THE NEW HAVEN ECOLOGY PROJECT, INC.

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JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The New Haven Ecology Project, Inc.

We have audited the accompanying statements of financial position of The New Haven Ecology Project, Inc. as of the years ended June 30, 2011 and 2010, and the related statements of activities, functional expenses, 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 audit. The prior year summarized comparative information has been derived from the Organization’s 2010 financial statements and, in our report dated September 25, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New Haven Ecology Project, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the period and years then ended in conformity with generally accepted accounting principles.

Henry, Raymond & Thompson, LLC
Hamden, Connecticut
November 9, 2011

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Accounting, Auditing, Tax, Estate Planning, and Small Business Consulting Services
THE NEW HAVEN ECOLOGY PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

<table>
<thead>
<tr>
<th>Assets</th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>279,023</td>
<td>601,669</td>
</tr>
<tr>
<td>Grants Receivable</td>
<td>136,467</td>
<td>36,812</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>111,477</td>
<td>43,071</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>10,850</td>
<td>10,361</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>537,817</td>
<td>691,913</td>
</tr>
<tr>
<td><strong>Furniture, equipment, building and improvements, net</strong></td>
<td>1,563,157</td>
<td>1,388,150</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$2,100,974</td>
<td>$2,080,063</td>
</tr>
</tbody>
</table>

| Liabilities and Net Assets                  |               |               |
| **Current Liabilities**                     |               |               |
| Accounts payable & accrued expenses         | 263,190       | 200,466       |
| Deferred grant revenue                      | 116,764       | 182,114       |
| Total Current Liabilities                   | 379,954       | 382,580       |
| **Total Liabilities**                       | 379,954       | 382,580       |
| **Net Assets**                              |               |               |
| Temporarily restricted                      | 204,017       | 187,167       |
| Unrestricted net assets                     | 1,517,003     | 1,510,316     |
| **Total Net Assets**                        | 1,721,020     | 1,697,483     |
| **Total Liabilities and Net Assets**        | $2,100,974    | $2,080,063    |

The accompanying notes are an integral part of these financial statements.
THE NEW HAVEN ECOLOGY PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Financial Information for the Year Ended June 30, 2010)

<table>
<thead>
<tr>
<th>Revenue and Support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total 2011</th>
<th>Total 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>$ 2,400,043</td>
<td>$ 177,764</td>
<td>-</td>
<td>$ 2,577,807</td>
<td>$ 2,462,554</td>
</tr>
<tr>
<td>Program income</td>
<td>329,181</td>
<td>-</td>
<td>329,181</td>
<td>280,628</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>160,489</td>
<td>-</td>
<td>160,489</td>
<td>44,839</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions satisfied by purpose</td>
<td>160,914</td>
<td>(160,914)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue and support</td>
<td>3,050,627</td>
<td>16,850</td>
<td>-</td>
<td>3,067,477</td>
<td>2,788,021</td>
</tr>
</tbody>
</table>

| Expenses                                         |              |                       |                        |            |            |
| Program services                                 | 2,757,834    | -                      | -                      | 2,757,834  | 2,356,120  |
| Management and general                           | 199,126      | -                      | -                      | 199,126    | 136,102    |
| Fundraising                                      | 86,981       | -                      | -                      | 86,981     | 62,280     |
| Total expenses                                   | 3,043,940    | -                      | -                      | 3,043,940  | 2,554,502  |

| Increase in net assets                           | 6,687        | 16,850                 | -                      | 23,537     | 233,519    |

| Net assets, beginning of period                  | 1,510,316    | 187,167                | -                      | 1,697,483  | 1,463,964  |

| Net assets, end of period                        | $ 1,517,003  | $ 204,017              | -                      | $ 1,721,020| $ 1,697,483|

The accompanying notes are an integral part of these financial statements.
THE NEW HAVEN ECOLOGY PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information for the Year Ended June 30, 2010)

