

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7-12
SUPPLEMENTAL INFORMATION	
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>	13-14



Israeloff, Trattner & Co. P.C.

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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, 2009, and the related statements of activities 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. The financial statements of Roosevelt Children's Academy Charter School, Inc. as of June 30, 2008, were audited by other auditors whose report dated October 31, 2008, expressed an unqualified opinion on those financial statements.

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. We were not engaged to perform an audit of the School's internal control over financial reporting. Our audit included 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 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 Roosevelt Children's Academy Charter School, Inc. as of June 30, 2009, and its changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009 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 the 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 read in conjunction with this report in assessing the results of our audit.

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

Israeff, Trattner & Co. P.C.

Garden City, New York
September 17, 2009

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 7,741,819	\$ 5,622,602
Due from Government agencies	1,941,266	1,635,384
Prepaid expenses	11,487	53,843
TOTAL CURRENT ASSETS	9,694,572	7,311,829
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation of \$1,533,870 in 2009 and \$1,243,200 in 2008	2,997,306	2,764,905
OTHER ASSETS		
Security deposits	2,000	2,000
Due from landlord	81,166	-
TOTAL ASSETS	\$ 12,775,044	\$ 10,078,734
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 650,930	\$ 566,990
Obligations under capital lease	23,525	11,733
Loans payable - current portion	-	586,488
Advanced billing	1,404,675	1,377,017
TOTAL CURRENT LIABILITIES	2,079,130	2,542,228
NET ASSETS		
Unrestricted	10,695,914	7,536,506
TOTAL LIABILITIES AND NET ASSETS	\$ 12,775,044	\$ 10,078,734

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY
 CHARTER SCHOOL, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Revenue		
Resident student enrollment	\$ 8,444,755	\$ 7,877,190
Food services	204,892	209,931
Federal funding	223,594	297,913
Special education	185,228	165,807
State funding	62,998	62,997
Private contributions	52,098	25,000
Interest income	90,397	106,517
Other Income	<u>16,568</u>	<u>87,442</u>
 Total Revenue	 <u>9,280,530</u>	 <u>8,832,797</u>
Expenses		
Salaries and wages	3,141,625	3,131,234
Payroll tax expenses and fringe benefits	<u>732,988</u>	<u>670,437</u>
 Total Personnel Service Costs	 3,874,613	 3,801,671
Consultants - education	127,061	38,459
Food purchases	237,285	220,011
Insurance expense	47,002	86,113
Supplies and materials	107,273	115,177
Textbooks	217,822	133,182
Telephone	39,903	38,648
Occupancy	186,643	209,041
Printing	6,377	13,482
Staff development	101,859	82,955
Equipment - rentals	25,784	14,292
Professional fees - legal	180,135	131,620
Professional fees - accounting and audit	66,582	57,615
Repairs and maintenance	69,158	43,323
Travel	62,542	65,483
Board of trustees	15,836	11,310
Utilities	71,074	68,456
Postage	9,029	12,353
Advertising	14,475	10,498
Administrative fees	29,016	21,769
Interest Expense	97,125	37,122
Depreciation	313,113	345,413
Other	<u>221,415</u>	<u>133,027</u>
 Total expenses	 <u>6,121,122</u>	 <u>5,691,020</u>
 Increase in net assets	 3,159,408	 3,141,777
 Net assets - beginning	 <u>7,536,506</u>	 <u>4,394,729</u>
 Net assets - end	 <u>\$ 10,695,914</u>	 <u>\$ 7,536,506</u>

