

FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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August 14, 2013

To the Audit Committee of the Board of Trustees
Community Roots Charter School

We have audited the financial statements of Community Roots Charter School (the "School") for the year ended June 30, 2013, and have issued our report thereon dated August 14, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 14, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Community Roots Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Community Roots Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


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

COMMUNITY ROOTS CHARTER SCHOOL

MANAGEMENT LETTER

JUNE 30, 2013

FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
156 WEST 56TH STREET
NEW YORK, NEW YORK 10019

TEL: (212) 957-3600
FAX: (212) 957-3696

August 14, 2013

Board of Trustees of
Community Roots Charter School
51 Saint Edwards Street 3rd Floor
Brooklyn, NY 11205

In planning and performing our audit of the financial statements of Community Roots Charter School (the "School") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Exhibit I accompanying this letter summarizes an observation for the year ended June 30, 2013 that we determined did not constitute a significant deficiency or material weakness. Management's response to the observation has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, audit committee, board of Trustees, The Department of Education of the City of New York, 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.

We appreciate your cooperation and the assistance we received during the course of our audit.


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

New York, New York
August 14, 2013

COMMUNITY ROOTS CHARTER SCHOOL
MANAGEMENT LETTER
JUNE 30, 2013

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COMMUNITY ROOTS CHARTER SCHOOL
MANAGEMENT LETTER

EXHIBIT I – CURRENT YEAR OBSERVATION

A. CASH DISBURSEMENTS AND PROCUREMENT OF GOODS AND SERVICES

Observation

As part of our procurement system testing, we noted instances where invoices or purchase orders were missing written approval for payment. The School indicates that these invoices or purchase orders were verbally approved for payment by authorized personnel.

Recommendation

We recommend school authorized personnel approve payment by a signature and date on the purchase order or invoice as outlined in its policies and procedures manual. This practice will ensure unauthorized purchases will not occur and prevent fraudulent purchases from being undetected.

Management's Response

Management is in agreement and we will implement the recommendations.

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
COMMUNITY ROOTS CHARTER SCHOOL

Report on the Financial Statements

We have audited the accompanying financial statements of Community Roots Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2012 financial statements, and our report dated October 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2013, 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


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

New York, New York
August 14, 2013

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,504,422	\$ 1,591,727
Grants and contracts receivable	60,626	38,216
Prepaid expenses and other current assets	<u>61,885</u>	<u>93,263</u>
Total current assets	<u>1,626,933</u>	<u>1,723,206</u>
Other assets:		
Property and equipment, net of accumulated depreciation and amortization of \$356,842 and \$276,483, respectively	265,270	137,857
Cash and cash equivalents - reserve	1,500,000	1,500,000
Restricted cash	<u>72,137</u>	<u>71,937</u>
Total other assets	<u>1,837,407</u>	<u>1,709,794</u>
TOTAL ASSETS	<u><u>\$ 3,464,340</u></u>	<u><u>\$ 3,433,000</u></u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46,416	\$ 55,241
Accrued payroll and payroll taxes	496,414	416,388
Refundable advances	<u>1,271</u>	<u>16,116</u>
Total current liabilities	<u>544,101</u>	<u>487,745</u>
Net assets		
Unrestricted net assets:		
Undesignated	1,420,239	1,445,255
Board designated	<u>1,500,000</u>	<u>1,500,000</u>
Total unrestricted net assets	<u>2,920,239</u>	<u>2,945,255</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 3,464,340</u></u>	<u><u>\$ 3,433,000</u></u>

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

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	<u>2013</u>	<u>2012</u>
Revenue and support:		
State and local per pupil operating revenue	\$ 5,662,422	\$ 4,637,479
Federal grants	120,728	126,435
State and city grants	25,604	10,726
Contributions and grants	173,782	153,746
Interest and other revenue	3,568	4,712
Special events, net of expenses of \$13,133 and \$15,968, respectively	<u>3,762</u>	<u>64,037</u>
Total revenue and support	<u>5,989,866</u>	<u>4,997,135</u>
Expenses:		
Program services:		
Regular education	3,958,925	3,358,246
Special education	<u>961,828</u>	<u>783,918</u>
Total program services	4,920,753	4,142,164
Supporting services:		
Management and general	1,035,655	660,889
Fundraising	<u>58,474</u>	<u>53,177</u>
Total expenses	<u>6,014,882</u>	<u>4,856,230</u>
Changes in unrestricted net assets	(25,016)	140,905
Unrestricted net assets - beginning of year	<u>2,945,255</u>	<u>2,804,350</u>
Unrestricted net assets - end of year	<u><u>\$ 2,920,239</u></u>	<u><u>\$ 2,945,255</u></u>

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

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ (25,016)	\$ 140,905
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	136,305	78,902
Gain on disposition of fixed assets	616	-
Changes in certain assets and liabilities:		
(Increase) Decrease in grants and contracts receivable	(22,410)	270
Decrease (Increase) in prepaid expenses	31,378	(41,731)
(Decrease) Increase in accounts payable and accrued expenses	(8,825)	37,219
Increase in accrued payroll and payroll taxes	80,026	125,695
(Decrease) Increase in refundable advances	<u>(14,845)</u>	<u>9,664</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>177,229</u>	<u>350,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(264,334)	(87,745)
(Increase) in restricted cash	<u>(200)</u>	<u>(234)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(264,534)</u>	<u>(87,979)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(87,305)	262,945
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,091,727</u>	<u>2,828,782</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,004,422</u></u>	<u><u>\$ 3,091,727</u></u>

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

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Nature of Organization

Community Roots Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 9, 2005 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 December 9, 2005 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. On January 4, 2011, the Board of Regents approved and issued the renewal to the charter for a period of five years, effective December 10, 2010 to June 30, 2015. The School is a rigorous K-8 learning community where learning is embedded in meaningful real world context where children are deliberately taught to see the connection between school and the world. The School provided education to approximately 352 students in kindergarten through sixth grade in the 2012-2013 academic year.

