ROCHESTER ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Rochester Academy Charter School
Rochester, New York

We have audited the accompanying balance sheet of Rochester Academy Charter School (a New York nonprofit organization) as of June 30, 2009 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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. 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 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 Rochester Academy Charter School as of June 30, 2009 and the results of its operations and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated *October 20, 2009* on our consideration of Rochester Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Heveron & Heveron
Certified Public Accountants, P.C.

Rochester, New York
October 20, 2009

ROCHESTER ACADEMY CHARTER SCHOOL
BALANCE SHEET
June 30, 2009

ASSETS

Current Assets	
Cash and Cash Equivalents	$ 191,068
Federal Aid Receivable	45,000
Total Current Assets	236,068
Property and Equipment	
Furniture, Fixtures and Equipment	109,296
Computers	28,513
Software	3,281
Less: Accumulated Depreciation	(18,771)
Net Property and Equipment	122,319
TOTAL ASSETS	$ 358,387

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 7,729
Accrued Payroll and Benefits	88,262
Federal and State Aid Payable	47,643
Deferred Revenue	28,112
Total Current Liabilities	171,746
Net Assets	
Unrestricted	186,641
Total Net Assets	186,641
TOTAL LIABILITIES AND NET ASSETS	$ 358,387

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2009

Revenues, Gains and Other Support:	
Public School District:	
Revenue - Resident Student Enrollment	$ 1,604,479
State Grants	102,388
Contributions	51,028
Federal Food Subsidy	45,000
Interest Income	184
Total Revenues, Gains and Other Support	1,803,079
Expenses:	
Program Services:	
Education	1,111,525
Food Services	71,073
Total Program Services Expense	1,182,598
Supporting Services:	
Management and General	418,204
Total Expenses	1,600,802
Excess of Revenues, Gains and Other Support Over Expenses	202,277
Net Assets - Beginning of Year	(15,636)
Net Assets - End of Year	$ 186,641

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2009

	Program Services			
	Education	Food Services	Management and General	Total
Salaries	$ 593,207	$ -	$ 241,450	$ 834,657
Employee Benefits and Payroll Taxes	118,916	-	48,402	167,318
	712,123	-	289,852	1,001,975
Occupancy	144,854	-	16,095	160,949
Supplies and Materials	102,959	-	21,457	124,416
Food	-	71,073	-	71,073
Outside Services	-	-	44,222	44,222
Maintenance and Repairs	29,977	-	3,331	33,308
Consultants - Education	33,301	-	-	33,301
Insurance	31,910	-	-	31,910
Legal and Accounting	-	-	21,057	21,057
Marketing	-	-	14,126	14,126
Field Trips and Extra Curricular Activities	10,064	-	-	10,064
Staff Development	9,470	-	-	9,470
Staff Recruitment	6,903	-	-	6,903
Equipment Rental	5,614	-	624	6,238
Other Expenses	2,751	-	2,293	5,044
Internet Service	2,905	-	323	3,228
Telephone	-	-	2,947	2,947
Dues	1,800	-	-	1,800
	382,508	71,073	126,475	580,056
Depreciation	16,894	-	1,877	18,771
Total Expenses	$ 1,111,525	$ 71,073	$ 418,204	$ 1,600,802

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2009

Cash Flow From Operating Activities	
Revenue from School Districts	$1,652,122
Grant Revenues	130,500
Miscellaneous Sources	184
Payments to Vendors for Goods and Services Rendered	(530,119)
Payments to Charter School Personnel for Services Rendered	(929,713)
Net Cash Flow Provided By Operating Activities	322,974
Cash Flow From Investing Activities	
Purchase of Property and Equipment	(141,090)
Cash Flow Used By Investing Activities	(141,090)
Net Increase in Cash and Cash Equivalents	181,884
Cash and Cash Equivalents - Beginning of Year	9,184
Cash and Cash Equivalents - End of Year	$ 191,068
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Excess of Support and Revenue Over Expenses	$ 202,277
Adjustments to Reconcile Excess of Support and Revenue Over Expenses to Net Cash Provided by Operating Activities:	
Depreciation	18,771
Decrease/(Increase) In:	
Federal Aid Receivable	(45,000)
Increase/(Decrease) In:	
Accounts Payable	(1,091)
Accrued Payroll and Benefits	72,262
Federal and State Aid Payable	
Deferred Revenue	28,112
Net Cash Flow Provided By Operating Activities	$ 322,974

See Independent Auditors' Report and Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rochester Academy Charter School (the School) is a not-for-profit organization that meets a need for a college preparatory school for low achieving students with special emphasis on math and science education in Rochester, New York. The School promotes a safe, caring, and student-centered classroom environment.

