

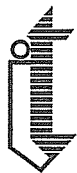
ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14
SUPPLEMENTAL INFORMATION	
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 AUDITORS' REPORT

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

We have audited the accompanying financial statements of Roosevelt Children's Academy Charter Inc., (a nonprofit organization) (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year 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, 2013, and the 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.

Other Matters

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.

The comparative information of the School as of and for the year ended June 30, 2012 was audited by other auditors whose report dated November 9, 2012 expressed an unmodified opinion.

As discussed in Note 13, the School has restated its 2012 financial statements during the current year to correct various over and under statements for receivables and liabilities in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of 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 School's internal control over financial reporting and compliance.

Israeloff Tzattner & Co. P.C.

Garden City, New York
November 1, 2013

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 21,076,355	\$ 18,594,129
Accounts receivable	6,107	9,091
Due from government agencies	3,698,634	3,241,332
Prepaid expenses	<u>536</u>	<u>586</u>
TOTAL CURRENT ASSETS	24,781,632	21,845,138
Property and Equipment, at cost, less accumulated depreciation and amortization of \$3,273,448 and \$3,150,300 respectively	5,929,769	5,820,841
OTHER ASSETS		
Security deposits	4,166	4,166
Due from landlord	<u>16,800</u>	<u>25,200</u>
TOTAL ASSETS	<u>\$ 30,732,367</u>	<u>\$ 27,695,345</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,349,097	\$ 1,069,129
Current maturities of long-term debt	2,199	131,544
Advance billing	<u>1,972,435</u>	<u>2,132,703</u>
TOTAL CURRENT LIABILITIES	3,323,731	3,333,376
Long-term debt, less current maturities	<u>-</u>	<u>2,199</u>
TOTAL LIABILITIES	3,323,731	3,335,575
NET ASSETS		
Unrestricted	27,341,497	24,308,686
Temporarily restricted	<u>67,139</u>	<u>51,084</u>
TOTAL NET ASSETS	<u>27,408,636</u>	<u>24,359,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,732,367</u>	<u>\$ 27,695,345</u>

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenue				
Public School District				
Resident student enrollment	\$ 11,956,309	\$ -	\$ 13,031,629	\$ -
Grants and contracts				
Food services	357,727	-	254,561	-
Federal funding	276,585	-	274,024	-
E-rate funding	50,000	-	36,186	-
State funding	17,500	-	-	-
	<u>12,658,121</u>	<u>-</u>	<u>13,596,400</u>	<u>-</u>
Total Operating Revenue				
Operating Expenses				
Program services				
Regular education	7,151,687	-	5,902,847	-
Special education	354,293	-	298,409	-
Management and general	2,174,871	-	1,980,086	-
	<u>9,680,851</u>	<u>-</u>	<u>8,181,342</u>	<u>-</u>
Total Operating Expenses				
Net Operating Income	<u>2,977,270</u>	<u>-</u>	<u>5,415,058</u>	<u>-</u>
Other Revenues and Expenses				
Fundraising income	-	29,483	-	136,734
Fundraising expenses	-	(13,428)	-	(134,019)
Interest income	54,914	-	52,902	-
Other income	627	-	141	-
	<u>55,541</u>	<u>16,055</u>	<u>53,043</u>	<u>2,715</u>
Total Other Revenues and Expenses				
Increase in Net Assets	3,032,811	16,055	5,468,101	2,715
Net Assets - beginning as restated	<u>24,308,686</u>	<u>51,084</u>	<u>18,840,585</u>	<u>48,369</u>
Net assets - end	<u>\$ 27,341,497</u>	<u>\$ 67,139</u>	<u>\$ 24,308,686</u>	<u>\$ 51,084</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,048,866	\$ 5,470,816
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	651,818	660,740
Changes in assets and liabilities:		
Accounts receivables	2,984	(2,671)
Due from government agencies	(457,302)	(61,096)
Prepaid expenses	50	(458)
Security deposit	-	(41)
Due from landlord	8,400	34,440
Accounts payable and accrued expenses	279,968	225,844
Advance billing	<u>(160,268)</u>	<u>84,380</u>
Total adjustments	<u>325,650</u>	<u>941,138</u>
Net cash provided by operating activities	3,374,516	6,411,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(760,746)	(444,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings net of principal payments on long-term debt	<u>(131,544)</u>	<u>(18,889)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,482,226	5,948,513
CASH AND CASH EQUIVALENTS - beginning	<u>18,594,129</u>	<u>12,645,616</u>
CASH AND CASH EQUIVALENTS - end	<u><u>\$ 21,076,355</u></u>	<u><u>\$ 18,594,129</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION

CASH PAID FOR:		
Interest	<u>\$ 195</u>	<u>\$ 2,783</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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 2013, the Charter School operated classes for students in kindergarten through 8th grade.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when an obligation has been incurred, regardless of when the related cash transaction takes place.

FINANCIAL STATEMENT PRESENTATION

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

These classes are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulation and, therefore, may be expended for any purpose in performing the primary objective of the School.