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, employee benefits and related expenses</td>
<td>$2,114,985</td>
<td>$108,352</td>
<td>$70,429</td>
<td>$2,293,766</td>
<td>$1,945,758</td>
</tr>
<tr>
<td>Instructional expenses</td>
<td>118,905</td>
<td>-</td>
<td>-</td>
<td>118,905</td>
<td>133,928</td>
</tr>
<tr>
<td>Depreciation</td>
<td>98,884</td>
<td>9,110</td>
<td>-</td>
<td>107,994</td>
<td>92,753</td>
</tr>
<tr>
<td>Professional fees</td>
<td>125,066</td>
<td>31,267</td>
<td>-</td>
<td>156,333</td>
<td>53,479</td>
</tr>
<tr>
<td>Rent and facility expense</td>
<td>66,192</td>
<td>16,548</td>
<td>-</td>
<td>82,740</td>
<td>86,844</td>
</tr>
<tr>
<td>Food services</td>
<td>91,979</td>
<td>-</td>
<td>-</td>
<td>91,979</td>
<td>75,007</td>
</tr>
<tr>
<td>Office expense and supplies</td>
<td>79,609</td>
<td>16,973</td>
<td>11,262</td>
<td>107,845</td>
<td>106,286</td>
</tr>
<tr>
<td>Postage and printing</td>
<td>27,260</td>
<td>8,137</td>
<td>5,289</td>
<td>40,687</td>
<td>35,632</td>
</tr>
<tr>
<td>Insurance</td>
<td>34,953</td>
<td>8,738</td>
<td>-</td>
<td>43,691</td>
<td>24,815</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,757,834</strong></td>
<td><strong>$199,126</strong></td>
<td><strong>$86,981</strong></td>
<td><strong>$3,043,940</strong></td>
<td><strong>$2,554,502</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
THE NEW HAVEN ECOLOGY PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$ 23,537</td>
<td>$ 233,519</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>107,994</td>
<td>92,753</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and Grants Receivable</td>
<td>(168,061)</td>
<td>24,270</td>
</tr>
<tr>
<td>Prepaid expense and other assets</td>
<td>(489)</td>
<td>41,463</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>62,724</td>
<td>64,636</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(65,350)</td>
<td>(67,364)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>(39,645)</td>
<td>389,277</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |               |               |
| Purchase of equipment           | (283,001)     | (71,564)      |
| Net cash used in investing activities | (283,001)   | (71,564)      |

Net increase in cash          | (322,646)     | 317,713       |

Cash at beginning of period   | 601,669       | 283,956       |

Cash at end of period         | $ 279,023     | $ 601,669     |

**Supplementary Disclosures:**

Income taxes paid             | $ -           | $ -           |
Interest paid                  | $ -           | $ -           |

The accompanying notes are an integral part of these financial statements.
THE NEW HAVEN ECOLOGY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND JUNE 30, 2010

Note 1 - Organization and Nature of Activities

Nature of Activities

The New Haven Ecology Project, Inc. (The "Organization") is an organization, which provides instruction by way of various educational programs, all of which are presented in an ecological framework. The founders of The New Haven Ecology Project envisioned programs that would use local parks to teach key ecological concepts and to connect youth to natural resources in their own communities. The founders believed in the power of place-based education and in the importance of food as a central environmental and social issue. The group incorporated as The New Haven Ecology Project in 1990. The long-term goal was to promote healthy lifestyles and model environmental practices at a working demonstration farm, school and environmental center in New Haven.

In 1994, a full-time staff of one ran pilot programs in teacher training, service learning at several middle schools, and ecology summer camp at the West Rock Nature Center. The Ecology Project negotiated with the New Haven Department of Parks, Recreation and Trees to lease 20 acres of abandoned parkland at 358 Springside Avenue, at the base of West Rock Ridge State Park.

With national interest in charter schools growing, Connecticut passed enabling legislation and approved the first ten charters in 1997, requiring the schools to open by September. The New Haven Ecology Project, Inc. was granted, on August 7, 1997, a charter to operate Common Ground High School, a public school located in the City of New Haven. Said charter shall be operated in accordance with all applicable state and federal laws and regulations, and the terms of its charter. The charter was renewed on May 5, 2010 for the period from July 1, 2010 through June 30, 2015.

These financial statements include the operations of Common Ground High School, a program of the New Haven Ecology Project, which is separately reported to the State of Connecticut as required under Connecticut state statute.

Note 2 - Summary of Significant Accounting Policies

Public Support and Revenue

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. We do not generally have unconditional promises to give due in subsequent years but when they occur, they are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Promises to give are received from various contributors and not necessarily related to any specific event. An allowance for uncollectable promises is provided based on management’s evaluation of potential uncollectable promises receivable at year-end. As of the year ended June 30, 2011, there were no promises to give.

Grants and other contributions of cash and other assets are reported as temporarily 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 time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

We have not received permanently restricted contributions to-date and do not have permanently restricted net assets.

Contributions of donated tangible assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

During 2009, the United States Congress has temporarily increased FDIC deposit insurance from $100,000 to $250,000 per depositor through December 31, 2013. As of June 30, 2011, the balance of cash and cash equivalents at a financial banking institution did not exceed the federally insured limit of $250,000.

Accounts and Grants Receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts an adjustment to bad debt expense based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts or grants receivable. Based on the Schools collection experience, management determined that an allowance for doubtful accounts at June 30, 2011 was not required.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are capitalized at cost. It is our policy to capitalize expenditures for these items in excess of $500. Lesser amounts are expensed. Furniture and office equipment are being depreciated over estimated useful lives of three to seven years using the straight-line
method. Leasehold improvements are being amortized over the shorter of the lease term or useful life using the straight-line method.

**Deferred Revenue**

Deferred revenue relates principally to the Organization's collection of grant funding prior to the period services are provided. Revenue is recognized in the period the program runs and services are provided.

**Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When restricted funds are expended for the intended purpose temporarily restricted or permanently restricted net assets are reduced by the amount of the expenditure.

