

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
NEW HEIGHTS ACADEMY CHARTER SCHOOL

We have audited the accompanying statements of financial position of New Heights Academy Charter School (the "School") (a not-for-profit corporation) as of June 30, 2009 and 2008, 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 summarized comparative information has been derived from the School's 2008 financial statements and, in our report dated October 23, 2008, 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 positions of the School as of June 30, 2009 and 2008, 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 September 3, 2009 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, 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 audit.

Our audit was conducted for the purpose of forming an opinion on the 2009 basic financial statements of the School taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for the purposes of additional analysis as required by the U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole


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

New York, New York
September 3, 2009

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 843,481	\$ 330,946
Grants receivable	135,259	274,927
Prepaid expenses	115,620	62,712
Total current assets	1,094,360	668,585
Property and equipment, net of accumulated depreciation and amortization of \$272,460 and \$107,060, respectively	2,462,409	1,449,802
Other assets:		
Security deposits	174,752	158,878
Prepaid expenses	3,214	17,718
Restricted cash	70,163	25,157
Total other assets	248,129	201,753
TOTAL ASSETS	\$ 3,804,898	\$ 2,320,140
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 246,244	\$ 162,341
Accrued payroll and payroll taxes	428,597	304,810
Current portion of note payable	-	94,547
Refundable advances	16,189	-
Deferred income	91,112	-
Accrued interest payable	-	1,462
Total current liabilities	782,142	563,160
Note payable	-	111,879
Total liabilities	782,142	675,039
Net assets:		
Unrestricted	3,009,095	1,635,101
Temporarily restricted	13,661	10,000
Total net assets	3,022,756	1,645,101
TOTAL LIABILITIES AND NET ASSETS	\$ 3,804,898	\$ 2,320,140

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

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED,

	June 30, 2009			June 30, 2008
	Unrestricted	Temporarily Restricted	Total All Funds	Total All Funds
Revenue and support:				
State and local per pupil operating revenue	\$ 6,478,554	\$ -	\$ 6,478,554	\$ 4,724,280
Federal grants	702,614	-	702,614	454,884
State and city grants	463,720	-	463,720	121,613
Contributions and grants	62,208	13,661	75,869	171,475
In-kind donations	71,902	-	71,902	-
Interest and other income	15,542	-	15,542	9,151
Net assets released from restriction	10,000	(10,000)	-	-
Total revenue and support	<u>7,804,540</u>	<u>3,661</u>	<u>7,808,201</u>	<u>5,481,403</u>
Expenses:				
Program services				
Regular education	4,208,033	-	4,208,033	3,211,462
Special education	858,468	-	858,468	357,259
Other programs	166,029	-	166,029	181,648
Total program services	<u>5,232,530</u>	<u>-</u>	<u>5,232,530</u>	<u>3,750,369</u>
Supporting services				
Management and general	1,082,792	-	1,082,792	769,698
Fundraising	115,224	-	115,224	66,780
Total expenses	<u>6,430,546</u>	<u>-</u>	<u>6,430,546</u>	<u>4,586,847</u>
Change in net assets	1,373,994	3,661	1,377,655	894,556
Net assets - beginning of year	<u>1,635,101</u>	<u>10,000</u>	<u>1,645,101</u>	<u>750,545</u>
Net assets - end of year	<u>\$ 3,009,095</u>	<u>\$ 13,661</u>	<u>\$ 3,022,756</u>	<u>\$ 1,645,101</u>

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

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED,

	June 30, 2009	June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,377,655	\$ 894,556
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	165,400	80,823
Changes in certain assets and liabilities:		
Decrease in grants receivables	139,668	81,186
(Increase) in prepaid expense	(38,404)	(5,420)
(Increase) in restricted cash	(45,006)	(25,157)
(Increase) in security deposits	(15,874)	(41,156)
Increase (decrease) in accounts payable and accrued expenses	83,903	(109,921)
Increase in accrued payroll and payroll taxes	123,789	198,561
Increase (decrease) in refundable advances and deferred Income	107,300	(15,000)
(Decrease) in accrued interest payable	(1,462)	(541)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,896,969	1,057,931
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(1,178,007)	(646,585)
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments of note payable	(206,426)	(82,155)
NET INCREASE IN CASH AND CASH EQUIVALENTS	512,536	329,191
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	330,946	1,755
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 843,481	\$ 330,946
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 8,686	\$ 19,523