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

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

The School's financial instruments include cash, accounts receivable, due from government agencies, accounts payable and a capital lease payable 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.

The School capitalizes assets with a cost of \$1,000 and over. Depreciation is calculated based on the useful lives of the fixed assets as follows:

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

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Contributions are recognized as revenue in the year the pledge or promise is received and documented. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, which increases those net asset classes. When the specified purpose of donor-restricted contributions are met, the net asset is released from restrictions and transferred to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value.

DONATED SERVICES

Donated services are recorded at their fair value when such services are rendered. 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. The values of these contributed services 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.

Revenue is recognized as earned from third parties and when promises to give are received for contributions, special events and fundraising events. Cash received in excess of revenue earned is recorded as advance billing.

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.

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Activities and the Statement 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 incorporated under a charter granted by the Board of Regents on behalf of the New York State Education Department and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). The School has made no provision for income taxes in the accompanying financial statements. In addition, the School has been classified as an organization other than a private foundation under Section 509(a)(2) of the IRC. There was no unrelated business income subject to taxation in 2013.

Management has evaluated the School's tax positions for all open tax years and has concluded that the School had taken no uncertain tax positions that require disclosure or adjustment to the financial statements. Generally, the School is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2010, which is the standard statute of limitations look-back period.

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. Actual results could differ from those estimates.

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, 2012 from which the summarized information was derived.

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATION

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NEW ACCOUNTING STANDARDS

During 2013 and 2012, the Financial Accounting Standards Board ("FASB") issued various updates to the FASB Accounting Standards Codification, including updated guidance on revenue recognition, consolidation of variable interest entities, fair value disclosures, presentation of other comprehensive income and goodwill and other intangibles impairment testing. These, and other updates, are either not yet effective for the School's financial statements or, when effective, will not or did not have a material impact on the School's financial statements upon adoption.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2013, the date the financial statements were available for issuance.

3. CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject the School to concentration from credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. 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 State through pupil enrollment 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.

Federal food subsidies, and Title I and II funds are received through grants approved by the Department of Agriculture and Education.

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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:

	<u>2013</u>	<u>2012</u>
New York State Department of Education (pupil enrollment)	\$ 3,266,030	\$ 3,014,969
Federal Government	349,688	214,557
New York State	<u>82,916</u>	<u>11,806</u>
	<u>\$ 3,698,634</u>	<u>\$ 3,241,332</u>

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 and includes the amount as a receivable due from government agencies. At June 30, 2013 and 2012 advance billing totaled \$1,972,435 and \$2,132,703, respectively.

6. PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 170,919	\$ 170,919
School buildings	5,011,714	5,011,714
Modular space and related costs	440,835	440,835
Buildings and leasehold improvements	2,174,498	2,107,797
Furniture and fixtures	235,052	374,862
Computer equipment	707,624	509,140
Office equipment	58,279	81,706
Software	129,612	26,226
Automobile	96,632	26,632
Equipment under capital leases	<u>153,381</u>	<u>210,210</u>
	9,178,546	8,960,041
Less: Accumulated depreciation and amortization	<u>(3,273,448)</u>	<u>(3,150,300)</u>
	5,905,098	5,809,741
Construction in progress	<u>24,671</u>	<u>11,100</u>
Total	<u>\$ 5,929,769</u>	<u>\$ 5,820,841</u>

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

6. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2013 and 2012 was \$651,818 and \$660,740, respectively.

7. LONG-TERM DEBT

Long-term debt consists of:

	<u>2013</u>	<u>2012</u>
3.9% note payable, due in monthly installments of \$444, including interest, with the final payment due November 28, 2013. Equipment with an original cost of \$24,164 is pledged as collateral.	\$ 2,199	\$ 6,914
Total due under capital lease obligation	<u>-</u>	<u>126,829</u>
	2,199	133,743
Less: Current maturities	<u>2,199</u>	<u>131,544</u>
Long-term debt	\$ <u><u>-</u></u>	\$ <u><u>2,199</u></u>

The following are maturities of long-term debt for the next year at June 30, 2013:

2014	\$ <u>2,199</u>
	\$ <u><u>2,199</u></u>

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 the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was \$70,747 and \$79,073 for 2013 and 2012, 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. LEASES

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

ROOSEVEL CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

9. LEASES (CONTINUED)

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

2014	78,236
2015	78,873
2016	27,192
2017	27,600
2018	28,014
Thereafter	<u>57,295</u>

Total	\$ <u>297,210</u>
-------	-------------------

10. REVENUE CONCENTRATIONS

During the years ended June 30, 2013 and 2012, the School earned 95% of its revenue from the New York State Education Department.

11. CONCENTRATION OF RISK

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

12. 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 has been made in the accompanying financial statements for any such liability.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

13. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

In 2013, management identified various receivables and accrued expenses that were overstated at June 30, 2012. These receivables and accrued expenses included \$6,032 and \$90,439, respectively, of amounts recorded at June 30, 2011. The adjustment results in a decrease in revenues of \$6,032 and a decrease in expenses of \$90,439. As a result net assets at July 1, 2011 were restated from \$18,756,178 to \$18,840,585 a net increase of \$84,407.

