initial Trustee *Elected 1/18/2011 *Served one 6 month term *Current term expires 7.14
Delmonize Smith, PhD dsmith@saunders.rit.edu	Trustee	HR/Personnel	Yes	Education HR	*Elected 4/14/2011 *Term expires 7.14
Mary Burkhardt mburkhardt1@rochester.rr.com	Ex-Trustee	No longer on board	No longer on board	Education	*Initial Trustee *Elected 1/18/2011 *Term expired 7.11
Ferris Todd, EdD LMFT ferristdd58@gmail.com	Trustee	HR/Personnel	Yes	Family Counseling	*Elected 10/13/2011 *Term expires 7.12
Sara Varhus, PhD svarhus0@naz.edu	Trustee	HR/Personnel	Yes	Education	*Elected 10/13/2011 *Term expires 7.13
Total Members joining the board the 2011-2012 school year					2
Total Members departing the board during the 2011-2012 school year					1

Appendix H: Enrollment and RetentionTargets

SED Enrollment Targets for Discovery Charter School

Free and Reduced Price Lunch: 42.5%- Met target year 1
Limited English Proficient Students: 5.7%- Slightly under target year 1
Students with Disabilities: 2.7%- Met target year 1

SED Retention Targets for Discovery Charter School

Free and Reduced Price Lunch: 78.1%- Met target year 1
Limited English Proficient Students: 60%- Met target year 1
Students with Disabilities: 46.9%- Met target year 1

DISCOVERY CHARTER SCHOOL

ROCHESTER, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER CONSOLIDATING FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2012

CONTENTS

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Discovery Charter School

We have audited the accompanying consolidated statement of financial position of Discovery Charter School (the "Organization") as of June 30, 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the period from February 9, 2006 (date of inception) to June 30, 2012. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated 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, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Discovery Charter School as of June 30, 2012, and the changes in its net assets and its cash flows for the period from February 9, 2006 (date of inception) to June 30, 2012 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 2, 2012 on our consideration of Discovery Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 2, 2012

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
Additional Offices: Elmira, NY • Hornell, NY • Ithaca, NY • An Independent Member of the BDO Seidman Alliance

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

CURRENT ASSETS		
Cash		$ 286,880
Cash in escrow		25,000
Grants and other receivables		23,526
Prepaid expenses		3,400
	TOTAL CURRENT ASSETS	338,806
PROPERTY AND EQUIPMENT, net		171,062
	TOTAL ASSETS	$ 509,868

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of long-term debt		$ 47,875
Accounts payable and accrued expenses		111,741
Accrued payroll and benefits		120,654
	TOTAL CURRENT LIABILITIES	280,270
Long term debt		96,480
NET ASSETS		
Unrestricted		128,299
Temporarily restricted		4,819
	TOTAL NET ASSETS	133,118
	TOTAL LIABILITIES AND NET ASSETS	$ 509,868

The accompanying notes are an integral part of the consolidated financial statements.

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM FEBRUARY 9, 2006 (DATE OF INCEPTION) TO JUNE 30, 2012

	Unrestricted	Temporarily restricted	Total
Operating revenue and support:			
Public school districts:			
Per pupil allocation income	$ 1,473,980	$ -	$ 1,473,980
District textbooks in-kind	19,112	-	19,112
Students with disabilities	15,351	-	15,351
Total revenue from public schools	1,508,443	-	1,508,443
Federal and State grants	478,861	4,819	483,680
Private grants	55,000	-	55,000
Contributions	90,034	-	90,034
Donated supplies, materials and services	15,052	-	15,052
TOTAL OPERATING REVENUE AND SUPPORT	2,147,390	4,819	2,152,209
Expenses:			
Program services			
Regular education	1,620,794	-	1,620,794
Special education	81,088	-	81,088
Supporting services			
Management and general	311,126	-	311,126
Fundraising and special events	6,083	-	6,083
TOTAL EXPENSES	2,019,091	-	2,019,091
CHANGE IN NET ASSETS	128,299	4,819	133,118
Net assets at beginning of period	-	-	-
NET ASSETS AT END OF YEAR	$ 128,299	$ 4,819	$ 133,118

The accompanying notes are an integral part of the consolidated financial statements.

