

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.**

Financial Statements and Supplemental Schedule  
Together with Independent Auditors' Report

June 30, 2012 and 2011

# ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

June 30, 2012 and 2011

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## Independent Auditors' Report

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

We have audited the accompanying statement of financial position of the Roosevelt Children's Academy Charter School, Inc. (the "Charter School") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Charter School as of June 30, 2011, were audited by other auditors whose report dated December 5, 2011, expressed an unqualified opinion on those statements. As discussed in Note 10, the Charter School has restated its 2011 financial statements during the current year to correct understatements of depreciation for leasehold improvements in prior years, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2011 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Children's Academy Charter School, Inc. as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 10 that were applied to restate the June 30, 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012 on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be considered in assessing the results of our audit.

Our 2012 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 5 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 been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Galleros Koh LLP

New York, New York  
November 9, 2012

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.****STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2012 AND 2011

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 18,594,129	\$ 12,645,616
Due from government agencies	1,155,692	1,137,945
Prepaid expenses	<u>9,677</u>	<u>6,548</u>
Total Current Assets	19,759,498	13,790,109
Property and Equipment		
at cost, less accumulated depreciation		
of \$3,150,600 in 2012 and \$1,876,198 in 2011	5,820,841	6,037,029
Other Assets		
Security deposits	4,166	4,125
Due from landlord	<u>25,200</u>	<u>59,640</u>
Total Assets	<u>\$ 25,609,705</u>	<u>\$ 19,890,903</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,169,958	\$ 933,724
Current maturities of long-term debt	<u>131,544</u>	<u>37,826</u>
Total Current Liabilities	1,301,502	971,550
Long-term debt, less current maturities	<u>2,199</u>	<u>114,806</u>
Total Liabilities	<u>1,303,701</u>	<u>1,086,356</u>
<b>NET ASSETS</b>		
Unrestricted	24,254,920	18,756,178
Temporarily restricted	<u>51,084</u>	<u>48,369</u>
Total Net Assets	<u>24,306,004</u>	<u>18,804,547</u>
Total Liabilities and Net Assets	<u>\$ 25,609,705</u>	<u>\$ 19,890,903</u>

See notes to financial statements.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.**

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	2012		2011	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>OPERATING REVENUE</b>				
Public School District				
Resident student enrollment	\$ 13,031,629	\$ -	\$ 12,149,540	\$ -
Grants and contracts				
Food services	295,592	-	307,458	-
Federal - NCLB and IDEA	274,024	-	227,746	-
E-rate funding	36,186	-	45,568	-
Total operating revenues	13,637,431	-	12,730,312	-
<b>OPERATING EXPENSES</b>	13,637,431	-	-	-
Program services				
Regular education	5,902,847	-	5,400,079	-
Special education	298,409	-	282,604	-
Management and general	1,990,476	-	1,875,552	-
Total operating expenses	8,191,732	-	7,558,235	-
Surplus from school operations	5,445,699	-	5,172,077	-
<b>SUPPORT, OTHER REVENUES AND EXPENSES</b>				
Fundraising income	-	136,734	-	147,437
Fundraising expenses	-	(134,019)	-	(144,972)
Interest income	52,902	-	46,640	-
Other income	141	-	394	-
Net support, other revenues and expenses	53,043	2,715	47,034	2,465
Change in net assets	5,498,742	2,715	5,219,111	2,465
Net Asset, beginning of year (restated)	18,756,178	48,369	13,537,067	45,904
Net Asset, end of year	\$ 24,254,920	\$ 51,084	\$ 18,756,178	\$ 48,369

See notes to financial statements.

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

YEARS ENDED JUNE 30, 2012 AND 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 5,501,457	\$ 5,221,576
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	660,740	489,764
(Increase) decrease in assets:		
Due from Government agencies	(17,747)	(397,433)
Prepaid expenses	(3,129)	(6,017)
Security deposit	(41)	-
Due from Landlord	34,440	46,092
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>236,234</u>	<u>93,904</u>
Net cash from operating activities	<u>6,411,954</u>	<u>5,447,886</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	<u>(444,552)</u>	<u>(811,717)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term capital lease	-	136,955
Principal payments on long-term debt	<u>(18,889)</u>	<u>(3,963)</u>
Net cash from financing activities	<u>(18,889)</u>	<u>132,992</u>
Net Increase in Cash	5,948,513	4,769,161
Cash and cash equivalents, beginning of year	<u>12,645,616</u>	<u>7,876,455</u>
<b>Cash, End of Year</b>	<u><u>\$ 18,594,129</u></u>	<u><u>\$ 12,645,616</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 2,783	\$ 634

See notes to financial statements.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.**
**SCHEDULE OF FUNCTIONAL EXPENSES  
(WITH SUMMARIZED TOTALS FOR 2011)**