The School shares space with a New York City public school beginning in September 2006. On August 1, 2012, the School secured a second New York City public school location to house a newly opened middle school. The middle school will provide education from sixth through eighth grades. 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 transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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 is subject to income taxes only on net unrelated business income. The School did not have any unrelated business income for the years ended June 30, 2013 and 2012.

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 positions resulting in an accrual of tax expense or benefit.

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Tax Status (Continued)

IRS Forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for fiscal years ended June 30, 2009, and prior.

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:

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.

The School had no temporary or permanently restricted net assets at June 30, 2013.

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.

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Revenue and Support (Continued)

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.

Cash and Cash Equivalents

For the purpose of the statement 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.

Reclassifications

Certain 2012 accounts have been reclassified to conform to the 2013 financial statement presentation. The reclassifications have no effect on the 2012 total assets, liabilities, net assets and changes to net assets.

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.

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

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:

Computers and Equipment	3 years
Furniture and Fixtures	7 years
Software	3 years

Refundable Advances

The School records grant revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2012 financial statements from which the summarized information was derived.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal entitlements and grants. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	<u>2013</u>	<u>2012</u>
Computers and Equipment	\$ 402,161	\$ 285,273
Furniture and Fixtures	208,488	104,081
Software	<u>11,463</u>	<u>24,986</u>
	622,112	414,340
Less: Accumulated depreciation and amortization	<u>(356,842)</u>	<u>(276,483)</u>
	<u>\$ 265,270</u>	<u>\$ 137,857</u>

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense was \$136,305 and \$78,902 for the years ended June 30, 2013 and 2012, respectively.

For the year ended June 30, 2013, the school disposed of various assets resulting in a \$616 gain on disposal.

NOTE 4 - 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 5 - 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, it can potentially reduce or eliminate these revenues, the School's finances could be materially adversely affected.

NOTE 6 - 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 determined by management to be reasonable. Management and general expense 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 7 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School matched employee contributions up to 5% of annual compensation. Employee match for the years ended June 30, 2013 and 2012 amounted to \$68,691 and \$51,451, respectively.

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through August 14, 2013, the date the financial statements were available to be issued.

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES
COMMUNITY ROOTS CHARTER SCHOOL

We have audited the financial statements of Community Roots Charter School as of and for the year ended June 30, 2013, and have issued our report thereon dated August 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the 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.


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

New York, New York
August 14, 2013

COMMUNITY ROOTS CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2013						
	Program Services			Management and			
	Regular Education	Special Education	Total	General	Fundraising	Total	2012
Salaries	\$ 2,699,234	\$ 641,470	\$ 3,340,704	\$ 610,386	\$ 30,025	\$ 3,981,115	\$ 3,208,926
Employee benefits and payroll taxes	598,623	92,096	690,719	230,242	15,349	936,310	685,758
Contracted service	24,938	7,140	32,078	-	-	32,078	32,308
Audit and accounting fees	-	-	-	17,961	-	17,961	28,993
Legal services	-	-	-	5,230	-	5,230	-
Professional services	16,190	4,485	20,675	437	29	21,141	46,153
Technology, infrastructure and software	25,371	3,903	29,274	9,758	651	39,683	38,484
Professional development	58,003	16,607	74,610	11,831	-	86,441	79,468
Marketing and advertising	396	61	457	3,435	10	3,902	4,616
After school programs	155,556	44,536	200,092	-	-	200,092	200,034
Special education services and supplies	-	57,136	57,136	-	-	57,136	97,363
Classroom supplies and instructional material	207,370	59,371	266,741	-	-	266,741	180,661
Student trips and incentive programs	60,856	17,423	78,279	-	-	78,279	37,934
Student meals	2,330	668	2,998	-	-	2,998	9,639
Insurance	21,092	3,245	24,337	8,653	-	32,990	28,147
Office expenses and supplies	-	-	-	102,731	-	102,731	74,034
Postage and delivery	1,820	280	2,100	699	47	2,846	1,952
Interest and banking charges	-	-	-	775	-	775	1,235
Telephone	-	-	-	-	-	-	7,097
Fundraising	-	-	-	-	10,128	10,128	14,262
Depreciation and amortization	87,146	13,407	100,553	33,517	2,235	136,305	78,902
Miscellaneous	-	-	-	-	-	-	264
Total	<u>\$ 3,958,925</u>	<u>\$ 961,828</u>	<u>\$ 4,920,753</u>	<u>\$ 1,035,655</u>	<u>\$ 58,474</u>	<u>\$ 6,014,882</u>	<u>\$ 4,856,230</u>

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

TO THE BOARD OF TRUSTEES
COMMUNITY ROOTS CHARTER SCHOOL

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Roots Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

TO THE BOARD OF TRUSTEES OF
COMMUNITY ROOTS CHARTER SCHOOL

Compliance and Other Matters

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

We noted certain matter that was reported to the management of the School in a separate letter dated August 14, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

New York, New York
August 14, 2013