

**NEW ROOTS CHARTER SCHOOL**

**Ithaca, New York**

**FINANCIAL REPORT**

**For the Years Ended  
June 30, 2011 and 2010**

NEW ROOTS CHARTER SCHOOL  
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JUNE 30, 2011 and 2010

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**Ciaschi • Dietershagen • Little • Mickelson  
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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
New Roots Charter School  
Ithaca, New York

We have audited the accompanying statements of financial position of the New Roots Charter School (the Organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years 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 October 27, 2011 on our consideration of the Organization's internal control over financial reporting and 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* and important for assessing the results of our audit.

*Ciaschi, Dietershagen, Little, Mickelson & Co., LLP*

October 27, 2011  
Ithaca, New York

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NEW ROOTS CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30,

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ -0-	\$ 134,941
State and federal aid receivable	186,849	23,130
Other receivables, net	174,389	21,037
Inventories	1,538	1,757
Prepaid expenses and other current assets	<u>95,159</u>	<u>11,350</u>
Total Current Assets	457,935	192,215
Noncurrent Assets:		
Deposits	18,907	19,075
Equipment and leasehold improvements, net of accumulated depreciation of \$46,788 and \$14,319	<u>425,536</u>	<u>165,270</u>
Total Assets	<u>\$ 902,378</u>	<u>\$ 376,560</u>

**LIABILITIES**

Current Liabilities:		
Overdraft	\$ 20,100	\$ -0-
Accounts payable	25,930	39,999
Accrued liabilities	80,951	71,230
Due to retirement system	72,252	40,511
Deferred revenues	-0-	54,462
Notes payable	-0-	1,500
Obligations for leasehold improvements, current	<u>17,343</u>	<u>12,218</u>
Total Current Liabilities	216,576	219,920
Obligations for leasehold improvements, non-current	<u>52,278</u>	<u>38,121</u>
Total Liabilities	<u>268,854</u>	<u>258,041</u>

**NET ASSETS**

Unrestricted	553,019	118,519
Temporarily restricted	<u>80,505</u>	<u>-0-</u>
Total Net Assets	<u>633,524</u>	<u>118,519</u>
Total Liabilities and Net Assets	<u>\$ 902,378</u>	<u>\$ 376,560</u>

See Independent Auditor's Report and Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30,

	2011		
	Unrestricted	Temporarily Restricted	Total
Operating Revenues:			
Public School District:			
Resident Student Enrollment	\$ 1,550,557		\$ 1,550,557
Students with Disabilities	66,819		66,819
Grants and contracts:			
State and local		237,585	237,585
Federal grants - Title I		29,459	29,459
Federal aid - IDEA Funds		34,913	34,913
Federal grants - CSP		288,172	288,172
Contributions	1,885		1,885
Investment income	230		230
Food service income	35,211		35,211
Program income			-0-
Fundraising income	5,542		5,542
Other income	28,606		28,606
Net assets released from purpose restrictions	509,624	(509,624)	-0-
Total Revenues, Gains and Other Support	2,198,474	80,505	2,278,979
Expenses:			
Program Expenses:			
Regular education	1,131,051		1,131,051
Special education	81,165		81,165
Enrichment programs	133,336		133,336
Total Program Expenses	1,345,552	-0-	1,345,552
Supporting Services:			
Management and general	418,422		418,422
Total Expenses	1,763,974	-0-	1,763,974
Change in Net Assets	434,500	80,505	515,005
Net Assets Beginning of Year	118,519	-0-	118,519
Net Assets End of Year	\$ 553,019	\$ 80,505	\$ 633,524

See Independent Auditor's Report and Notes to Financial Statements

2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,056,686	\$	\$ 1,056,686
97,097		97,097
		-0-
15,668		15,668
	311,828	311,828
21,957		21,957
330		330
26,890		26,890
1,163		1,163
875		875
<u>268,310</u>	<u>(268,310)</u>	<u>-0-</u>
1,488,976	43,518	1,532,494
857,056		857,056
85,181		85,181
131,405		131,405
<u>1,073,642</u>	<u>-0-</u>	<u>1,073,642</u>
<u>293,087</u>		<u>293,087</u>
<u>1,366,729</u>	<u>-0-</u>	<u>1,366,729</u>
122,247	43,518	165,765
<u>(3,728)</u>	<u>(43,518)</u>	<u>(47,246)</u>
<u>\$ 118,519</u>	<u>\$ -0-</u>	<u>\$ 118,519</u>