YEAR ENDED JUNE 30, 2012

	Program Services			Support Services		Totals	
	Regular Education	Special Education	Total	Management and General	Fundraising	2012	2011
<b>EXPENSES</b>							
Salaries and wages	\$ 3,267,066	\$ 182,746	\$ 3,449,812	\$ 1,118,847	\$ -	\$ 4,568,659	\$ 3,875,645
Payroll tax expenses and fringe benefits	754,768	42,219	796,987	258,480	-	1,055,467	1,109,283
Total Salaries and related expenses	4,021,834	224,965	4,246,799	1,377,327	-	5,624,126	4,984,928
Consultants - education	84,941	-	84,941	-	-	84,941	56,212
Food purchases	346,974	14,456	361,430	-	-	361,430	320,734
Insurance expense	44,624	1,859	46,483	-	-	46,483	68,930
Supplies and materials	232,391	9,211	241,602	-	-	241,602	224,837
Textbooks	57,947	2,414	60,361	-	-	60,361	175,027
Telephone	27,259	1,535	28,794	9,598	-	38,392	49,899
Occupancy	123,445	6,953	130,398	43,466	-	173,864	357,561
Printing	2,910	121	3,031	-	-	3,031	11,255
Field trips	49,545	-	49,545	-	134,019	183,564	144,972
Staff development	28,677	1,195	29,872	-	-	29,872	37,371
Equipment - rentals	43,317	1,805	45,122	-	-	45,122	12,258
Professional fees - legal	-	-	-	144,504	-	144,504	134,955
Professional fees - accounting and audit	-	-	-	45,033	-	45,033	155,060
Repairs and maintenance	70,317	2,930	73,247	-	-	73,247	113,263
Travel	9,749	406	10,155	-	-	10,155	41,248
Board of trustees	-	-	-	24,462	-	24,462	23,613
Utilities	89,236	5,026	94,262	31,421	-	125,683	133,740
Depreciation	475,587	25,533	501,120	159,620	-	660,740	489,764
Postage	-	-	-	26,646	-	26,646	20,337
Advertising	-	-	-	42,882	-	42,882	45,847
Administrative fees	-	-	-	85,517	-	85,517	65,333
Interest expense	2,783	-	2,783	-	-	2,783	634
Other	191,311	-	191,311	-	-	191,311	35,429
Total Non-Personnel Expenses	1,881,013	73,444	1,954,457	613,149	134,019	2,701,625	2,718,279
Total Expenses	\$ 5,902,847	\$ 298,409	\$ 6,201,256	\$ 1,990,476	\$ 134,019	\$ 8,325,751	\$ 7,703,207

See notes to financial statements and independent auditors' report.



# ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

## Notes to Financial Statements

### 1. Organization and Nature of Operations

Roosevelt Children's Academy Charter School, Inc. (the "Charter School") is a public charter school for children located in Roosevelt, New York. The Charter School educates children on a completely nondiscriminatory and secular basis. The Charter School was created by members of the Roosevelt community that felt a great need for a public education alternative with a belief that access to a public education of high quality for all children is the foremost issue. The Focus of the Charter School is on the core skills of reading, language, writing and mathematics, with extended day, a high degree of individualized instruction, and an innovative research based academic curriculum. The Charter School was chartered on May 25, 2012, and the first classes were offered beginning July 1, 2000.

In fiscal year 2012, the Charter School operated classes for students in kindergarten and grades 1 through 8.

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

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation***

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and standards established by the Financial Accounting Standards Board for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets based upon the existence or absence of donor-imposed restrictions, 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 Charter School.

*Temporarily restricted* - Net assets subject to donor-imposed restrictions that will be satisfied either actions of the Charter School or the passage of time.

*Permanently restricted* - Net assets resulting from contributions and other inflows of assets whose use by the Charter 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 Charter School.

## **ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.**

### Notes to Financial Statements

#### **2. Summary of Significant Accounting Policies (*continued*)**

##### ***Operating Revenue***

Revenue from federal, state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Grants and contract revenues are recorded by Charter School when expenditures are incurred and billable. Cash received in excess of revenue recognized is recorded as refundable advances from the grantors.

##### ***Contributions and Contributed Services***

Contributions are recognized as revenue in the year the pledge 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 is 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.

Contributed services are recorded at their fair value when such services are rendered. Contributed 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 Charter School. A number of volunteers have made contributions of their time to the Charter School to develop its academic programs or serve on the Charter 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 are not met.

##### ***Functional Allocation of Expenses***

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

##### ***Use of Estimates***

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

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies (*continued*)

##### ***Cash and Cash Equivalents***

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

##### ***Property and Equipment***

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

The Charter 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
Automobiles	5
Computer equipment	3
Leasehold improvements	3-20
Software	3

##### ***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.

##### ***Accounting for Uncertain Tax Positions***

Management has evaluated the Charter School's tax positions for all open tax years and has concluded that the Charter School had taken no uncertain tax positions that require disclosure or adjustment to the financial statements. Generally, the Charter School is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies (*continued*)

##### ***Reclassification***

The 2011 comparative financial statement information has been reclassified to conform to the 2012 presentation. Such reclassifications had no effect on net income.