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

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Nature of Organization

New Heights Academy Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on April 15, 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 April 15, 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. The School provides a college preparatory education for students in Washington Heights and Inwood neighborhoods of upper Manhattan. The School's academically rigorous curriculum will ensure that all students set and meet post secondary education and career goals. Simultaneously, the School's nurturing environment of small class sizes and a focus on character education will ensure that our students develop a strong self-identify conducive to leading responsible lives as citizens in our global society. The School provided education to approximately 466 students in grades sixth, seventh, ninth, tenth and eleventh in the 2008-2009 academic year.

Food and Transportation

During the year ended June 30, 2009 and 2008, the School retained an outside vendor to provide meals for students in which the School receives reimbursement from the New York State Education Department. The Office of Public Transportation provides free transportation to the majority of the students.

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).

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School 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. The net assets classifications are described as follows:

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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.

The School has no permanently restricted net assets as of June 30, 2009 and 2008.

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.

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.

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

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.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal or 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. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. No amortization is recorded on construction-in-progress until property is placed into service. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Software	5 years
Equipment	3 to 5 years
Furniture and fixtures	7 years
Leasehold improvements	Useful life on related lease

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Refundable Advances and Deferred Revenue

The School records certain government grants as refundable advances and deferred revenue until related services are performed, at which time it is recognized as revenue.

Reclassifications

Certain 2008 accounts have been reclassified to the 2009 Financial Statements presentation. The reclassification has no effect on 2008 total assets, liabilities, net assets, and change in net assets.

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 statement of functional expenses. Accordingly, such information should be read in conjunction with the School's 2008 financial statements from which the summarized information was derived.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*- an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. In 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The School will be required to adapt FIN 48 in its June 30, 2010 financial statements. The adoption of FIN 48 is not expected to have a material impact on the School's financial position, results of operations or cash flows.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of federal and city entitlements and grants. The School anticipates the receivable being collected within one year.

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 - PROPERTY AND EQUIPMENT

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

	2009	2008
Software	\$ 35,605	\$ -
Equipment	323,264	166,102
Furniture and fixture	158,611	97,591
Leasehold improvements	2,217,389	1,293,169
	2,734,869	1,556,862
Less: accumulated depreciation and amortization	272,460	107,060
	<u>\$ 2,462,409</u>	<u>\$ 1,449,802</u>

Depreciation and amortization expense was \$165,400 and \$80,823 for the years ended June 30, 2009 and 2008, respectively.

NOTE 4 - 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.

NOTE 5 - 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. Fundraising, 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.

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - DONATED SERVICES AND CAPITAL IMPROVEMENTS

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounts for Contributions Received and Contributions Made," if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

One individual has provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value. For the years ended June 30, 2009 and 2008, the value of such donated services amounted to approximately \$11,902 and \$-0-, respectively.

One contractor provided capital improvements at no charge to the School. The value of these capital improvements is recorded at fair value. For the years ended June 30, 2009 and 2008, the value of these improvements amounted to \$60,000 and \$-0-, respectively.

NOTE 7 - RETIREMENT PLAN

The organization maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 5% of annual compensation. Employee match for the year ended June 30, 2009 and 2008 amounted to \$106,752 and \$53,246, respectively.

NOTE 8 - NOTE PAYABLE

On March 29, 2006 the School entered into a \$350,000 promissory note payable to the Non-Profit Finance Fund. The note matures July 1, 2010 and is payable in monthly installments of principal plus interest at 8.50%. The proceeds were used to finance the School's capital projects and operations. The entire principal balance was paid in full during the year ended June 30, 2009. The note was collateralized by the School's accounts receivable.