NEW ROOTS CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,

	2011	2010
Cash Flows from Operating Activities:		
Net income	\$ 515,005	\$ 165,765
Adjustments:		
Depreciation and amortization	32,469	13,498
Donated capital improvements	-0-	(17,981)
(Increase) decrease in:		
Accounts receivable	(153,352)	(22,615)
Due from State and Federal	(163,719)	(23,130)
Payroll advances	-0-	5,559
Inventory - Food service	219	(1,757)
Prepaid expenses	(83,809)	(1,600)
Increase (decrease) in:		
Accounts payable	(14,069)	16,495
Accrued liabilities	9,721	56,781
Due to retirement system	31,741	40,511
Deferred grant income	(54,462)	54,462
Net Cash Provided by Operating Activities	119,744	285,988
Cash Flows from Investing Activities:		
Equipment acquisitions	(26,235)	(66,524)
Leasehold improvements	(266,500)	(89,717)
Deposits	168	(18,522)
Net Cash (Used) by Investing Activities	(292,567)	(174,763)
Cash Flows from Financing Activities:		
Notes payable and obligations for leasehold improvements paid	(13,718)	(8,798)
Obligations for leasehold improvements issued	31,500	38,121
Net Cash Provided by Financing Activities	17,782	29,323
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(155,041)	140,548
Cash and Cash Equivalents (Deficit), July 1,	134,941	(5,607)
Cash and Cash (Deficit) Equivalents, June 30,	\$ (20,100)	\$ 134,941
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 2,239	\$ 432
Donated capital improvements	\$ -0-	\$ 17,981

See Independent Auditor's Report and Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services		
	Regular Education	Special Education	Enrichment Programs
Salaries	\$ 571,533	\$ 48,448	\$ 54,474
Benefits and payroll taxes	144,629	12,260	13,785
Legal fees			
Accounting/auditing fees			
Board expenses			
Contracted services	31,478		
Supplies and materials	27,830	125	
Office expense			
Expensed equipment	39,048	2,139	
Food			37,701
Insurance	22,374	1,193	3,156
Maintenance and repairs	5,495	301	
Marketing and recruitment	24,152	2,684	
Rent	139,051	7,418	19,612
Staff development	40,426	2,527	1,010
Textbooks	11,384		
Travel and conferences	9,053	566	226
Utilities	40,690	2,229	
Other expenses			
Depreciation and amortization	<u>23,908</u>	<u>1,275</u>	<u>3,372</u>
Total Expenses	<u>\$ 1,131,051</u>	<u>\$ 81,165</u>	<u>\$ 133,336</u>

See Independent Auditor's Report and Notes to Financial Statements



<u>Program Services</u>	<u>Supporting Services</u>	
<u>Program Subtotal</u>	<u>Management and General</u>	<u>Total</u>
\$ 674,455	\$ 218,181	\$ 892,636
170,674	55,211	225,885
	36,629	36,629
	16,500	16,500
	216	216
31,478	21,083	52,561
27,955		27,955
	12,851	12,851
41,187	6,564	47,751
37,701		37,701
26,723	3,662	30,385
5,796	924	6,720
26,836		26,836
166,081	22,758	188,839
43,963	6,569	50,532
11,384		11,384
9,845	1,471	11,316
42,919	6,839	49,758
	5,050	5,050
<u>28,555</u>	<u>3,914</u>	<u>32,469</u>
<u>\$ 1,345,552</u>	<u>\$ 418,422</u>	<u>\$ 1,763,974</u>