##### ***Subsequent Events***

Management evaluates events occurring after the date of the financial statements to consider whether or the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements were available for issuance, which was November 9, 2012.

#### 3. Pupil Enrollment and Other Revenues from Government Agencies

Under the Charter School's charter school agreement and the Charter Schools Act, the Charter 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 and II, funds. The calculation of the amounts to be paid to the Charter 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 Charter 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 Charter School receives could vary significantly.

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

	<u>2012</u>	<u>2011</u>
New York State Department of Education (pupil enrollment)	882,267	2,940,280
Federal Government	195,085	212,767
New York State	<u>78,344</u>	<u>33,221</u>
Total	<u>\$ 1,155,696</u>	<u>\$ 3,186,268</u>

The amounts are based upon actual amounts received as well as estimates by the management of the Charter 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.

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### Notes to Financial Statements

#### 4. Property and Equipment

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

	<u>2012</u>	<u>2011</u>
Land	\$ 170,919	\$ 170,919
School buildings	5,011,714	4,943,706
Building improvements	498,191	507,315
Modular space and related costs	440,835	440,835
Leasehold improvements	1,609,606	1,185,018
Furniture and fixtures	374,862	346,976
Computer equipment	509,140	443,778
Office equipment	81,706	71,569
Software	26,226	26,227
Automobile	26,632	26,632
Equipment under capital leases	<u>210,210</u>	<u>210,210</u>
	8,960,041	8,373,185
Less: Accumulated depreciation	<u>(3,150,600)</u>	<u>(2,346,476)</u>
	5,809,441	6,026,709
Construction in progress	<u>11,100</u>	<u>10,320</u>
Total	<u>\$ 5,820,541</u>	<u>\$ 6,037,029</u>

Depreciation for the year ended June 30, 2012 and 2011 was \$660,740 and \$489,764, respectively.

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

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### Notes to Financial Statements

#### 5. Long-Term Debt

Long-term debt consists of:

	<u>2012</u>	<u>2011</u>
3.9% note payable, due in monthly installments of \$444. Including interest, with final payment due November 28, 2013. Equipment with an original cost of \$24,164 is pledged as collateral.	\$ 6,914	\$ 12,268
Total due under capital lease obligation	<u>126,829</u>	<u>140,364</u>
	133,743	152,632
Less: Current maturities	<u>131,544</u>	<u>37,826</u>
Long-term debt	<u>\$ 2,199</u>	<u>\$ 114,806</u>

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

	<u>2012</u>	<u>2011</u>
<u>Years ending June 30:</u>		
2013	\$ 131,544	\$ 39,447
2014	2,199	38,005
2015	<u>-</u>	<u>37,354</u>
	<u>\$ 133,743</u>	<u>\$ 114,806</u>

#### 6. Defined Contribution Plan

The Charter 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 Charter School matches the employee contribution 100% up to 4% of the employee's annual compensation. The Charter School's contribution recognized in the statement of activities was \$79,073 and \$75,938 for 2012 and 2011, 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.

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### Notes to Financial Statements

#### 7. Lease Commitments

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

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

	Operating	Capital
2013	\$ 77,612	\$ 136,955
2014	78,236	-
2015	78,873	-
2016	27,600	-
Thereafter	85,309	-
Total minimum obligation	<u>\$ 347,630</u>	136,955
Less: Amount representing interest		<u>(10,126)</u>
Present value of net minimum lease obligation		126,829
Less: Current portion		<u>(126,829)</u>
Long-term obligation at June 30, 2012		<u>\$ -</u>

#### 8. Concentration of Credit Risk

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

The Charter School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the Charter 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.**

### Notes to Financial Statements

#### **9. Contingencies**

##### ***Government Grants***

The Charter School participates in a number of federal and state programs. These programs require that the Charter 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.

#### **10. Prior Period Adjustments**

During fiscal year 2012, management has determined that certain leasehold improvements are being depreciated longer than the life of the lease. As a result, depreciation of these improvements was understated in prior years. A prior period adjustment of \$161,994 was recorded to decrease the July 1, 2011 net assets and increase the related accumulated depreciation. In addition, a reclassification adjustment was made for \$48,369, establishing temporarily restricted net assets, which decreased the beginning unrestricted net assets, for unexpended fundraising proceeds restricted by donors for specific purposes.





**INDEPENDENT AUDITORS' 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**

**To 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 "Charter School") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 2012. 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 Charter 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 *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 Charter School's internal control.

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.

## ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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.

We noted certain matters that we reported to the management of the Charter School in a separate letter dated November 9, 2012.

This report is intended for the information of the Board of Directors, management, 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.

A handwritten signature in blue ink that reads "Galleros Koh LLP". The signature is written in a cursive, flowing style.

New York, New York  
November 9, 2012