See accompanying notes to financial statements

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

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,159,408	\$ 3,141,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	313,113	345,413
Changes in assets and liabilities:		
Increase (decrease) in due from government agencies	(305,882)	316,511
Decrease (increase) in prepaid expenses	42,356	(39,761)
Decrease in due from landlord	(81,166)	-
Increase in accounts payable and accrued expenses	83,940	112,949
Increase in advanced billing	27,658	109,275
Decrease in due to management company	<u>-</u>	<u>(451)</u>
Total adjustments	<u>80,019</u>	<u>843,936</u>
Net cash provided by operating activities	<u>3,239,427</u>	<u>3,985,713</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(518,882)</u>	<u>(289,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(586,488)	(15,679)
Payments made under capital lease obligations	<u>(14,840)</u>	<u>(4,640)</u>
Net cash used by financing activities	<u>(601,328)</u>	<u>(20,319)</u>
NET INCREASE IN CASH	2,119,217	3,676,344
CASH - beginning	<u>5,622,602</u>	<u>1,946,258</u>
CASH - end	<u>\$ 7,741,819</u>	<u>\$ 5,622,602</u>

SUPPLEMENTAL CASH FLOW INFORMATION

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Cost of automobile acquired through lease	<u>\$ 26,632</u>	<u>\$ -</u>
Cost of automobile written off	<u>\$ 22,443</u>	<u>\$ -</u>
CASH PAID FOR:		
Interest	<u>\$ 97,127</u>	<u>\$ 3,595</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY
 CHARTER SCHOOL, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2009
 (With Comparative Totals for 2008)

	Regular Education	Special Education	Total Program	Management and General	TOTAL 2009	TOTAL 2008
EXPENSES						
Salaries and wages	\$ 3,014,160	\$ 127,465	\$ 3,141,625	\$ -	\$ 3,141,625	\$ 3,131,234
Payroll tax expenses and fringe benefits	703,668	29,320	732,988	-	732,988	670,437
Total Personnel Service Costs	3,717,828	156,785	3,874,613	-	3,874,613	3,801,671
Consultants - education	127,061	-	127,061	-	127,061	38,459
Food purchases	227,793	9,492	237,285	-	237,285	220,011
Insurance expense	45,122	1,880	47,002	-	47,002	86,113
Supplies and materials	102,697	4,576	107,273	-	107,273	115,177
Textbooks	211,625	6,197	217,822	-	217,822	133,182
Telephone	38,307	1,596	39,903	-	39,903	38,648
Occupancy	179,177	7,466	186,643	-	186,643	209,041
Printing	6,122	255	6,377	-	6,377	13,482
Staff development	97,785	4,074	101,859	-	101,859	82,955
Equipment - rentals	24,752	1,032	25,784	-	25,784	14,292
Professional fees - legal	-	-	-	180,135	180,135	131,620
Professional fees - accounting and audit	-	-	-	66,582	66,582	57,615
Repairs and maintenance	66,443	2,715	69,158	-	69,158	43,323
Travel	60,040	2,502	62,542	-	62,542	65,483
Board of trustees	-	-	-	15,836	15,836	11,310
Utilities	68,231	2,843	71,074	-	71,074	68,456
Postage	-	-	-	9,029	9,029	12,353
Advertising	-	-	-	14,475	14,475	10,498
Administrative fees	-	-	-	29,016	29,016	21,769
Interest Expense	97,125	-	97,125	-	97,125	37,122
Depreciation	300,588	12,525	313,113	-	313,113	345,413
Other	221,415	-	221,415	-	221,415	133,027
TOTAL EXPENSES	\$ 5,592,111	\$ 213,938	\$ 5,806,049	\$ 315,073	\$ 6,121,122	\$ 5,691,020

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. ORGANIZATION SUMMARY

ORGANIZATION

Roosevelt Children's Academy Charter School, Inc. (the "School") is a public charter school for children located in Roosevelt, New York. In the 2008-2009 school year, the School operated kindergarten and grades one through eight. It 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 accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States for not-for-profit organizations. Accordingly, the School is required to report its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The School's net assets consist of the following:

Unrestricted – Net assets of the School which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the School.

CASH AND CASH EQUIVALENTS

The School has defined cash and cash equivalents as cash and short-term, interest-bearing securities with original maturities of three months or less.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. 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.