**Advertising**

The Organization expenses advertising costs as incurred.

**Fair Value of Financial Instruments**

Accounting Standards establishes a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Accounting Standards requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Standards also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- **Level 1** – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

- **Level 2** – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by other observable market data.

- **Level 3** – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The carrying amounts reflected in the statement of financial position for cash and cash equivalents, contributions receivable and accounts payable approximate fair value due to their short-term maturities. Investments are stated at fair value and are based on quoted market prices for those or similar
investments (Level 1). Furniture, equipment and leasehold improvements are recorded at cost and depreciated or amortized over their useful life.

Financial Statement Presentation

The Organization is required, under Generally Accepted Accounting Principles, to report 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.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties would be reported as income taxes. The Organization’s conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal, state and local authorities may examine the Organization’s tax returns for three years from the date of filing. Consequently, income tax returns for years prior to 2007 are no longer subject to examination by taxing authorities.

Note 3 - Furniture, Equipment and Leasehold Improvements

A summary of furniture, equipment and leasehold improvements for the years ended June 30, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$ 471,699</td>
<td>$ 367,830</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>1,954,211</td>
<td>1,775,080</td>
</tr>
<tr>
<td></td>
<td>2,425,910</td>
<td>2,142,910</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(862,753)</td>
<td>(754,760)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,563,157</td>
<td>$ 1,388,150</td>
</tr>
</tbody>
</table>
THE NEW HAVEN ECOLOGY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND JUNE 30, 2010

Note 4 - Temporarily Restricted Net Assets

The Organization has a balance of donor imposed temporarily restricted contributions of $204,017. Temporarily restricted assets are available for the following purposes or periods:

<table>
<thead>
<tr>
<th>FY 2011/2012 School Year</th>
<th>$ 125,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building projects</td>
<td>23,299</td>
</tr>
<tr>
<td>Master plan and site development</td>
<td>15,437</td>
</tr>
<tr>
<td>Lessons from the land program</td>
<td>12,752</td>
</tr>
<tr>
<td>Green Jobs Corp</td>
<td>6,765</td>
</tr>
<tr>
<td>Above and Beyond Fund</td>
<td>3,210</td>
</tr>
<tr>
<td>Lustman</td>
<td>4,800</td>
</tr>
<tr>
<td>Environmental Honors Scholarship</td>
<td>2,754</td>
</tr>
<tr>
<td>National Science Teachers Association</td>
<td>10,000</td>
</tr>
</tbody>
</table>

$ 204,017

Note 5 - Lease Commitments

The Organization renewed their lease effective September 1, 2010 for the use of land and buildings, which occupy approximately 20.5 acres of land in New Haven, Connecticut adjacent to West Rock Ridge State Park. An annual rent of $12,000 is payable in quarterly installments of $3,000 and escalates up $2,000 per year until it reaches $20,000 per year. The Organization's use of the premises is limited to conducting the programs and operations of New Haven Ecology Project and Common Ground High School for no more than 150 students. Total rent expense for the year ended June 30, 2011 was $12,000.

Future minimum lease payments under the terms of the lease are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>13,668</td>
</tr>
<tr>
<td>2013</td>
<td>15,666</td>
</tr>
<tr>
<td>2014</td>
<td>17,667</td>
</tr>
<tr>
<td>2015</td>
<td>19,667</td>
</tr>
<tr>
<td>2016</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Note 6 - Compensated Absences

Employees are entitled to paid vacation and sick days depending on job classification, length of service,
and other factors. It is impracticable to estimate the amount of compensation for future paid sick days and time off. Accordingly, no liability for these amounts has been recorded in the accompanying financial statements. Company policy is to recognize the cost of compensated absences when actually paid to employees.

Note 7 – Employee Benefit Plan

The Organization has a qualified 403(b) plan, which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the plan, up to the maximum amount permitted under Section 403(b) of the Internal Revenue Code. The Organization does not contribute to the plan.

The faculty and professional personnel of The School participate in a contributory defined benefit plan, established under section 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers Retirement Board.

State Teachers Retirement System

Certain part-time and all full-time certified teachers are eligible to participate in the plan. The School does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After 10 years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The School has reported “on behalf” payments of approximately $123,843 and $104,779 for the years ended June 30, 2011 and 2010, respectively, made by the State of Connecticut into the teachers’ retirement system, as revenues and instruction expenses of the statement of activities. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual basis. For the year ended June 30, 2011 and 2010, the School’s teachers contributed $56,470 and $45,480 to the plan and covered payroll for the years was approximately $778,890 and $627,313.

Note 8 – Subsequent Events

As of November 9, 2011, the Organization evaluated all subsequent events and noted no recognized or non-recognized events or transaction subsequent to June 30, 2011. Financial Statements for the Organization were available to be issued as of November 9, 2011.

Note 9 – Concentration of Credit Risk

The Organization received approximately 54% of its funding from the State of Connecticut for the year ended June 30, 2011, to fund the operations of the charter school programs.