NEW ROOTS CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services		
	Regular Education	Special Education	Enrichment Program
Salaries	\$ 453,722	\$ 57,097	\$ 50,530
Benefits and payroll taxes	105,014	13,215	11,695
Legal fees			
Accounting/auditing fees			
Board expenses			
Contracted services	14,178	136	
Supplies and materials	21,420	753	
Office expense			
Expensed equipment	26,200	1,198	4,589
Food			34,083
Insurance	17,311	791	4,937
Maintenance and repairs	6,476	296	
Marketing and recruitment	21,001	2,649	
Rent	75,239	3,439	21,460
Staff development	56,434	3,527	1,411
Textbooks	15,343		
Travel and conferences	3,644	228	91
Utilities	31,365	1,434	
Other expenses	567		
Depreciation and amortization	9,142	418	2,609
Total Expenses	<u>\$ 857,056</u>	<u>\$ 85,181</u>	<u>\$ 131,405</u>

See Independent Auditor's Report and Notes to Financial Statements

<u>Program Services</u>	<u>Supporting Services</u>	
<u>Program Subtotal</u>	<u>Management and General</u>	<u>Total</u>
\$ 561,349	\$ 169,803	\$ 731,152
129,924	39,301	169,225
	13,022	13,022
	6,000	6,000
	145	145
14,314	5,391	19,705
22,173	920	23,093
	12,786	12,786
31,987	3,810	35,797
34,083		34,083
23,039	2,517	25,556
6,772	942	7,714
23,650	2,840	26,490
100,138	10,939	111,077
61,372	9,171	70,543
15,343		15,343
3,963	592	4,555
32,799	4,560	37,359
567	9,019	9,586
<u>12,169</u>	<u>1,329</u>	<u>13,498</u>
<u>\$ 1,073,642</u>	<u>\$ 293,087</u>	<u>\$ 1,366,729</u>

NEW ROOTS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies

A. Activity

New Roots Charter School (the Organization) is a not for profit public high school committed to sustainable education and social justice. The Organization's first year of operations was 2009-2010. The Organization uses the Fiscal Policies and Procedures Manual drafted in 2009.

B. Financial Statement Presentation

The Organization complies with the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," which is now incorporated in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the Statement of Financial Position, cash and cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less.

E. Accounts Receivable

Accounts receivable are recorded without provision for bad debts. Amounts recorded at June 30 are considered by management to be fully collectible.

F. Prepaid Expenses

Prepaid expenses represents various instructional equipment that the Organization has the right to receive for which it has paid. This entire amount is expected to be expended during the next fiscal year.

G. Property and Equipment

Property, plant and equipment are stated at cost and depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Equipment is depreciated over three to ten years and renovation costs over twenty years.

H. Grants and Contributions

Grants and Contributions, including unconditional promises to give, are reported as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted net assets until the assets are acquired and placed in service. Contributions of assets other than cash are recorded at their estimated fair value at date of donation.

NEW ROOTS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2011 and 2010

I. Tax Exemption

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to unrelated business income tax (UBIT) for certain income generated outside their tax-exempt purpose.

J. Donated Services

A large number of volunteers have donated significant amounts of time, services, and materials on the Organization's behalf. The value of this contributed time and services has not been reflected in the financial statements, inasmuch as no objective basis is available to measure the value of such services and it does not meet the criteria for recognition under SFAS No. 116.

K. Net Assets

The following is a description of the net assets shown in the accompanying financial statements:

- Unrestricted - Includes all net assets over which the New Roots Charter School has full discretion.
- Temporarily Restricted - Includes unspent contributions restricted by the donor for a particular purpose.

Note 2 - Concentration of Credit Risk

The Organization maintains cash balances at one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. During the year, financial institution balances may routinely exceed the amount covered by FDIC coverage.

Note 3 - Fixed Assets

A summary of changes in fixed assets is as follows:

	2011				
	Cost July 1,	Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$ 107,698	\$ 266,500	\$ 374,198	\$ (21,334)	\$ 352,864
Equipment	71,891	26,235	98,126	(25,454)	72,672
<b>Total</b>	<b>\$ 179,589</b>	<b>\$ 292,735</b>	<b>\$ 472,324</b>	<b>\$ (46,788)</b>	<b>\$ 425,536</b>
	2010				
	Cost July 1,	Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$	\$ 107,698	\$ 107,698	\$ (3,735)	\$ 103,963
Equipment	5,367	66,524	71,891	(10,584)	61,307
<b>Total</b>	<b>\$ 5,367</b>	<b>\$ 174,222</b>	<b>\$ 179,589</b>	<b>\$ (14,319)</b>	<b>\$ 165,270</b>

Depreciation expense for 2011 and 2010 were \$32,469 and \$14,319 respectively.

