

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT**

Board of Trustees  
New Roots Charter School  
Ithaca, New York

We have audited the financial statements of New Roots Charter School (the School) for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

***Qualitative Aspects of Accounting Practices***

As described in Note 1, The School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers” (Topic 606), as amended, and has applied the changes retrospectively. Additionally, the School also adopted FASB ASU No. 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” (Topic 958), as amended, and has applied the changes on a modified prospective basis. The application of existing policies was not changed during 2020. 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. The most sensitive estimates affecting the financial statements were the allowance for disputed claims, depreciation expense, allocation of functional expenses and compensated absences.

Management’s estimate of the allowance for disputed claims is based on an analysis of the collectability of the receivable balances at year end. Management’s estimate of depreciation expense is based on estimated useful lives of fixed assets. Management’s estimate of the allocation of functional expenses is based on an evaluation of the actual expenses incurred. Management’s estimate of compensated absences is based on pay rates and accrued sick time. We evaluated the key factors and assumptions used to develop the allowance for disputed claims, depreciation expense, allocation of functional expenses, and compensated absences estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of the allowance for disputed claims, fixed assets, leases, availability and liquidity, and evaluation of going concern, the details of which are presented in Notes 3, 4, 5, 11, and 12 to the financial statements.

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. There were no material corrected or uncorrected misstatements detected as a result of audit procedures.

***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 auditors' 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 October 29, 2020.

***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***

The report issued October 29, 2020 includes an Emphasis of Matter related to the School's ability to continue as a going concern within one year of the issuance date of the financial statements. Note 12 to the financial statements discusses the uncertainty associated with the collectability of the outstanding receivable balances, enrollment, and the uncertainty regarding the potential effect of being on probationary status by the State University of New York (SUNY) on future enrollment along with management's plan to address these issues. As a result of the uncertainty, there is substantial doubt regarding the School's ability to meet its current and future obligations and continue as a going concern within one year of October 29, 2020, the issuance date of the financial statements.

Additionally, 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.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 29, 2020

# **NEW ROOTS CHARTER SCHOOL**

**Ithaca, New York**

## **EXECUTIVE SUMMARY**

**For the Years Ended  
June 30, 2020 and 2019**



# ***NEW ROOTS CHARTER SCHOOL***

## **EXECUTIVE SUMMARY OF 2020 AUDIT RESULTS**

Independent Auditors' Report on the financial statements.	An unmodified report on New Roots Charter School's (the School) financial statements for the years ended June 30, 2020 and 2019.
Communication With Those Charged with Governance at the Conclusion of the Audit.	A letter that specifically addresses certain required communications to the Board of Trustees in accordance with professional standards. The letter discusses the following: <ul data-bbox="748 583 1425 888" style="list-style-type: none"><li>• Qualitative Aspects of Accounting Practices</li><li>• Difficulties Encountered in Performing the Audit</li><li>• Corrected and Uncorrected Misstatements</li><li>• Disagreements with Management</li><li>• Management Representations</li><li>• Management Consultations with Other Independent Accountants</li><li>• Other Audit Findings or Issues – Going Concern</li></ul>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	Report on the School's compliance with laws and regulations that may have a direct and material effect on the basic financial statements, and on the School's internal control structure, policies, and procedures based on the auditors' understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements. This report identified no material instances of noncompliance and no material weaknesses at the financial statement level. Additionally, a separate letter dated October 29, 2020, discusses certain accounting issues and enhancements regarding financial reporting.

