

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

## CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14
<b>SUPPLEMENTAL INFORMATION</b>	
Statements of Functional Expenses	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17



Israeloff, Trattner & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS

1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com

Other Office  
New York, NY

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Roosevelt Children's Academy Charter School, Inc., (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Roosevelt Children's Academy Charter School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and we do not express an opinion or provide any form of assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, 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 *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Israeloff Tzattner & Co. P.C.*

Garden City, New York  
October 25, 2016

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 24,658,380	\$ 23,093,883
Due from government agencies	2,172,513	2,286,342
Prepaid expenses	27,318	170,487
<b>TOTAL CURRENT ASSETS</b>	26,858,211	25,550,712
Property and Equipment, at cost, less accumulated depreciation and amortization of \$5,035,612 in 2016 and \$4,443,895 in 2015	5,910,990	4,838,115
<b>OTHER ASSETS</b>		
Security deposits	11,643	4,166
<b>TOTAL ASSETS</b>	<b>\$ 32,780,844</b>	<b>\$ 30,392,993</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,606,309	\$ 1,178,841
Advance billing	1,903,473	1,786,784
<b>TOTAL CURRENT LIABILITIES</b>	4,509,782	2,965,625
<b>NET ASSETS</b>		
Unrestricted	28,196,983	27,357,586
Temporarily restricted	74,079	69,782
<b>TOTAL NET ASSETS</b>	28,271,062	27,427,368
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 32,780,844</b>	<b>\$ 30,392,993</b>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Revenue</b>				
Public School District				
Resident student enrollment	\$ 11,375,240	\$ -	\$ 11,069,566	\$ -
Grants and contracts				
Food services	295,037	-	287,584	-
Federal funding	174,621	-	173,611	-
Other income				
E-rate funding	57,405	-	48,004	-
Fundraising income	-	18,885	-	13,610
Interest income	27,399	-	32,167	-
Other income	2,596	-	39,374	-
Net assets released from restriction	<u>14,588</u>	<u>(14,588)</u>	<u>10,359</u>	<u>(10,359)</u>
Total Revenues and Other Support	<u>11,946,886</u>	<u>4,297</u>	<u>11,660,665</u>	<u>3,251</u>
<b>Operating Expenses</b>				
Program services				
Regular education	8,432,770	-	8,321,861	-
Special education	457,429	-	480,229	-
Support Services				
Management and general	2,202,702	-	2,750,065	-
Fundraising expenses	<u>14,588</u>	<u>-</u>	<u>10,359</u>	<u>-</u>
Total Expenses	<u>11,107,489</u>	<u>-</u>	<u>11,562,514</u>	<u>-</u>
Increase (Decrease) in Net Assets	839,397	4,297	98,151	3,251
Net Assets - beginning	<u>27,357,586</u>	<u>69,782</u>	<u>27,259,435</u>	<u>66,531</u>
Net Assets - end	<u>\$ 28,196,983</u>	<u>\$ 74,079</u>	<u>\$ 27,357,586</u>	<u>\$ 69,782</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY  
 CHARTER SCHOOL, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 843,694	\$ 101,402
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	591,716	573,708
Changes in assets and liabilities:		
Accounts receivables	-	300
Due from/(to) government agencies	113,829	(123,726)
Prepaid expenses	143,169	(169,949)
Security Deposit	(7,477)	-
Due from landlord	-	8,400
Accounts payable and accrued expenses	1,427,468	265,474
Advance billing	116,689	49,787
Total adjustments	2,385,394	603,994
Net cash provided by operating activities	3,229,088	705,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(1,664,591)	(34,564)
<b>NET INCREASE IN CASH</b>	1,564,497	670,832
<b>CASH - beginning</b>	23,093,883	22,423,051
<b>CASH - end</b>	\$ 24,658,380	\$ 23,093,883

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. ORGANIZATION SUMMARY

Roosevelt Children's Academy Charter School, Inc. (the "School") is a public charter school for children located in Roosevelt, New York. 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 focus of the School is on the core skills of reading, language, writing and mathematics, with an extended day, a high degree of individualized instruction, and an innovative research based academic curriculum. The School was chartered during July 2000, and the first classes were offered during the 2000-2001 school year. In fiscal year 2016, the Charter School operated classes for students in kindergarten through 8<sup>th</sup> grade.

The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State ("State") Education Department (the "NYSED").

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.

BASIS OF PRESENTATION

The School reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the School, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The School's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the School's donor-restricted endowment funds is also reported as temporarily restricted net assets.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.



ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the School's donor-restricted endowment funds that the School is committed to maintaining in perpetuity are classified in this net assets class, as is the School's beneficial interest in a perpetual charitable trust held by a bank as trustee.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

FINANCIAL INSTRUMENTS

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

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation. The School capitalizes expenditures for additions and betterments. Depreciation is provided by the straight-line method 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. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss for the period is included in income.