ROOSEVELT CHILDREN ACADEMY
CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (Years)
School buildings	19-20
Furniture and fixtures	7
Office equipment	7
Computer equipment	3
Automobiles	3
Leasehold improvements	3-20

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. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions received in the fiscal year ended June 30, 2009 were unrestricted.

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, wages, 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.

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 ACADEMY
CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT GRANT INCOME

The School applies for various government grants each year which are based on several factors such as total students enrolled in the School. Reimbursement under per-pupil grants is the result of the calculation of full-time equivalent ("FTE") students attending the School multiplied by a rate determined each year by New York State. This rate varies based on the district in which the student lives.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPARATIVE DATA

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

3. CASH AND CASH EQUIVALENTS

The School maintains all of its cash in banks. The accounts in each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, which is the maximum allowed by law. 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 Titles I, II, IV, and V 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.

ROOSEVELT CHILDREN ACADEMY
 CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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

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

	2009	2008
New York State Department of Education (pupil enrollment)	\$ 1,740,744	\$ 1,455,202
Federal Government	88,597	75,471
New York State	<u>174,833</u>	<u>104,711</u>
	<u>\$ 2,004,174</u>	<u>\$ 1,635,384</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. PROPERTY AND EQUIPMENT

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

	2009	2008
Land	\$ 170,919	\$ 170,919
School building	946,896	946,896
Capitalized lease, modular space	349,985	349,985
Installment costs	90,850	90,850
Leasehold improvements	1,706,623	1,687,751
Furniture and fixtures	231,936	221,467
Computer equipment	317,225	284,996
Office equipment	51,520	50,075
Software	14,362	14,362
Automobile	<u>26,632</u>	<u>22,444</u>
	3,906,948	3,839,745
Less: Accumulated depreciation	<u>(1,533,870)</u>	<u>(1,243,200)</u>
	2,373,078	2,596,545
Construction in progress	<u>624,228</u>	<u>168,360</u>
Total	<u>\$ 2,997,306</u>	<u>\$ 2,764,905</u>

ROOSEVELT CHILDREN ACADEMY
 CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

6. 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 contributions recognized in the statement of activities were \$55,113 and \$55,038 for 2009 and 2008, 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.

7. LEASE COMMITMENTS

The School is obligated under several operating leases for classroom space at three locations in Roosevelt, New York, expiring at various dates through June 2015. One of these leases grants the School the right to extend the lease for up to 15 years.

The School also leases certain automobiles under non-cancelable capital leases expiring January 2014.

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

2010	\$ 67,153
2011	68,108
2012	69,081
2013	35,326
2014	33,107
Thereafter	<u>30,000</u>
	<u>\$ 302,776</u>

8. LOANS PAYABLE

Through the year ended June 30, 2007, the school was under a management agreement with Victory Schools ("Victory") to manage the operations of the School. The School terminated its agreement with Victory effective July 1, 2007, and assumed all operating responsibilities. In May 2009, the School agreed to a settlement agreement with Victory to fulfill its obligation under the loan agreements and paid \$720,692 in full satisfactions of two building loans including interest and management service fees due to Victory.

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

10. 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.

11. RELATED-PARTY TRANSACTIONS

During 2009, certain members of the School's Board of Trustees entered into agreements with the School to provide consulting and accounting services. The agreements were approved by the Board with the related parties abstaining from the vote. Payments to these Board members totaled \$141,200 and \$84,479 for the years ended June 30, 2009 and 2008.

12. 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.

Litigation

As of June 30, 2008, the School was involved in a legal suit, brought by its former management company, referred to in Note 8 to the financial statements, for breach of loan agreements and failure to pay fees and costs for services rendered, claiming an amount of \$2,287,563. During 2009, the School entered into a settlement agreement with its former management company and paid \$720,692 as settlement of the total indebtedness.



Israeloff, Trattner & Co. P.C.

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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, 2009, and have issued our report thereon dated September 18, 2009. 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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, 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 Directors, 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.

Iszaeloff, Tzattner & Co. P.C.

Garden City, New York
September 17, 2009