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 9 - COMMITMENTS

Operating lease

The School is obligated under various non-cancelable operating leases for office and classroom space expiring at various dates through August 31, 2010. In July, 2008 the School partnered with Civic Builders (“Civic”) on the expansion over the lease obligations. The agreement has not been finalized at the end of the date of this report. Rent expense under the operating lease for the year ended June 30, 2009 and 2008 amounted to \$856,301 and \$777,009, respectively. In addition, the School recorded rental income under a sublease agreement amounting to \$20,000 and \$110,000 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments are as follows:

Year ending June 30, 2010	\$ 1,005,764
2011	<u>171,392</u>
	<u>\$ 2,166,403</u>

The School has the option to extend the term of the current space and lease additional space in the building.

The lease was undertaken by Civic Builders under a sublease agreement with the School (see Note 13).

NOTE 10 - 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 11 - LINE OF CREDIT

In January 2008, the School established a \$75,000 line of credit with Commerce Bank which expired on January 31, 2009. All School assets were collateralized. The School did not use the line of credit during the years ended June 30, 2009 and 2008.

On October 16, 2008 the School established a \$500,000 unsecured line of credit with Raza Development Fund, Inc. which expires October 16, 2010. Interest is payable on outstanding balance at a rate of 6% per annum. The School did not use the line of credit during the year ended June 30, 2009.

NEW HEIGHTS ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 are available for the following purpose:

Workbooks, textbooks and literature	\$13,661
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Temporarily restricted net assets at June 30, 2008 are available for the following purpose:

Hard costs related to facility renovation and expansion	\$10,000
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NOTE 13 - SUBSEQUENT EVENTS

In July 2008, the School partnered with Civic Builders (“Civic”) on the expansion of their facility under a sublease agreement which has not been finalized as of the issuance of this report. Civic took over the School’s current lease obligation (see Note 9) and secured options for an additional two floors. The agreement will enable the School to expand its infrastructure from its current capabilities of educating approximately 470 students to being able to service approximately 750 students in the 2009/2010 school year. In addition, the agreement requires the School to fund Civic a reserve amount of \$500,000 to be paid over a five year period upon substantial completion of the project.

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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
NEW HEIGHTS ACADEMY CHARTER SCHOOL

Our report on our audit of the basic financial statements of New Heights Academy Charter School (a not-for-profit corporation) for June 30, 2009 and 2008, appears on Page 1. We conducted our audit 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 audits 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
September 3, 2009

NEW HEIGHTS ACADEMY CHAKLEK SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2009

	Program Services			Supporting Services			Total Expenses	For the Year ended June 30, 2008
	Regular Education	Special Education	Supplemental Education	Management and General	Fundraising	Total		
Salaries	\$ 2,148,178	\$ 617,797	\$ 113,899	\$ 539,045	\$ 63,982	\$ 3,482,901	\$ 2,301,569	
Employee benefits and payroll taxes	443,156	128,658	21,443	107,215	14,295	714,767	483,090	
Auditing/Accounting fees	-	-	-	28,000	-	28,000	15,000	
Professional fees	-	-	20,500	46,241	-	66,741	24,759	
Legal	-	-	-	20,572	-	20,572	18,389	
Consultants - educational and other	-	-	-	-	-	-	3,195	
Consultants - technology	13,437	-	-	3,445	345	17,227	20,450	
Consultants - temps	21,397	3,197	-	-	-	24,594	17,918	
Specialty programs	-	-	-	-	-	-	60,000	
Food service	93,462	26,169	4,985	-	-	124,616	99,952	
Field trips	27,697	4,139	-	-	-	31,836	9,021	
Supplies and materials	80,855	17,997	2,032	10,158	1,354	112,396	145,112	
Textbooks	89,916	13,435	-	-	-	103,351	81,777	
Staff development	78,891	22,188	-	19,722	2,465	123,266	69,689	
Student recruiting and marketing	4,274	639	-	-	-	4,913	1,580	
Student management	1,753	262	-	-	-	2,015	3,455	
Teacher recruitment	17,026	2,544	-	-	-	19,570	4,491	
Student/Staff events	10,613	1,586	-	-	-	12,199	20,110	
Rent and utilities	900,762	-	-	8,685	1,073	21,957	913,407	
Maintenance and repairs	43,971	-	-	226,896	22,681	1,150,339	46,829	
Janitorial	35,512	10,310	1,718	11,275	1,127	56,373	50,051	
Lease - equipment	4,701	1,365	227	8,592	1,146	57,278	5,833	
Security	1,492	433	72	1,138	152	7,583	-	
Insurance	27,925	-	-	361	48	2,406	36,632	
Postage/Printing/Copying	8,545	2,481	414	7,160	716	35,801	17,073	
Office expense	-	-	-	2,068	276	13,784	-	
Telephone	2,946	829	-	2,842	390	3,232	3,895	
Interest expense	7,224	-	-	736	92	4,603	20,985	
Depreciation and amortization	129,012	-	-	1,852	185	9,261	80,823	
Miscellaneous	15,288	4,439	739	33,080	3,308	165,400	31,762	
Total	\$ 4,208,033	\$ 858,468	\$ 166,029	\$ 1,082,792	\$ 115,224	\$ 6,430,546	\$ 4,586,847	