Additions and betterments of \$1,000 or more and a useful life greater than one year are capitalized. Depreciation and amortization is calculated based on the useful lives of the fixed assets as follows:

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

	Useful Life <u>(Years)</u>
School buildings	19-20
Furniture and fixtures	7
Office equipment	5
Computer equipment	3
Automobiles	5
Leasehold improvements	3-20
Software	3

ADVANCE BILLING

Advance billing represents tuition and fees received for the next school term.

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. A number of volunteers have made contributions of their time to the School to develop its academic programs or serve on the School's board of trustees. 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.

THIRD PARTY REIMBURSEMENT AND REVENUE RECOGNITION

The School receives substantially all of its revenue from services provided to approved students through third-party reimbursement primarily from the State. 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.

The School recognizes revenue when there is persuasive evidence that an arrangement exists, services have been rendered or delivery has occurred, the price is fixed or determinable, and collection is reasonably assured.

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.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXPENSE ALLOCATION

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

INCOME TAXES AND ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The School is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and applicable state law. In addition, the School has been classified as an organization other than a private foundation under Section 509(a)(2).

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income ("UBIT"). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2016 and 2015. There was no unrelated business income subject to taxation in 2016 and 2015.

The School files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of New York. The School is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

USE OF ESTIMATES

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class on the Statements 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, 2015, from which the summarized information was derived.

NEW ACCOUNTING STANDARDS

Through June 2016, the Financial Accounting Standards Board ("FASB") issued various updates ("ASUs") to the FASB Accounting Standards Codification ("ASC"). The School did not adopt any new accounting pronouncements during the year ended June 30, 2016 that had a material effect on its financial statements. In addition, management believes that ASUs that have a prospective effective date will not have a material impact on its financial statements.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 25, 2016, the date the financial statements were available for issuance.

3. CONCENTRATION OF CREDIT RISK

The School maintains cash balances at several financial institutions located in New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the School's uninsured cash balances totaled \$22,726,786. The School's management monitors the balances in excess of the FDIC coverage to limit any exposure to loss due to credit risk on cash and cash equivalents.

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 the NYSED through pupil enrollment funds. The calculation of the amounts to be paid to the School under these programs is determined by the NYSED 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.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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

Federal food subsidies, and Title I and II funds are received through grants approved by the Departments of Agriculture and Education, respectively. The State food subsidies are received through grants approved by the NYSED.

The amount due from government agencies and included as revenue in the Statements of Activities consists of the following as of June 30:

	2016	2015
NYSED (pupil enrollment)	\$ 1,911,080	\$ 2,026,643
Federal Government	243,138	238,021
New York State	18,295	21,678
	\$ 2,172,513	\$ 2,286,342

The amounts are based upon actual amounts received as well as estimates by management. 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 the State in June for the first two months of the following fiscal year. At June 30, 2016 and 2015 advance billing totaled \$1,903,4743 and \$1,786,784, respectively.

The change in the School's deferred revenue account for the year ended June 30, 2016 is comprised of the following:

Balance at the beginning of year	\$ 1,786,784
Additions:	
Advance billings received	1,903,473
Reductions:	
Advance billings earned	1,786,784
Balance at end of year	\$ 1,903,473

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

6. PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land	\$ 170,919	\$ 170,919
School buildings	5,036,385	5,036,385
Modular space and related costs	440,835	440,835
Buildings and leasehold improvements	2,192,867	2,179,098
Furniture and fixtures	267,512	267,512
Computer equipment	794,273	749,357
Office equipment	60,303	58,279
Software	129,612	129,612
Automobiles	96,632	96,632
Equipment under capital leases	<u>153,381</u>	<u>153,381</u>
	9,342,719	9,282,010
Less: Accumulated depreciation and amortization	<u>5,035,612</u>	<u>4,443,895</u>
	4,307,107	4,838,115
Construction in progress	<u>1,603,883</u>	<u>-</u>
Total	\$ <u>5,910,990</u>	\$ <u>4,838,115</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$591,716 and \$573,708, respectively.

7. CREDIT AGREEMENT

On September 30, 2015, the School entered into a variable rate non-disclosable revolving line of credit with Astoria Bank in the amount of \$1,500,000. The line of credit is available until December 31, 2016 with an interest rate equal to the London Interbank Offered Rate ("LIBOR") Daily Floating Rate plus 2.5 percentage points. As of June 30, 2016, there was no balance outstanding.

8. DEFINED CONTRIBUTION PLAN

The School sponsors a 401(k) plan (the "Plan") that covers substantially all of its eligible employees. Employees are eligible for the Plan upon employment, and participation in the Plan is voluntary. Under the 401 (k) salary reduction provisions of the Plan, employees may elect to defer a portion of their compensation, subject to statutory limitations and have the deferred amounts contributed to their retirement accounts which become fully vested immediately. The School matches participants' contributions to the Plan up to 4% of the individual participants' annual compensation. The School's contribution recognized in the

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

8. DEFINED CONTRIBUTION PLAN (CONTINUED)

Statement of Activities was \$128,985 and \$129,524 for the years ended June 30, 2016 and 2015, respectively. 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. COMMITMENTS AND CONTINGENCIES

LEASES

On June 30, 2016, the School entered into a new four-year lease agreement with its existing landlord and agreed to occupy additional space. The agreement expires June 30, 2020 and provides for base rent plus utility costs and property insurance costs. The lease provides for four renewal options of five years each at a two percent increase in rental payments over the prior year.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2016 for each of the next five years and in the aggregate are:

<u>Year ended</u>	<u>Amount</u>
2017	\$ 377,574
2018	384,865
2019	392,303
2020	<u>399,889</u>
Total minimum future rental payments	\$ <u>1,554,631</u>

Rental expense was \$252,088 and 229,526 for the years ended June 30, 2016 and 2015, respectively.

NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the School for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

LITIGATION

The School from time to time is a defendant in employment related lawsuits and arbitration matters. The School has defended itself vigorously in these matters. The School's experience to date is that losses, if any, from such claims have not had, nor are they expected to have a material effect on the School's financial position or results of operations.

10. CONCENTRATION OF REVENUE

During the years ended June 30, 2016 and 2015, the School earned approximately 95% of its revenue from the NYSED.

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.



ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

EXPENSES	Program Services			Support Services		Total	
	Regular Education	Special Education	Total	Management and General	Fundraising	2016	2015
Salaries and wages	\$ 4,472,143	\$ 255,551	\$ 4,727,694	\$ 1,661,082	\$ -	\$ 6,388,776	\$ 6,888,818
Payroll tax expenses and fringe benefits	1,216,721	69,526	1,286,247	451,925	-	1,738,172	1,641,578
Total Personnel Service Costs	5,688,864	325,077	6,013,941	2,113,007	-	8,126,948	8,530,396
Consultants - education	276,523	17,650	294,173	-	-	294,173	320,475
Food purchases	322,686	13,560	336,246	-	-	336,246	390,002
Insurance expense	283,369	11,807	295,176	-	-	295,176	114,015
Supplies and materials	201,634	8,401	210,035	-	-	210,035	225,158
Textbooks	43,422	1,809	45,231	-	-	45,231	40,545
Telephone	57,291	2,664	59,955	6,662	-	66,617	78,825
Occupancy	229,400	10,084	239,484	12,604	-	252,088	229,526
Printing	-	-	-	-	-	-	162
Field trips	37,159	2,371	39,530	-	14,588	54,118	55,990
Staff development	50,605	2,108	52,713	-	-	52,713	46,029
Equipment - rentals	29,046	1,351	30,397	3,377	-	33,774	37,626
Professional fees - legal	74,980	5,356	80,336	8,926	-	89,262	184,449
Professional fees - accounting and audit	38,220	2,730	40,950	4,550	-	45,500	37,500
Repairs and maintenance	240,443	10,018	250,461	-	-	250,461	192,077
Travel	952	40	992	-	-	992	11,141
Board of trustees	-	-	-	5,918	-	5,918	5,590
Utilities	120,849	5,312	126,161	6,640	-	132,801	158,985
Depreciation and amortization	538,462	23,668	562,130	29,586	-	591,716	573,708
Postage	9,959	711	10,670	1,185	-	11,855	20,189
Advertising	25,029	1,788	26,817	2,980	-	29,797	26,733
Administrative fees	61,044	4,360	65,404	7,267	-	72,671	84,088
Lawsuit Settlement	-	-	-	-	-	-	50,000
Other	102,833	6,564	109,397	-	-	109,397	149,305
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2016	\$ 8,432,770	\$ 457,429	\$ 8,890,199	\$ 2,202,702	\$ 14,588	\$ 11,107,489	
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2015	\$ 8,321,861	\$ 480,229	\$ 8,802,090	\$ 2,750,065	\$ 10,359		\$ 11,562,514



INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Roosevelt Children's Academy Charter School, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2016`.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Israeloff, Trattner & Co. P.C.*

Garden City, New York  
October 25, 2016

# **Roosevelt Children's Academy Charter School**

201 Debevoise Avenue, Roosevelt, NY 11575  
Phone: (516) 442-2148 ext: 8206 Fax: (516) 771-4763  
www.rcaeagles.org

**Reginald Tuggle**  
**Board Chairman**

**Philip Leconte**  
**Chief Operations Officer / CFO**

---

October 25, 2016

Israeloff, Trattner & Co., P.C.  
1225 Franklin Avenue, Suite 200  
Garden City, NY 11530

This representation letter is provided in connection with your audit of the financial statements of Roosevelt Children's Academy Charter School, Inc., (the "School"), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 25, 2016, the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 31, 2016, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the School is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with preparation of the financial statements and related notes and tax return preparation. We acknowledge our responsibility as it relates to those nonattest/non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

### **Information Provided**

- 13) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the School and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the School's related parties and all the related-party relationships and transactions of which we are aware.
- 21) The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) There were no instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the

financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

- 24) There were no instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) There were no instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) The School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the School's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 27) We acknowledge our responsibility for presenting the Statement of Functional Expenses in accordance with U.S. GAAP, and we believe the Statement of Functional Expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Statement of Functional Expenses have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signature: Philip Pecante

Title: COO/CFO

Signature: Reginald Sney

Title: BOARD CHAIR