

**PRELIMINARY DRAFT  
SUBJECT TO CHANGE**

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2011

# PRELIMINARY DRAFT SUBJECT TO CHANGE

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# PRELIMINARY DRAFT SUBJECT TO CHANGE

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Roosevelt Children's Academy Charter School, Inc.

We have audited the accompanying statement of financial position of Roosevelt Children's Academy Charter School, Inc. (the "School") as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from financial statements of the School for the year ended June 30, 2010, on which we expressed an unqualified opinion dated October 21, 2010.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Children's Academy Charter School, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

**PRELIMINARY DRAFT  
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Garden City, New York  
December 5, 2011

ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 STATEMENT OF FINANCIAL POSITION  
 June 30, 2011  
 (WITH COMPARATIVE TOTALS FOR 2010)

**PRELIMINARY DRAFT  
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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 12,645,616	\$ 7,876,455
Due from government agencies	3,186,268	2,286,979
Prepaid expenses	<u>6,548</u>	<u>531</u>
<b>TOTAL CURRENT ASSETS</b>	<b>15,838,432</b>	<b>10,163,965</b>
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation of \$2,381,741 in 2011 and \$1,856,805 in 2010	6,154,727	5,877,070
<b>OTHER ASSETS</b>		
Security deposits	4,125	4,125
Due from landlord	<u>59,640</u>	<u>105,732</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,056,924</u></b>	<b><u>\$ 16,150,892</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 933,724	\$ 839,820
Current maturities of long-term debt	37,826	4,642
Advanced billing	<u>2,048,323</u>	<u>1,546,467</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,019,873</b>	<b>2,390,929</b>
Long-term debt, less current maturities	<u>114,806</u>	<u>14,998</u>
<b>TOTAL LIABILITIES</b>	<b>3,134,679</b>	<b>2,405,927</b>
<b>NET ASSETS</b>		
Unrestricted	<u>18,922,245</u>	<u>13,744,965</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,056,924</u></b>	<b><u>\$ 16,150,892</u></b>

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (WITH COMPARATIVE TOTALS FOR 2010)

**PRELIMINARY DRAFT  
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	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Resident student enrollment	\$ 12,149,540	8,785,887
Food services	307,458	181,974
Federal funding	227,746	442,029
E-rate funding	45,568	22,500
Interest income	46,640	56,535
Fundraising income	147,437	69,618
Other Income	394	1,237
	<u>12,924,783</u>	<u>9,559,780</u>
<b>Expenses</b>		
Program services		
Regular education	5,444,375	5,814,061
Special education	282,604	233,147
Management and general	1,875,552	396,316
Fundraising	144,972	67,205
	<u>7,747,503</u>	<u>6,510,729</u>
Increase in net assets	5,177,280	3,049,051
Net assets - beginning	<u>13,744,965</u>	<u>10,695,914</u>
Net assets - end	<u>\$ 18,922,245</u>	<u>\$ 13,744,965</u>

See accompanying notes to financial statements.

# PRELIMINARY DRAFT SUBJECT TO CHANGE

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	Program Services		Support Services		Total	
	Regular Education	Special Education	Management and General	Fundraising	2011	2010
<b>EXPENSES</b>						
Salaries and wages	\$ 2,766,724	\$ 155,026	\$ 953,895	\$ -	\$ 3,875,645	\$ 3,353,210
Payroll tax expenses and fringe benefits	807,360	44,371	257,552	-	1,109,283	954,243
<b>Total Personnel Service Costs</b>	<b>3,574,084</b>	<b>199,397</b>	<b>1,211,447</b>	<b>-</b>	<b>4,984,928</b>	<b>4,307,453</b>
Consultants - education	56,212	-	-	-	56,212	65,915
Food purchases	307,905	12,829	-	-	320,734	241,894
Insurance expense	66,173	2,757	-	-	68,930	49,945
Supplies and materials	215,844	8,993	-	-	224,837	134,141
Textbooks	168,026	7,001	-	-	175,027	80,149
Telephone	37,609	1,996	10,294	-	49,899	38,815
Occupancy	306,497	14,302	36,762	-	357,561	340,633
Printing	10,805	450	-	-	11,255	10,115
Field trips	-	-	-	144,972	144,972	67,205
Staff development	35,876	1,495	-	-	37,371	86,123
Equipment - rentals	8,995	490	2,773	-	12,258	16,564
Professional fees - legal	-	-	134,955	-	134,955	143,697
Professional fees - accounting and audit	-	-	155,060	-	155,060	133,540
Repairs and maintenance	108,732	4,531	-	-	113,263	65,516
Travel	39,598	1,650	-	-	41,248	53,639
Board of trustees	-	-	-	-	41,248	21,525
Utilities	92,774	5,350	23,613	-	133,740	97,770
Postage	-	-	35,616	-	35,616	14,204
Advertising	-	-	20,337	-	20,337	41,475
Administrative fees	-	-	45,847	-	45,847	41,875
Interest Expense	634	-	65,333	-	65,333	1,518
Other	35,429	-	-	-	35,429	134,083
<b>Total Expenses before Depreciation</b>	<b>5,065,192</b>	<b>261,242</b>	<b>1,742,037</b>	<b>144,972</b>	<b>7,213,443</b>	<b>6,187,794</b>
Depreciation	379,183	21,362	133,515	-	534,060	322,935
<b>TOTAL EXPENSES</b>	<b>\$ 5,444,375</b>	<b>\$ 282,604</b>	<b>\$ 1,875,552</b>	<b>\$ 144,972</b>	<b>\$ 7,747,503</b>	<b>\$ 6,510,729</b>