# NEW ROOTS CHARTER SCHOOL

## STATEMENTS OF FINANCIAL POSITION JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 260,439	\$ 143,164	\$182,202	\$ 167,268	\$ 148,084
State and Federal Aid Receivable	37,533	2,312		57,241	29,687
Accounts Receivables, Net	83,523	297,031	267,010	291,413	363,931
Inventories	1,374	1,395	1,017	963	2,036
Prepaid Expenses and Other Current Assets		3,326	3,327	3,854	3,821
<b>Total Current Assets</b>	<b>382,869</b>	<b>447,228</b>	<b>453,556</b>	<b>520,739</b>	<b>547,559</b>
<b>Noncurrent Assets</b>					
Cash - Reserve	75,000	25,000			
Deposits	23,457	23,457	23,457	23,457	23,457
Equipment and Leasehold Improvements, Net	360,671	416,716	467,757	496,919	484,864
<b>Total Assets</b>	<b>\$ 841,997</b>	<b>\$ 912,401</b>	<b>\$ 944,770</b>	<b>\$ 1,041,115</b>	<b>\$ 1,055,880</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 14,363	\$ 13,601	\$8,070	\$ 7,653	\$ 17,996
Accrued Liabilities	111,781	148,492	117,350	117,259	142,578
Deferred Revenue				43,317	27,537
Due to Retirement System	267,033	288,608	217,497	190,850	198,352
<b>Total Liabilities</b>	<b>393,177</b>	<b>450,701</b>	<b>342,917</b>	<b>359,079</b>	<b>386,463</b>
<b>Net Assets</b>					
<b>Net Assets Without Donor Restrictions</b>					
Investment in Equipment and Leasehold Improvements	360,671	416,716	467,757	496,919	484,864
Reserve	75,000	25,000			
Undesignated	4,067	5,803	119,915	170,936	171,171
<b>Total Net Assets Without Donor Restrictions</b>	<b>439,738</b>	<b>447,519</b>	<b>587,672</b>	<b>667,855</b>	<b>656,035</b>
<b>Net Assets With Donor Restrictions</b>	<b>9,082</b>	<b>14,181</b>	<b>14,181</b>	<b>14,181</b>	<b>13,382</b>
<b>Total Net Assets</b>	<b>448,820</b>	<b>461,700</b>	<b>601,853</b>	<b>682,036</b>	<b>669,417</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 841,997</b>	<b>\$ 912,401</b>	<b>\$ 944,770</b>	<b>\$ 1,041,115</b>	<b>\$ 1,055,880</b>

*Note: Abstracted from Audited Financial Statements. See Audit Reports for Complete Information*

# NEW ROOTS CHARTER SCHOOL

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>					
Public School District:					
Resident Student Enrollment, Net	\$ 1,550,649	\$ 1,974,558	\$1,880,090	\$ 1,741,929	\$ 1,618,233
Less Allowance for Current Year Disputed Claims		(129,578)	(79,383)		
Subtotal	<u>1,550,649</u>	<u>1,844,980</u>	<u>1,800,707</u>	<u>1,741,929</u>	<u>1,618,233</u>
Students with Disabilities	124,109	194,579	213,994	170,492	169,928
Grants and Contracts:					
State and Local	930	37,502			15,304
Federal Grants - Title I and Other Title Grants	57,990	59,635	88,852	52,089	22,996
Federal Grants - IDEA funds	57,359	57,448	38,217	57,161	54,105
Federal and State Grants - School Lunch	35,064	44,761	50,458	45,542	25,159
Contributions	225,449	5,042	6,561	11,376	13,503
Investment Income	228	187	180	228	256
Food Service Income	1,079	401	945	6,391	24,072
Fundraising Income	7,825	2,282	3,066	3,984	1,422
E-Rate Reimbursement		3,261	6,137	5,719	4,463
Other Income	22,089	3,049	3,349	47	5,164
(Loss) on Disposal of Fixed Assets			(3,559)	(3,105)	
<b>Total Revenues and Other Support</b>	<u>2,082,771</u>	<u>2,253,127</u>	<u>2,208,907</u>	<u>2,091,853</u>	<u>1,954,605</u>
<b>Expenses</b>					
Salaries	1,078,072	1,374,793	1,332,725	1,098,552	1,104,661
Benefits and Payroll Taxes	207,400	289,997	261,328	274,467	306,312
Legal Fees	26,049	21,329	22,511	13,000	25,491
Accounting/Auditing Fees	27,490	16,000	15,000	16,000	16,000
Board Expenses	150	128	300	250	450
Contracted Services	58,819	56,582	60,855	69,564	86,313
Supplies and Materials	12,401	11,862	3,669	9,479	10,560
Office Expense	3,565	5,122	15,894	7,421	9,429
Expensed Equipment	246	894	811		802
Food Service	30,897	39,069	37,518	31,769	27,401
Insurance	40,514	41,619	44,074	40,382	36,064
Maintenance and Repairs	2,750	5,805	5,841	6,943	4,209
Marketing and Recruitment	30,935	15,585	19,993	9,949	16,259
Rent	329,488	306,685	296,470	280,116	256,621
Staff Development	3,326	5,671	13,472	4,631	3,910
Technology	17,894	32,110	13,843	10,419	19,518
Textbooks	120	712	2,757	8,022	2,093
Student Services	3,824	4,414	5,444	8,117	5,298
Travel and Conferences	2,733	2,119	2,073	1,099	22
Utilities	14,545	20,664	24,081	25,474	23,700
Other Expenses	8,680	1,967	1,804	7,397	622
Depreciation and Amortization	56,045	56,159	59,280	59,118	55,320
<b>Total Expenses</b>	<u>1,955,943</u>	<u>2,309,286</u>	<u>2,239,743</u>	<u>1,982,169</u>	<u>2,011,055</u>
Change in Net Assets Before the Change in the Allowance for Disputed Claims	<u>126,828</u>	<u>(56,159)</u>	<u>(30,836)</u>	<u>109,684</u>	<u>(56,450)</u>
Change in the Allowance for Disputed Claims	<u>(139,708)</u>	<u>(83,994)</u>	<u>(49,347)</u>	<u>(97,065)</u>	<u>-</u>
Net Assets, July 1,	<u>461,700</u>	<u>601,853</u>	<u>682,036</u>	<u>669,417</u>	<u>725,867</u>
<b>Net Assets, June 30,</b>	<u>\$ 448,820</u>	<u>\$ 461,700</u>	<u>\$ 601,853</u>	<u>\$ 682,036</u>	<u>\$ 669,417</u>

