

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

We have audited the accompanying statements of financial position of La Cima Charter School (the "School") (a not-for-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior period's summarized comparative information has been derived from the School's 2010 financial statements, and in our report dated October 19, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 audits 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School 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 19, 2011 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 19, 2011

LA CIMA CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 547,346	\$ 449,191
Grants and contracts receivable	56,945	101,455
Prepaid expenses and other current assets	24,283	21,382
Total current assets	628,574	572,028
Other assets:		
Investments	1,023,833	500,585
Property and equipment, net of accumulated depreciation and amortization of \$106,732 and \$51,927, respectively	364,782	278,188
Restricted cash	75,005	75,000
Total other assets	1,463,620	853,773
TOTAL ASSETS	\$ 2,092,194	\$ 1,425,801
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 65,141	\$ 85,049
Accrued payroll and payroll taxes	187,490	107,116
Refundable advances	45,360	12,152
Total current liabilities	297,991	204,317
Unrestricted net assets	1,794,203	1,221,484
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 2,092,194	\$ 1,425,801

The accompanying notes are an integral part of the financial statements.

LA CIMA CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
Revenue and support:		
State and local per pupil operating revenue	\$ 3,505,745	\$ 2,582,299
Federal grants	266,975	313,597
State and city grants	43,573	194,912
Contributions and private grants	7,622	4,515
After school revenue	18,452	-
Investment income, net	<u>15,800</u>	<u>3,183</u>
Total revenue and support	3,858,167	3,098,506
Expenses:		
Program services		
Regular education	2,456,024	1,946,430
Special education	346,805	105,675
After school program	19,466	-
Total programs services	<u>2,822,295</u>	<u>2,052,105</u>
Supporting services		
Management and general	447,191	418,635
Fundraising	<u>15,962</u>	<u>22,666</u>
Total expenses	<u>3,285,448</u>	<u>2,493,406</u>
Changes in unrestricted net assets	572,719	605,100
Unrestricted net assets - beginning of year	<u>1,221,484</u>	<u>616,384</u>
Unrestricted net assets - end of year	<u><u>\$ 1,794,203</u></u>	<u><u>\$ 1,221,484</u></u>

The accompanying notes are an integral part of the financial statements.

LA CIMA CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 572,719	\$ 605,100
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	54,805	37,345
Loss on disposal of equipment	-	2,290
Realized (loss) on investments	1,921	6,177
Unrealized gain on investments	(17,071)	(6,762)
Changes in certain assets and liabilities:		
Decrease (Increase) in grants and contracts receivable	44,510	(67,471)
(Increase) in prepaid expenses and other current assets	(2,901)	(13,504)
(Decrease) Increase in accounts payable and accrued expenses	(19,908)	7,368
Increase in accrued payroll and payroll taxes	80,374	60,016
Increase in refundable advances	33,208	4,246
	<u>747,657</u>	<u>634,805</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>747,657</u>	<u>634,805</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(141,399)	(192,507)
Purchase of investments	(600,000)	(500,000)
Proceeds from sale of investment	91,902	-
(Increase) in restricted cash	(5)	-
	<u>(649,502)</u>	<u>(692,507)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(649,502)</u>	<u>(692,507)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,155	(57,702)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>449,191</u>	<u>506,893</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 547,346</u>	<u>\$ 449,191</u>

The accompanying notes are an integral part of the financial statements.

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

La Cima Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School's mission is to prepare students for academic and life-long success through a rigorous and relevant academic program. The School's vision is to develop scholars who have the intellectual capacity, the emotional strength of character and the social capital to be individually successful, and to act as effective change-makers in their communities. Classes commenced in Bedford-Stuyvesant, Brooklyn, New York, in August 2008 and the School provided education to approximately 251 students in grades kindergarten through third during the 2010-2011 academic year.

The School shares space with a New York City public school. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day.

Food and Transportation Services

The New York City Department of Education provides free lunches and reduced-price lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of students during the district's school days.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). The School did not have net unrelated business income for the years ended June 30, 2011 and 2010.

The School's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The School has no uncertain tax position resulting in an accrual of tax expense or benefit.

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Unrestricted

Net assets of the School whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of the School.

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. 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 and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

As of June 30, 2011 and 2010, the School had no temporarily or permanently restricted net assets.

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

The School also invests some of its funds in professionally managed portfolios containing various types of fixed income securities and a limited partnership. Such investments are exposed to market and credit risks. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Furniture and fixtures	7 years
Computers and equipment	5 years
Software	3 years
Leasehold improvements	15 years

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Reclassifications

Certain 2010 accounts have been reclassified to the 2011 Financial Statements presentation. The reclassification has no effect on 2010 total assets, liabilities, net assets, and change in net assets.

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consists of federal, state, and city entitlements. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30,:

	2011	2010
Furniture and fixture	\$ 72,434	\$ 55,923
Computers and equipment	164,348	76,470
Software	31,548	17,722
Leasehold improvements	203,184	180,000
	471,514	330,115
Less: Accumulated depreciation and amortization	106,732	51,927
	\$ 364,782	\$ 278,188

Depreciation and amortization expense was \$54,805 and \$37,345 for the years ended June 30, 2011 and 2010, respectively. During the year ended June 30, 2010, the School disposed of three laptops resulting in a loss of \$2,290.