The main programs of the School are as follows:

EDUCATION: The School curriculum is focused on mathematics and sciences. The School also integrates multi-cultural themes into the curricula through not only geography and foreign languages but through each subject area. All courses align with the New York State Learning Standards.

FOOD SERVICES: The School believes that healthy meals are an important part of a child's day. Breakfast and lunch are delivered and served every day. The School subscribes to the New York State free and reduced priced meal program.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

In accordance with accounting principles generally accepted in the United States of America, the School reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The School also records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America allow the School to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The School has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are descriptions of the School's net asset classifications:

Unrestricted: Unrestricted net assets include undesignated resources that are available for the general support of the School's operations.

Temporarily Restricted Net Assets: Temporarily restricted net assets result from contributions subject to donor's restrictions that expire with the passage of time or by actions of the School. There were no temporarily restricted net assets at June 30, 2009.

When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets include resources from contributions where donors have imposed restrictions which do not expire with the passage of time and are not removed by actions of the School. There were no permanently restricted net assets at June 30, 2009.

Revenue Recognition
A portion of the School's revenue is derived from grants. Amounts received but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the School with the terms of the grants and contracts. The School records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Contributions
Contributions are recorded at the time of receipt or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the School is publicly supported. As a result, no provision for federal or state income taxes has been made.

In accordance with FSP 48-3, the School has elected to defer the implementation of FIN 48, "Accounting for Uncertainty in Income Taxes". The School continues to follow the guidance included in FASB Statement No. 5, "Accounting for Contingencies".

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been completed, are written off. In addition, management evaluates the need for and, if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at year-end.

Property and Equipment

Property and equipment are stated at cost. The School capitalizes property and equipment with a cost of over $500 and an estimated life of 2 years or more. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, as follows.

	Years
Furniture, Fixtures and Equipment	5-10
Computers	3-5
Software	3

Depreciation expense amounted to $18,771 for the year ended June 30, 2009.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, which, at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certain of these accounts are not federally insured. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)
Cash and cash equivalents consisted of the following at June 30, 2009:

Checking	$ 159,964
Money Market	31,104
Total	$ 191,068

Use of Estimates in the Preparation of Financial Statements
Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

Functional Expenses
The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and management and general categories. An immaterial amount of fundraising costs for the year ended June 30, 2009 are included in management and general expenses.

Advertising
Advertising costs are expensed as incurred.

NOTE 2 - PENSION EXPENSE

The School participates in the New York State Teachers' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death 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.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after that date and who have less than ten years of service or membership are required to contribute 3% of their annual salary. Employers are required to contribute at an actuarially determined rate, currently 7.63% of the annual covered payroll for the fiscal year ended June 30, 2009. The total required contributions for the year ended June 30, 2009 were $41,526, including employer contributions of $31,226.

NOTE 3 - COMMITMENTS

The School is obligated under a non-cancelable operating lease for facilities. The School is responsible for payment of utilities, maintenance and the first $15,000 of real property taxes under the terms of the lease. Any real property taxes in excess of $15,000 are split equally between the lessor and the School. The lease term ends June 30, 2011 with an option to renew for one additional one year term. Rental expense for June 30, 2009 totaled $120,633.

Future minimum lease payment commitments are as follows:

Year	Amount
2010	$ 144,400
2011	144,400

NOTE 4 - DONATED SERVICES AND GOODS

The School received a donation of textbooks during the year ended June 30, 2009 from the Rochester City School District that did meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. The textbooks were valued at $51,028.

NOTE 5 - CONTINGENCY

The School applied for and submitted vouchers for federal food subsidies in the amount of $45,000. At the time financial statements were issued, no amounts had been received and no written documentation had been received approving the federal food subsidy. Management expects that amounts vouchered will be received in the 2009-2010 school year.

ROCHESTER ACADEMY CHARTER SCHOOL

FEDERAL FINANCIAL ASSISTANCE

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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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 Directors
Rochester Academy Charter School

We have audited the financial statements of Rochester Academy Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated Pending Your Approval. 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 Rochester Academy 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 Rochester Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rochester Academy 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 combination of control deficiencies, and internal control, such that there is a reasonable possibility that a material misstatement of the entities 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 a material weakness, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rochester Academy Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

We noted certain other matters that we reported to management of Rochester Academy Charter School in a separate letter dated September 17, 2009.

This report is intended for the information of 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.

Heveron & Heveron
Certified Public Accountants, P.C.

Rochester, New York
October 20, 2009