

NEW ROOTS CHARTER SCHOOL

Ithaca, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2010**

NEW ROOTS CHARTER SCHOOL
TABLE OF CONTENTS
JUNE 30, 2010

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5-5a
Notes to Financial Statements	6-9
Report Required Under Government Auditing Standards:	
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>	10-11

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Certified Public Accountants and Consultants

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, 2010, and the related statements of activities, functional expenses and cash flows for the year 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010 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. 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 26, 2010
Ithaca, New York

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NEW ROOTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 134,941
State and federal aid receivable	23,130
Other receivables, net	21,037
Inventories	1,757
Prepaid expenses and other current assets	<u>11,350</u>
Total Current Assets	192,215
Noncurrent Assets:	
Deposits	19,075
Equipment and leasehold improvements, net of accumulated depreciation of \$14,319	<u>165,270</u>
Total Assets	<u><u>\$ 376,560</u></u>

LIABILITIES

Current Liabilities:	
Accounts payable	\$ 39,999
Accrued liabilities	71,230
Due to retirement system	40,511
Deferred revenues	54,462
Notes payable	1,500
Obligations for leasehold improvements, current	<u>12,218</u>
Total Current Liabilities	219,920
Obligations for leasehold improvements, non-current	<u>38,121</u>
Total Liabilities	<u>258,041</u>

NET ASSETS

Unrestricted	<u>118,519</u>
Total Net Assets	<u>118,519</u>
Total Liabilities and Net Assets	<u><u>\$ 376,560</u></u>

See Independent Auditor's Report and Notes to Financial Statements

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues:			
Public School District:			
Resident Student Enrollment	\$ 1,056,686	\$	\$ 1,056,686
Students with Disabilities	97,097		97,097
Grants and contracts:			
State and local			-0-
Federal grants - Title I	15,668		15,668
Federal grants - CSP		311,828	311,828
Contributions	21,957		21,957
Investment income	330		330
Food service income	26,890		26,890
Program income	1,163		1,163
Other income	875		875
Net assets released from purpose restrictions	<u>268,310</u>	<u>(268,310)</u>	<u>-0-</u>
Total Revenues, Gains and Other Support	1,488,976	43,518	1,532,494
Expenses:			
Program Expenses:			
Regular education	857,056		857,056
Special education	85,181		85,181
Enrichment programs	<u>131,405</u>		<u>131,405</u>
Total Program Expenses	1,073,642	-0-	1,073,642
Supporting Services:			
Management and general	<u>293,087</u>		<u>293,087</u>
Total Expenses	<u>1,366,729</u>	<u>-0-</u>	<u>1,366,729</u>
Change in Net Assets	122,247	43,518	165,765
Net Assets Beginning of Year	<u>(3,728)</u>	<u>(43,518)</u>	<u>(47,246)</u>
Net Assets End of Year	<u>\$ 118,519</u>	<u>\$ -0-</u>	<u>118,519</u>

See Independent Auditor's Report and Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Net income	\$ 165,765
Adjustments:	
Depreciation and amortization	13,498
Donated capital improvements	(17,981)
(Increase) decrease in:	
Accounts receivable	(22,615)
Due from State and Federal	(23,130)
Payroll advances	5,559
Inventory - Food service	(1,757)
Prepaid expenses	(1,600)
Increase (decrease) in:	
Accounts payable	16,495
Accrued liabilities	56,781
Due to retirement system	40,511
Deferred grant income	54,462
Net Cash Provided by Operating Activities	<u>285,988</u>
Cash Flows from Investing Activities:	
Equipment acquisitions	(66,524)
Leasehold improvements	(89,717)
Deposits	<u>(18,522)</u>
Net Cash (Used) by Investing Activities	<u>(174,763)</u>
Cash Flows from Financing Activities:	
Notes payable paid	(8,798)
Notes payable issued	<u>38,121</u>
Net Cash Provided by Financing Activities	<u>29,323</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	140,548
Cash and Cash Equivalents, July 1,	<u>(5,607)</u>
Cash and Cash Equivalents, June 30,	<u>\$ 134,941</u>
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for interest	\$ 432
Donated capital improvements	<u>\$ 17,981</u>

See Independent Auditor's Report and Notes to Financial Statements

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

	Program Services		
	Regular Education	Special Education	Food to School 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	51,793	2,368	4,589
Food			34,083
Insurance	17,311	791	4,937
Maintenance and repairs	6,476	296	
Marketing & 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	5,772	264	
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

Supporting
Services

	Program Subtotal	Management and General	Total
\$	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
	58,750	7,531	66,281
	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
	6,036	839	6,875
	567	9,019	9,586
	12,169	1,329	13,498
\$	<u>1,073,642</u>	<u>\$ 293,087</u>	<u>\$ 1,366,729</u>

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

Note 1 - Summary of Significant Accounting Policies

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.

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.

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.

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.

Prepaid Expenses

Prepaid expenses represent various professional development seminars and conferences that have been paid in advance. This entire amount is expected to be expended during the next fiscal year.

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 are depreciated over twenty years.

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.

Tax Exemption

The Organization is a not-for-profit organization that has applied for exemption 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.

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.

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

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:

	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
Total	\$ 5,367	\$ 174,222	179,589	\$ (14,319)	\$ 165,270

Depreciation expense for 2010 was \$13,498.

Note 4 - Notes Payable

The Organization has notes payable in the amount of \$1,500 due to two Board Members (See note 7).

Note 5 - 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, as of July 31, 2009, will be \$6,673 until additional space becomes available. At that time, all space under the lease will be leased at \$17 per square foot. 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%.

On May 26, 2009 the Organization entered into a thirteen month lease agreement with The City Federation of Women's Organizations, Inc, commencing on June 1, 2009, for office space with monthly payments of \$482.

On May 26, 2009 the Organization entered into an eight month lease agreement with The City Federation of Women's Organizations, Inc, commencing on November 1, 2009, for use of a commercial kitchen with monthly payments of \$700 and for the use of a parking spot with monthly payments of \$40.

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

On May 26, 2009 the Organization entered into an approximately ten month lease agreement with The City Federation of Women's Organizations, Inc, commencing on September 9, 2009 and expiring on June 25, 2010, for the use of an auditorium. Payments are subject to usage, \$100 a day when the auditorium is used for seven hours and \$36 a day when the auditorium is used for two hours.

Note 6 - Obligation for Leasehold Improvements

The Organization has a long-term obligation in the amount of \$50,339 from the renovation of the Historic Clinton House. The obligation stipulates an interest rate of 5% compound monthly for 48 payments beginning May 1, 2010. The following is schedule of future principal payments;

June 30,	Principal
2011	\$ 12,218
2012	12,843
2013	13,501
2014	11,777
Total	\$ 50,339

Note 7 - Related Party Transactions

A Board Member owns 34% of a LLC Farm with which the Organization does business. During the year, the Business Manager worked for the above mentioned farm; however, as of July 1, 2010, she was no longer employed by the farm. One Board Member is the mother of one of the owners of the Historic Clinton House. The mother abstains from voting on matters pertaining to the building and/or the lease. Two Board Members have outstanding promissory notes from the Organization totaling \$1,500.

Note 8 - 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.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

Year	TRS
2010	\$ 28,294

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

Note 9 - Events Subsequent to Report Date

The School has evaluated event transactions occurring between June 30, 2010 and October 28, 2010 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, 2010.

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& Company, LLP**

Certified Public Accountants and Consultants

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, 2010, and have issued our report thereon dated October 26, 2010. 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*.

- 10 -

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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 26, 2010.

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 26, 2010
Ithaca, New York