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

TEL: (212) 957-3600
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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
NEW HEIGHTS ACADEMY CHARTER SCHOOL

We have audited the financial statements of New Heights Academy Charter School (“the School”) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 3, 2009. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School’s financial statements that is more than inconsequential will not be prevented or detected by the School’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the attached schedule of findings and recommendations, we identify deficiencies in internal control over financial reporting that we consider to be significant deficiency. 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
NEW HEIGHTS ACADEMY CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that were reported to the management of the School in a separate letter dated September 3, 2009.

This report is intended solely for the information and use of management, the audit committee, 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.


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

New York, New York
September 3, 2009

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

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE BOARD OF TRUSTEE
NEW HEIGHTS ACADEMY CHARTER SCHOOL

Compliance

We have audited the compliance of New Heights Academy Charter School (the "School") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

TO THE BOARD OF TRUSTEE
NEW HEIGHTS ACADEMY CHARTER SCHOOL

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 of the deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, the audit committee, 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.


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

New York, New York
September 3, 2009

NEW HEIGHTS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONABLE COSTS
FOR THE YEAR ENDED JUNE 30, 2009

A - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of New Heights Academy Charter School.
2. No significant deficiencies and no material weaknesses were discovered during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of New Heights Academy Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for New Heights Academy Charter School expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for New Heights Academy Charter School are reported in this schedule.
7. The programs tested as major programs included:
Public Charter School Program, CFDA No. 84.282
Title I Part A, CFDA No. 84.010
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. New Heights Academy Charter School did not qualify as a low-risk auditee.

B - FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

NEW HEIGHTS ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor Pass-through Grantor Program Name	Federal CFDA Number	Federal Expenditures
U.S. Department of Education:		
Passed through the New York State Education Department.		
Public Charter School Program	84.282	\$ 175,000
Special Education - IDEA	84.027	69,638
Title I Part A	84.010	286,742
Title II A&D	84.318	26,654
Title IV Part A	84.186	2,156
Title VA Part A	84.298	546
		<u>\$ 560,736</u>
U.S. Department of Agriculture:		
Passed through the New York State Education Department.		
National School Lunch Program	10.555	\$ 112,270
National School Breakfast Program	10.553	9,363
		<u>\$ 121,633</u>
Federal Communications Commission:		
Universal Service Administrative Company Schools and Library Division.		
E-RATE Program	N/A	\$ 47,080
		<u>\$ 729,449</u>
Total Expenditures		<u><u>\$ 729,449</u></u>

N/A - Not Available

See accompanying notes to schedule of expenditures of federal awards,

NEW HEIGHTS ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of New Heights Academy Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.