NOTE 4 - INVESTMENTS

Investments held by the School consisted of the following at June 30,:

	2011	
	Cost Basis	Market Value
Unrestricted:		
Fixed income mutual funds	\$ 1,000,000	\$ 1,023,833
	2010	
	Cost Basis	Market Value
Unrestricted:		
Fixed income mutual funds	\$ 400,000	\$ 406,762
Limited partnership	100,000	93,823
	\$ 500,000	\$ 500,585

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - INVESTMENTS (Continued)

The following schedule summarizes investment income for the years ended June 30,:

	2011	2010
Interest and dividend income	\$ 650	\$ 2,598
Realized (loss)	(1,921)	(6,177)
Unrealized gain	17,071	6,762
	\$ 15,800	\$ 3,183

NOTE 5 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are not considered to be active.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the School's investments at June 30,:

	2011			
	Level 1	Level 2	Level 3	Total
Unrestricted:				
Fixed income mutual funds	\$1,023,833	\$ -	\$ -	\$1,023,833

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
Unrestricted:				
Fixed income mutual funds	\$ 406,762	\$ -	\$ -	\$ 406,762
Limited partnership	<u>-</u>	<u>-</u>	<u>93,823</u>	<u>93,823</u>
	<u>\$ 406,762</u>	<u>\$ -</u>	<u>\$ 93,823</u>	<u>\$ 500,585</u>

The following schedule reconciles Level 3 investment for the years ended June 30,:

	2011	2010
Beginning balance	\$ 93,823	\$ -
Capital (distribution)/contribution	(91,902)	100,000
Realized (loss)	<u>(1,921)</u>	<u>(6,177)</u>
Ending balance	<u>\$ -</u>	<u>\$ 93,823</u>

The fair value of the limited partnership investment is determined by the School's management based upon net asset value as provided by the limited partnership's managers or general partners.

NOTE 6 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 7 - COMMITMENTS

The School leases office equipment under an operating lease that commenced on June 22, 2009 for a period of 36 months. The monthly installments are \$200. As of June 30, 2011, the future minimum obligation under this lease is \$2,400 for the year ending June 30, 2012.

NOTE 8 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

LA CIMA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 10 - RETIREMENT PLAN

The School maintains a retirement plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under this plan the School can elect to contribute an amount equal to at least 3% of the participant's annual compensation. In addition, the School can also elect to make a discretionary contribution to the employees who are eligible, not to exceed 4% of their annual compensation. Employer match for the years ended June 30, 2011 and 2010, amounted to \$27,526 and \$19,264, respectively.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 19, 2011, the date the financial statements were available to be issued.

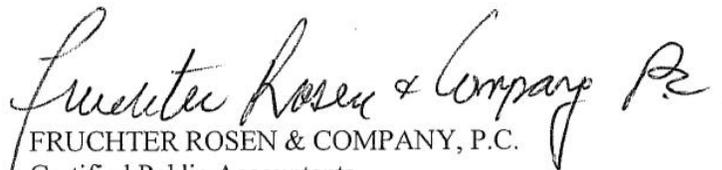
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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

Our report on our audits of the basic financial statements of La Cima Charter School (a not-for-profit corporation) for the years ended June 30, 2011 and 2010 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 19, 2011

LA CIMA CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2011							2010
	Program Services				Supporting Services			
	Regular Education	Special Education	After School Program	Total Program Services	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,634,278	\$ 241,188	\$ -	\$ 1,875,466	\$ 300,550	\$ 9,767	\$ 2,185,783	\$ 1,506,617
Payroll taxes and employee benefits	344,864	50,895	-	395,759	63,421	2,061	461,241	317,123
Professional development	53,807	4,798	-	58,605	22,951	-	81,556	35,368
Legal fees	-	-	-	-	2,041	-	2,041	-
Audit fees	-	-	-	-	18,200	-	18,200	18,415
Financial management services	-	-	-	-	14,058	-	14,058	9,848
Professional fees - other	43,895	16,469	-	60,364	4,645	1,750	66,759	62,302
Student and staff recruitment	11,218	1,000	-	12,218	666	-	12,884	47,085
Curriculum and classroom expenses	142,032	11,651	19,466	173,149	-	-	173,149	214,233
Supplies and materials	42,758	3,722	-	46,480	1,999	182	48,661	38,705
Student meals	21,050	1,727	-	22,777	-	-	22,777	24,794
Student transportation	19,196	1,575	-	20,771	-	-	20,771	20,200
Travel and conferences	15,163	1,159	-	16,322	-	-	16,322	22,162
Postage, printing, and copying	5,233	523	-	5,756	722	65	6,543	8,583
Insurance	7,533	753	-	8,286	1,130	-	9,416	26,443
Information technology	48,404	4,840	-	53,244	6,656	605	60,505	50,893
Leased equipment	2,310	231	-	2,541	347	-	2,888	4,274
Non-capitalized furniture and equipment	8,264	678	-	8,942	1,370	-	10,312	25,041
Repairs and maintenance	11,827	1,183	-	13,010	1,774	-	14,784	21,167
Depreciation and amortization	43,845	4,385	-	48,230	6,575	-	54,805	37,345
Special events	-	-	-	-	-	1,532	1,532	-
Loss on disposal of equipment	-	-	-	-	-	-	-	2,290
Miscellaneous	347	28	-	375	86	-	461	518
Total	\$ 2,456,024	\$ 346,805	\$ 19,466	\$ 2,822,295	\$ 447,191	\$ 15,962	\$ 3,285,448	\$ 2,493,406

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

TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

We have audited the financial statements of La Cima Charter School (“the School”) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 19, 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 School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A *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 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.

TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Cima Charter School financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The State Education Department of the State University of New York, and others within the School and is not intended to be and should not be used by anyone other than these specified parties.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 19, 2011