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM FEBRUARY 9, 2006 (DATE OF INCEPTION) TO JUNE 30, 2012

	Program Services			Supporting Services			
	Regular education	Special education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total
Salaries	$ 704,854	$ 62,683	$ 767,537	$ 147,259	$ -	$ 147,259	$ 914,796
Payroll taxes and employee benefits	198,457	18,072	216,529	42,112	-	42,112	258,641
Accounting/auditing fees	-	-	-	8,500	-	8,500	8,500
Board expenses	-	-	-	337	-	337	337
Consultants - computer	25,000	-	25,000	-	-	-	25,000
Consultants - education	93,000	-	93,000	-	-	-	93,000
Contracted services	89,270	-	89,270	25,882	5,375	31,257	120,527
Food service fees	75,250	-	75,250	-	-	-	75,250
Insurance	-	-	-	21,189	-	21,189	21,189
Interest	-	-	-	8,108	-	8,108	8,108
Legal	-	-	-	27,435	-	27,435	27,435
Maintenance and repairs	15,012	-	15,012	-	-	-	15,012
Minor equipment	74,990	-	74,990	288	-	288	75,278
Occupancy	224,319	-	224,319	7,905	-	7,905	232,224
Postage and printing	2,284	-	2,284	4,060	-	4,060	6,344
Supplies and materials	36,719	333	37,052	6,909	708	7,617	44,669
Other expenses	452	-	452	9,632	-	9,632	10,084
Staff development	6,705	-	6,705	-	-	-	6,705
Telephone	-	-	-	952	-	952	952
Textbooks	30,611	-	30,611	-	-	-	30,611
Transportation (student)	23,236	-	23,236	-	-	-	23,236
Travel	2,493	-	2,493	-	-	-	2,493
Depreciation and amortization	18,142	-	18,142	558	-	558	18,700
	$ 1,620,794	$ 81,088	$ 1,701,882	$ 311,126	$ 6,083	$ 317,209	$ 2,019,091

The accompanying notes are an integral part of the consolidated financial statements.

DISCOVERY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD FROM FEBRUARY 9, 2006 (DATE OF INCEPTION) TO JUNE 30, 2012

CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets		$ 133,118
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization		18,700
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables		(23,526)
Prepaid expenses		(3,400)
Accounts payable and accrued expenses		111,741
Accrued payroll and benefits		120,654
	NET CASH PROVIDED FROM OPERATING ACTIVITIES	357,287
CASH FLOWS - INVESTING ACTIVITIES		
Purchases of property and equipment		(189,762)
Change in cash in escrow		(25,000)
	NET CASH USED FOR INVESTING ACTIVITIES	(214,762)
CASH FLOWS - FINANCING ACTIVITIES		
Borrowings on long-term debt		160,000
Payments on long-term debt		(15,645)
	NET CASH PROVIDED FROM FINANCING ACTIVITIES	144,355
	NET INCREASE IN CASH	286,880
Cash at beginning of period		-
	CASH AT END OF YEAR	$ 286,880
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest		$ 8,108

The accompanying notes are an integral part of the consolidated financial statements.

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of Discovery Charter School (the "School") and Friends of Discovery Charter School, Inc. ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

The School is an educational corporation that operates as a charter school in Rochester, New York. On December 14, 2010 (School's date of inception), 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. The School was established to prepare students to meet the challenges of a rapidly changing world, providing elementary school children real skills for the real world through an interdisciplinary program that integrates literacy, language arts, mathematics, social studies, visual arts and science.

Friends was organized under the laws of the State of New York on February 9, 2006 (Friends' date of inception) as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law as Friends of Community Charter School of Rochester, Inc. Friends was formed to provide funding and administrative assistance to promote the application for a charter school, to provide ongoing financial and volunteer support for such school and to engage in any and all activities reasonably related to such purpose. In 2009, this Organization changed its name to Friends of Discovery Charter School, Inc. and Friends had its first Board meeting on September 8, 2009.

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2012.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from public school districts is based on the number of students enrolled in the School from each district. Revenue is recognized 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.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

The Organization maintains its cash balances at certain financial institutions located in New York. Cash account balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each institution. In addition, certain non-interest bearing transaction accounts at the financial institutions are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow as of June 30, 2012 is $25,000.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2012.

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to ten years.