*Note: Abstracted from Audited Financial Statements. See Audit Reports for Complete Information*

# NEW ROOTS CHARTER SCHOOL

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>					
Cash Received from Providing Services	<b>\$1,749,637</b>	\$1,925,945	\$1,947,385	\$ 1,894,265	\$ 1,677,202
Cash Received from Contributors and Grants	<b>341,571</b>	202,076	241,329	138,614	101,380
Interest Received	<b>228</b>	187	180	228	256
Other Cash Received	<b>29,914</b>	8,592	12,552	22,425	38,396
Cash Paid to Employees and Suppliers	<b>(1,954,075)</b>	(2,145,720)	(2,152,835)	(1,962,070)	(1,926,108)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>167,275</u></b>	<u>(8,920)</u>	<u>48,611</u>	<u>93,462</u>	<u>(108,874)</u>
<b>Cash Flows From Investing Activities</b>					
Equipment Acquisitions		(5,118)	(33,677)	(37,466)	(55,593)
Leasehold Improvements				(36,812)	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>-</u></b>	<u>(5,118)</u>	<u>(33,677)</u>	<u>(74,278)</u>	<u>(55,593)</u>
<b>Cash Flows From Financing Activities</b>	<b><u>-</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Cash from Financing Activities</b>	<b><u>-</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>167,275</b>	(14,038)	14,934	19,184	(164,467)
Cash and Cash Equivalents at July 1,	<b><u>168,164</u></b>	<u>182,202</u>	<u>167,268</u>	<u>148,084</u>	<u>312,551</u>
<b>Cash and Cash Equivalents at June 30,</b>	<b><u>\$ 335,439</u></b>	<u>\$ 168,164</u>	<u>\$ 182,202</u>	<u>\$ 167,268</u>	<u>\$ 148,084</u>

*Note: Abstracted from Audited Financial Statements. See Audit Reports for Complete Information*

# **NEW ROOTS CHARTER SCHOOL**

**Ithaca, New York**

## **FINANCIAL REPORT**

**For the Years Ended  
June 30, 2020 and 2019**



# ***NEW ROOTS CHARTER SCHOOL***

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### **Report Required Under *Government Auditing Standards*:**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	18-19
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
New Roots Charter School  
Ithaca, New York

We have audited the accompanying financial statements of New Roots Charter School (the School), which comprise the Statements of Financial Position as of June 30, 2020 and 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 auditors' 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 New Roots Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

The accompanying financial statements have been prepared assuming New Roots Charter School will continue as a going concern. As discussed in Note 12 to the financial statements, the School has been unsuccessful in collecting a significant portion of the outstanding accounts receivable balances and has experienced a decline in enrollment, resulting in a significant strain on the School’s existing financial resources and raising substantial doubt about its ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, 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 solely 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 effectiveness of School’s 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.