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 STATEMENT OF CASH FLOWS

**PRELIMINARY DRAFT**  
**SUBJECT TO CHANGE**

FOR THE YEAR ENDED JUNE 30, 2011  
 (WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,177,280	\$ 3,049,051
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	534,060	322,935
Changes in assets and liabilities:		
Decrease in due from government agencies	(899,289)	(345,713)
Increase/(Decrease) in prepaid expenses	(6,017)	10,956
Decrease in due from security deposit	-	(2,125)
Increase/(Decrease) in due from landlord	46,092	(24,566)
Increase in accounts payable and accrued expenses	93,904	188,890
Increase in advanced billing	501,856	141,792
	<u>270,606</u>	<u>292,169</u>
Total adjustments	270,606	292,169
Net cash provided by operating activities	<u>5,447,886</u>	<u>3,341,220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	<u>(811,717)</u>	<u>(3,202,699)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings net of principal payments on long-term debt	<u>132,992</u>	<u>(3,885)</u>
Net cash provided (used) by financing activities	<u>132,992</u>	<u>(3,885)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,769,161	134,636
CASH AND CASH EQUIVALENTS - beginning	<u>7,876,455</u>	<u>7,741,819</u>
CASH AND CASH EQUIVALENTS - end	<u>\$ 12,645,616</u>	<u>\$ 7,876,455</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
<b>CASH PAID FOR:</b>		
Interest	<u>\$ 634</u>	<u>\$ 1,516</u>

See accompanying notes to financial statements.



1. ORGANIZATION SUMMARY

Roosevelt Children's Academy Charter School, Inc. (the "School") is a public charter school for children located in Roosevelt, New York. In the 2011 school year, the School operated kindergarten and grades one through eight. The School educates children on a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The School was chartered during July 2000, and the first classes were offered during the 2000-2001 school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

FINANCIAL STATEMENT PRESENTATION

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and the amounts of change in each of these classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### CASH AND CASH EQUIVALENTS

The School considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

### FINANCIAL INSTRUMENTS

The School's financial instruments include cash, due from government agencies, accounts payable and loans and leases payable for which carrying values approximate fair values due to the short maturities of those instruments.

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. The School capitalizes expenditures for additions and betterments. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period is recognized.

The School capitalizes assets with a cost of \$500 and over. Depreciation is calculated based on the useful lives of the fixed assets as follows:

	Useful Life <u>(Years)</u>
School buildings	19-20
Furniture and fixtures	7
Office equipment	7
Computer equipment	3
Automobiles	3
Leasehold improvements	3-20
Software	3

### CONTRIBUTIONS

The School records contributions of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of donor restrictions. The School records contributions as restricted support if they are received with donor stipulations that limit their use through purpose or time restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### CONTRIBUTIONS (CONTINUED)

Contributions of property and services are recorded at the fair market value of the property and services at the time of contribution.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

### THIRD PARTY REIMBURSEMENT AND REVENUE RECOGNITION

The School receives substantially all its revenue for services provided to approved participants from third-party reimbursement primarily by the New York State Department of Education. These revenues are subject to audit and retroactive adjustments by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position of the School.

Revenue is recognized as earned from third parties and when promises to give are received for contributions, special events and fundraising events.

### STUDENT ENROLLMENT

Enrollment of available class slots is open to all potential student candidates with those residing in the immediate area given first preference. A lottery is held to award these available slots.

### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. Salaries and fringe benefits were allocated as direct costs to programs and supporting activity, and as direct costs based on actual costs associated with the activity. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction to the School.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers and teachers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

### INCOME TAXES

The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State Education Department and is exempt from Federal, state and local income taxes under Section 501(c) (3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for 2011.

In addition, the School has not taken any uncertain tax position that would require provision of a liability under Accounting Standards Codification ("ASC"), ASC 740, "Income Taxes".

### USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

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CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**PRELIMINARY DRAFT  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2010, the School adopted Financial Accounting Standards Board ("FASB") authoritative guidance on the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of a previously issued FASB. The Accounting Standards Codification is the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. The Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative.

RECENT ACCOUNTING GUIDANCE NOT YET ADOPTED

During 2011, FASB issued accounting standards updates on various topics which are not yet effective for the School's financial statements. Management believes that these pronouncements will not be applicable to its financial statements or, if applicable, will not have a material impact on the School's financial statements upon adoption.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2011, the date the financial statements were available for issuance.

3. CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject the School to concentration for credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School's management monitors the balances in excess of the FDIC coverage to limit any exposure to loss.

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES

Under the School's charter school agreement and the Charter Schools Act, the School is entitled to receive funding from both state and federal sources that are available to public schools. These funds include state pupil enrollment funds, federal food subsidies, and

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES  
(CONTINUED)

Titles I and II, funds. The calculation of the amounts to be paid to the School under these programs is determined by the state and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

The amount due from government agencies and included as revenue in the statement of activities consists of the following as of June 30, 2011:

New York State Department of Education (pupil enrollment)	\$ 2,940,280
Federal Government	212,767
New York State	<u>33,221</u>
	<u>\$ 3,186,268</u>

The amounts are based upon actual amounts received as well as estimates by the management of the School. Management believes these estimates are based upon the best information available at this time. However, actual amounts received, as determined by the state, could vary based on changes in the factors used to calculate the amounts owed.

5. ADVANCE BILLING

The School invoices in June for the first two months of the following fiscal year and includes the amount as a receivable due from government agencies. At June 30, 2011 advance billing totaled \$2,048,323.

ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

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6. PROPERTY AND EQUIPMENT

At June 30, 2011, a summary of property and equipment consisted of the following:

Land	\$ 170,919
School buildings	4,943,706
Modular space and related costs	440,835
Leasehold improvements	1,845,296
Furniture and fixtures	346,976
Computer equipment	443,778
Office equipment	71,569
Software	26,227
Automobile	26,632
Equipment under capital leases	<u>210,210</u>
	8,526,148
Less: Accumulated depreciation	<u>(1,856,805)</u>
	6,144,407
Construction in progress	<u>10,320</u>
Total	<u>\$ 6,154,727</u>

Depreciation and amortization expense for the year ended June 30, 2011 was \$534,060.

In September 2010, construction at 105 Pleasant Avenue was completed and a certificate of completion was obtained.

7. LONG-TERM DEBT

Long-term debt consists of:

3.9% note payable, due in monthly installments of \$444. Including interest, with final payment due November 28, 2013. Equipment with an original cost of \$ 24,164 is pledged as collateral.	\$ 12,268
Total due under capital lease obligation	<u>140,364</u>
	152,632

7. LONG-TERM DEBT (CONTINUED)

Less: Current maturities	<u>37,826</u>
Long-term debt	<u>\$114,806</u>

The following are maturities of long-term debt for each of the next four years:

<u>Years ending June 30:</u>	
2012	\$ 37,826
2013	39,447
2014	38,005
2015	<u>37,354</u>
	<u>\$ 152,632</u>

8. DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") to substantially all of its employees. Employees are eligible for the Plan immediately upon employment, and participation in the Plan is voluntary. Employees can make pretax contributions of up to 100% of their annual compensation, subject to Internal Revenue Service guidelines. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was \$75,938 for 2011. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All Plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

9. LEASE COMMITMENTS

The School is obligated under several operating leases for classroom space at two locations in Roosevelt, New York, expiring at various dates through June 30, 2015. One of these leases grants the School the right to extend the lease for up to 5 years.



ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

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9. LEASE COMMITMENTS (CONTINUED)

Future minimum annual lease commitments, under the non-cancelable operating leases and capital leases for the years ending June 30, are as follows:

	<u>Operating</u>	<u>Capital</u>
2012	\$ 52,800	\$ 38,220
2013	26,400	38,220
2014	26,400	38,220
2015	<u>26,400</u>	<u>38,220</u>
Total minimum obligation	\$ <u>132,000</u>	152,880
Less: Amount representing interest		<u>12,516</u>
Present value of net minimum lease obligation		140,364
Less: Current portion		<u>32,890</u>
Long-term obligation at June 30, 2011		\$ <u>107,474</u>

10. REVENUE CONCENTRATIONS

During the year ended June 30, 2011, the School earned 95% of its revenue from the New York State Education Department.

11. CONCENTRATION OF RISK

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

12. RELATED-PARTY TRANSACTIONS

During 2009, a member of the School's Board of Trustees entered into an agreement with the School to provide accounting services. The agreement was approved by the Board with the related party abstaining from the vote. Payments to the Board member totaled \$32,000 for the year ended June 30, 2011. This contract expired on December 31, 2010.

13. RECLASSIFICATION

The 2010 comparative financial statement information has been reclassified to conform to the 2011 presentation. Such reclassifications had no effect on net income.

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ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

14. CONTINGENCIES

GOVERNMENT GRANTS

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or result of operations.

Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

# PRELIMINARY DRAFT SUBJECT TO CHANGE

## 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

The Board of Trustees  
Roosevelt Children's Academy Charter School, Inc.

We have audited the financial statements of the Roosevelt Children's Academy Charter School, Inc. (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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,

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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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Garden City, New York  
December 5, 2011