Tax exempt status

The School and Friends are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

The Organizations have filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The School and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends files in New York State. With few exceptions, as of June 30, 2012, the Organizations are no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before June 30, 2009. Years ended June 30, 2009 through June 30, 2012 are still subject to potential audit by the IRS and the taxing authorities in New York State. Management of the Organizations believe they have no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

The School received contributed legal services which were valued at $4,500 which are included in the accompanying statement of activities and changes in net assets for the period ended June 30, 2012.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity 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 the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 2, 2012, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except for that which is disclosed in Note F.

NOTE B: SCHOOL FACILITY

The School leases its facilities from a third party. The lease agreement expires June 30, 2015. Rent is based each year on the number of square feet used by the School based on the School's need and space availability. Total square feet used during the year ended June 30, 2012 was 13,660. The square footage rate for the fiscal year ended June 30, 2012 is $17, $15.75 for 2013, $16.20 for 2014, and $16.65 for 2015. Rent for this lease is approximately $19,400 per month. Rent expense incurred for the period ended June 30, 2012 was approximately $232,000.

The future minimum payments on this agreement based on the current square footage usage is as follows:

Year ending June 30,	Amount
2013	$ 215,145
2014	221,292
2015	227,439
	$ 663,876

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Classroom/playground equipment	$ 55,606
Office equipment	2,000
Computer equipment	57,415
Food service equipment	6,486
Leasehold improvements	68,255
	189,762
Less accumulated depreciation and amortization	18,700
	$ 171,062

NOTE D: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

Child Nutrition Program	$ 4,819

NOTE E: LONG-TERM DEBT

Long-term debt of the Organization is summarized as follows:

Note payable to bank, due in monthly principal payments of $2,778 plus interest at prime plus 2.10% (effective rate of 5.35% at June 30, 2012) through March 2015.	$	88,889
Note payable to a corporation, due in monthly payments of $1,853 including interest at 7.0% through April 2015.		55,466
		144,355
Less current portion of long-term debt		47,875
	$	96,480

Maturities of long-term debt are as follows:

Fiscal year ending June 30,		Amount
2013	$	47,875
2014		53,534
2015		42,946
	$	144,355

The notes payable referred to above are secured by substantially all organizational assets and the personal guarantees of three Board Members.

NOTE F: RETIREMENT PLAN

The Organization participates in the New York State Teachers Retirement System. Eligible full-time teaching staff automatically began participation upon hire. The School's contribution for eligible employees was at the rate of 11.11% of compensation for the period ended June 30, 2012 and amounted to $78,638.

Effective July 2012, the School established an Employee Retirement 403(b) Plan for individuals holding positions not eligible for participation in the New York State Teachers Retirement System. The School may make a discretionary contribution to the Plan.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NOTE H: CONCENTRATION

At June 30, 2012, approximately 100% of grants and other receivables are due from the New York State Department of Education relating to certain grants.

The School's primary source of funding is obtained from the New York State Department of Education and is reported as public school district income in the accompanying statement of activities and changes in net assets. This funding is based on the home district of each pupil and is received from various districts. The total per pupil allocation income for the period ended June 30, 2012 was $1,473,980, which is approximately 68% of total operating revenue and support. The per-pupil rate is set annually by the State and is currently frozen at 2011 rates.

NOTE I: MAJOR GRANTOR

One federal start-up grant accounted for over 15% of total operating revenue and support for the period ended June 30, 2012.

DISCOVERY CHARTER SCHOOL

OTHER CONSOLIDATING FINANCIAL INFORMATION

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Discovery Charter School

We have audited the consolidated financial statements of Discovery Charter School as of June 30, 2012 and for the period from February 9, 2006 (date of inception) to June 30, 2012, and our report thereon dated October 2, 2012, which expressed an unqualified opinion on those consolidated financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements for the period from February 9, 2006 (date of inception) to June 30, 2012, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 2, 2012