At June 30, 2012, management elected to report net due from other government agencies and advance billing related to 2012/2013 school year. While an acceptable practice under US GAAP, management has elected at June 30, 2013 to report gross accounts receivable and advance billings which is a preferred financial presentation under accounting principles generally accepted in the United States of America. At June 30, 2012, due from other government agencies was increased from \$882,267 to \$3,014,969 and advance billing from \$0 to \$2,132,703. This restatement had no effect on the operating results or unrestricted net assets.

In addition, management identified over accruals of due from government agencies of \$41,034. The result was an overstatement of due from government agencies, food services revenues and unrestricted net assets.

Additionally, at June 30, 2012 management identified various accounts payable and accrued expenses that were over accrued and under accrued, which resulted in a net over accrual of \$10,390. The result was an overstatement of operating expenses, accounts payable and accrued expenses and an understatement of unrestricted net assets.

The prior period adjustments and restatements are as follows:

	As previously Reported <u>June 30, 2012</u>	Prior Period Adjustment	Restatement of <u>2012 Activities</u>	As Restated <u>June 30, 2012</u>
Due from government agencies	\$ 1,155,696	\$ (6,032)	\$ 2,091,668	\$ 3,241,332
Accounts payable and accrued expenses	1,169,958	(90,439)	(10,390)	1,069,129
Advance Billings	<u>-</u>	<u>-</u>	<u>2,132,703</u>	<u>2,132,703</u>
Revenues:				
Food services	295,592	-	(41,034)	254,558
Operating expenses:				
Supplies and materials	216,052	-	(17,650)	198,402
Professional fees - accounting and audit	45,033	-	(8,000)	37,033
Other	<u>73,651</u>	<u>-</u>	<u>15,260</u>	<u>88,911</u>
Unrestricted net assets	\$ <u>24,254,923</u>	\$ <u>84,407</u>	\$ <u>(30,644)</u>	\$ <u>24,308,686</u>

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	Program Services		Support Services			Total	
	Regular Education	Special Education	Total	Management and General	Fundraising	2013	2012
EXPENSES							
Salaries and wages	\$ 3,726,376	\$ 215,081	\$ 3,941,457	\$ 1,435,564	\$ -	\$ 5,377,021	\$ 4,568,659
Payroll tax expenses and fringe benefits	1,039,413	51,249	1,090,662	190,561	-	1,281,223	1,055,467
Total Personnel Service Costs	4,765,789	266,330	5,032,119	1,626,125	-	6,658,244	5,624,126
Consultants - education	186,910	-	186,910	-	-	186,910	138,137
Food purchases	405,008	16,875	421,883	-	-	421,883	361,430
Insurance expense	50,048	2,085	52,133	-	-	52,133	46,483
Supplies and materials	245,858	10,244	256,102	-	-	256,102	198,402
Textbooks	233,460	9,727	243,187	-	-	243,187	60,361
Telephone	40,349	1,681	42,030	13,273	-	55,303	38,392
Occupancy	103,240	4,302	107,542	33,960	-	141,502	173,864
Printing	6,042	252	6,294	-	-	6,294	3,031
Field trips	75,033	-	75,033	-	13,428	88,461	183,564
Staff development	51,685	2,154	53,839	-	-	53,839	29,872
Equipment - rentals	2,961	123	3,084	10,298	-	13,382	45,122
Professional fees - legal	-	-	-	96,964	-	96,964	144,504
Professional fees - accounting and audit	-	-	-	27,000	-	27,000	37,033
Repairs and maintenance	234,274	9,761	244,035	-	-	244,035	163,261
Travel	14,366	599	14,965	-	-	14,965	10,155
Board of trustees	-	-	-	33,835	-	33,835	24,462
Utilities	98,099	4,087	102,186	30,517	-	132,703	125,683
Depreciation	475,814	26,073	501,887	149,931	-	651,818	660,740
Postage	-	-	-	31,324	-	31,324	26,646
Advertising	-	-	-	46,221	-	46,221	42,882
Administrative fees	-	-	-	75,423	-	75,423	85,517
Interest Expense	195	-	195	-	-	195	2,783
Other	162,556	-	162,556	-	-	162,556	88,911
TOTAL EXPENSES	\$ 7,151,687	\$ 354,293	\$ 7,505,980	\$ 2,174,871	\$ 13,428	\$ 9,694,279	\$ 8,315,361

See accompanying notes to financial statements



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 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 that statement of financial position as of June 30, 2013, 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 November 1, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

2013-1: During our audit, we noted that the School did not properly review expenses for capital asset purchases. In analyzing the repair and maintenance accounts, we noted \$616,759 of expenses that met the School's capitalization policy. As a result, operating expenses were overstated by \$589,655 (capital asset purchases of \$616,759 less depreciation expense on the assets of \$27,104).

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.

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
November 1, 2013