NEW ROOTS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2011 and 2010

Note 4 - Leases

On May 10, 2009 the Organization entered into a five year and two month lease agreement with The Historic Clinton House of Ithaca, LLC, commencing on May 15, 2009, for classroom and administrative space. Monthly payments for fiscal year 2011 are \$13,975. Furthermore, there are three, five year options to renew and at the end of each twelve month period the base rent shall increase by 4%. Rent expense under this lease was \$163,611 and \$78,430 for the years ending June 30, 2011 and June 30, 2010, respectively. Future minimum rental payments will be:

<u>Year</u>	<u>Payment</u>
2011 - 2012	\$ 174,408
2012 - 2013	181,384
2013 - 2014	188,640
2014 - 2015	32,698

On July 7, 2010 the Organization entered into an eight month lease agreement with a three month extension dated January 19, 2011 with The City Federation of Women's Organizations, Inc, commencing on September 1, 2010, for use of a commercial kitchen with monthly payments of \$700 and the use of five parking spots at monthly payments of \$40 and one parking spot at monthly payments of \$37.

On September 1, 2010 the Organization entered into an approximately ten month lease agreement with The City Federation of Women's Organizations, Inc, commencing on September 1, 2010 and expiring on June 30, 2011, for the use of an auditorium. Payments are subject to hourly usage, at \$20 per hour of use, which are capped at \$100 per day. Rent expense under leases with the City Federation of Women's Organization was \$19,612 and \$29,416 for the years ending June 30, 2011 and June 30, 2010, respectively.

Note 5 - Obligation for Leasehold Improvements

The Organization has a long-term obligation in the amount of \$69,621 from the renovation of the Historic Clinton House. The obligation stipulates an interest rate of 5% compound monthly for 42 payments beginning May 1, 2010. The following is schedule of future principal payments;

<u>June 30,</u>	<u>Principal</u>
2012	\$ 17,343
2013	22,501
2014	20,777
2015	<u>9,000</u>
Total	<u>\$ 69,621</u>

Note 6 - Related Party Transactions

A Board Member owns 34% of a LLC Farm with which the Organization does business. One Board Member is the mother of one of the owners of the Historic Clinton House. This individual abstains from voting on matters pertaining to the building and/or the lease. One part time employee is married to a Board Member; however, as of August 11, 2010, she was no longer employed by the Organization except for very minimal consulting activities. At June 30, 2010, two Board Members had promissory notes from the Organization totaling \$1,500. These notes were repaid during the year ending June 30, 2011.

NEW ROOTS CHARTER SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
JUNE 30, 2011 and 2010

Note 7 - Pension System

The School participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing multiple employer public defined benefit employee retirement system. The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3.0% of their annual salary. Those joining NYSTRS on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

The School is required to contribute at an actuarially determined rate. The School contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the two years shown were:

Year	TRS
2011	\$ 55,029
2010	28,294

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, consisted of the following:

	2011	2010
CSP Grant	\$ 80,505	\$ -0-

Note 9 - Events Subsequent to Report Date

The School has evaluated event transactions occurring between June 30, 2011 and October 27, 2011, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No events were identified which require disclosure or recognition in the financial statements as of June 30, 2011.

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## Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
New Roots Charter School  
Ithaca, New York

We have audited the financial statements of New Roots Charter School as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 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 New Roots Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Roots Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Roots Charter 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 would not necessarily identify all deficiencies in 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 New Roots Charter 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 required to be reported under *Government Auditing Standards*.

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We noted certain matters that we reported to the management of New Roots Charter School in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of management, the Audit Committee, others within the Organization, the Board of Trustees, 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.

*Cinchi, Dittulyn, Little, Mickelson & Co., LLP*

October 27, 2011  
Ithaca, New York