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DISCOVERY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS	Discovery Charter School	Friends of Discovery Charter School, Inc.	Eliminations	Total
CURRENT ASSETS				
Cash	284,970	$ 1,910	$ -	$ 286,880
Cash in escrow	25,000	-	-	25,000
Grants and other receivables	23,526	-	-	23,526
Prepaid expenses	3,400	-	-	3,400
TOTAL CURRENT ASSETS	336,896	1,910	-	338,806
PROPERTY AND EQUIPMENT, net	171,062	-	-	171,062
TOTAL ASSETS	$ 507,958	$ 1,910	$ -	$ 509,868
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of long-term debt	$ 47,875	$ -	$ -	$ 47,875
Accounts payable and accrued expenses	111,741	-	-	111,741
Accrued payroll and benefits	120,654	-	-	120,654
TOTAL CURRENT LIABILITIES	280,270	-	-	280,270
Long term debt	96,480	-	-	96,480
NET ASSETS				
Unrestricted	126,389	1,910	-	128,299
Temporarily restricted	4,819	-	-	4,819
TOTAL NET ASSETS	131,208	1,910	-	133,118
TOTAL LIABILITIES AND NET ASSETS	$ 507,958	$ 1,910	$ -	$ 509,868

DISCOVERY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM FEBRUARY 9, 2006 (DATE OF INCEPTION) TO JUNE 30, 2012

	Discovery Charter School	Friends of Discovery Charter School, Inc.	Eliminations	Total
Operating revenue and support:				
Public school districts:				
Per pupil allocation income	$ 1,473,980	$ -	$ -	$ 1,473,980
District textbooks in-kind	19,112	-	-	19,112
Students with disabilities	15,351	-	-	15,351
Total revenue from public school districts	1,508,443	-	-	1,508,443
Federal and State grants	483,680	-	-	483,680
Private grants	22,500	55,000	(22,500)	55,000
Contributions	25,259	86,175	(21,400)	90,034
Donated supplies, materials and services	15,052	10,552	(10,552)	15,052
TOTAL OPERATING REVENUE AND SUPPORT	2,054,934	151,727	(54,452)	2,152,209
Expenses:				
Program services				
Regular education	1,542,044	133,202	(54,452)	1,620,794
Special education	81,088	-	-	81,088
Supporting services				
Management and general	299,886	11,240	-	311,126
Fundraising and special events	708	5,375	-	6,083
TOTAL EXPENSES	1,923,726	149,817	(54,452)	2,019,091
CHANGE IN NET ASSETS	131,208	1,910	-	133,118
Net assets at beginning of period	-	-	-	-
NET ASSETS AT END OF YEAR	$ 131,208	$ 1,910	$ -	$ 133,118

DISCOVERY CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2012 AND THE PERIOD FROM DECEMBER 14, 2010 (DATE OF INCEPTION) TO JUNE 30, 2011

	Year ended June 30, 2012	Period from December 14, 2010 (date of inception) to June 30, 2011	Total
Total revenue from public school districts	$ 1,508,443	$ -	$ 1,508,443
Federal and State grants	483,680	-	483,680
Private grants	17,500	5,000	22,500
Contributions	11,459	13,800	25,259
Donated supplies, materials and services	15,052	-	15,052
TOTAL OPERATING REVENUE AND SUPPORT	2,036,134	18,800	2,054,934
Salaries	878,290	36,506	914,796
Payroll taxes and employee benefits	248,480	10,161	258,641
Accounting/auditing fees	8,500	-	8,500
Board expenses	267	70	337
Consultants - computer	25,000	-	25,000
Consultants - education	74,917	14,333	89,250
Contracted services	26,769	13,383	40,152
Food service fees	75,250	-	75,250
Insurance	12,476	3,008	15,484
Interest	7,243	865	8,108
Legal	16,019	8,910	24,929
Maintenance and repairs	15,012	-	15,012
Minor equipment	74,258	1,020	75,278
Occupancy	232,224	-	232,224
Postage and printing	4,240	-	4,240
Supplies and materials	44,084	585	44,669
Other expenses	7,976	1,183	9,159
Staff development	2,441	4,264	6,705
Telephone	952	-	952
Textbooks	30,174	437	30,611
Transportation (student)	23,236	-	23,236
Travel	2,493	-	2,493
Depreciation and amortization	18,700	-	18,700
	1,829,001	94,725	1,923,726
	$ 207,133	$ (75,925)	$ 131,208

DISCOVERY CHARTER SCHOOL
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

MMB

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' 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*

Board of Trustees
Discovery Charter School

We have audited the consolidated financial statements of Discovery Charter School (the "Organization") as of June 30, 2012 and for the period from February 9, 2006 (date of inception) to June 30, 2012, and have issued our report thereon dated October 2, 2012. 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 Discovery Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Discovery Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 consolidated 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.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Discovery Charter School's consolidated 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Discovery Charter School in a separate letter dated October 2, 2012.

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

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 2, 2012