Respectfully submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 29, 2020

# NEW ROOTS CHARTER SCHOOL

## STATEMENTS OF FINANCIAL POSITION JUNE 30,

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 260,439	\$ 143,164
State and Federal Aid Receivable	37,533	2,312
Accounts Receivables Net of Allowance for Disputed Claims of \$578,685 and \$438,977 (See Note 3)	83,523	297,031
Inventories	1,374	1,395
Prepaid Expenses		3,326
<b>Total Current Assets</b>	<u>382,869</u>	<u>447,228</u>
<b>Noncurrent Assets</b>		
Cash - Reserve	75,000	25,000
Deposits	23,457	23,457
Equipment and Leasehold Improvements, Net of Accumulated Depreciation of \$523,993 and \$467,948	360,671	416,716
<b>Total Noncurrent Assets</b>	<u>459,128</u>	<u>465,173</u>
<b>Total Assets</b>	<u>\$ 841,997</u>	<u>\$ 912,401</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 14,363	\$ 13,601
Accrued Liabilities	111,781	148,492
Due to Retirement System	267,033	288,608
<b>Total Liabilities</b>	<u>393,177</u>	<u>450,701</u>
<b>NET ASSETS</b>		
<b>Net Assets Without Donor Restrictions</b>		
Investment in Equipment and Leasehold Improvements	360,671	416,716
Reserve	75,000	25,000
Undesignated	4,067	5,803
<b>Total Net Assets Without Donor Restrictions</b>	<u>439,738</u>	<u>447,519</u>
<b>Net Assets With Donor Restrictions</b>	<u>9,082</u>	<u>14,181</u>
<b>Total Net Assets</b>	<u>448,820</u>	<u>461,700</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 841,997</u>	<u>\$ 912,401</u>

*See Notes to Financial Statements*

# NEW ROOTS CHARTER SCHOOL

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Operating Revenues</b>			
Public School Districts:			
Resident Student Enrollment	\$ 1,550,649	\$	\$ 1,550,649
Less Allowance for Current Year Disputed Claims	-		-
Subtotal	1,550,649	-	1,550,649
Students with Disabilities	124,109		124,109
Grants and Contracts:			
State and Local		930	930
Federal Grants - Title I and Other Title Grants		57,990	57,990
Federal Grants - IDEA Funds		57,359	57,359
Federal and State Grants - School Lunch		35,064	35,064
Contributions	202,649	22,800	225,449
Investment Income	228		228
Food Service Income	1,079		1,079
Fundraising Income	7,825		7,825
E-Rate Reimbursement			-
Other Income	22,089		22,089
Net Assets Released from Purpose Restrictions	179,242	(179,242)	-
<b>Total Revenues and Other Support</b>	<b>2,087,870</b>	<b>(5,099)</b>	<b>2,082,771</b>
<b>Expenses</b>			
<b>Program Expenses</b>			
Regular Education	1,230,464		1,230,464
Special Education	153,770		153,770
Enrichment Programs	135,939		135,939
Total Program Expenses	1,520,173	-	1,520,173
<b>Supporting Services</b>			
Management and General	435,770		435,770
Total Supporting Services	435,770	-	435,770
<b>Total Expenses</b>	<b>1,955,943</b>	<b>-</b>	<b>1,955,943</b>
Change in Net Assets Before the Change in the Allowance for Prior Year's Disputed Claims	131,927	(5,099)	126,828
Change in the Allowance for Disputed Claims	(139,708)	-	(139,708)
Net Assets, Beginning of Year	447,519	14,181	461,700
<b>Net Assets, End of Year</b>	<b>\$ 439,738</b>	<b>\$ 9,082</b>	<b>\$ 448,820</b>

*See Notes to Financial Statements*

**2019**

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 1,974,558	\$	\$ 1,974,558
(129,578)		(129,578)
<u>1,844,980</u>	-	<u>1,844,980</u>
194,579		194,579
	37,502	37,502
	59,635	59,635
	57,448	57,448
	44,761	44,761
5,042		5,042
187		187
401		401
2,282		2,282
3,261		3,261
3,049		3,049
<u>199,346</u>	<u>(199,346)</u>	<u>-</u>
<u>2,253,127</u>	<u>-</u>	<u>2,253,127</u>
1,448,826		1,448,826
189,673		189,673
161,387		161,387
<u>1,799,886</u>	<u>-</u>	<u>1,799,886</u>
<u>509,400</u>		<u>509,400</u>
<u>509,400</u>	<u>-</u>	<u>509,400</u>
<u>2,309,286</u>	<u>-</u>	<u>2,309,286</u>
(56,159)		(56,159)
(83,994)	-	(83,994)
587,672	14,181	601,853
<u>\$ 447,519</u>	<u>\$ 14,181</u>	<u>\$ 461,700</u>

# NEW ROOTS CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Program Services Subtotal
	Regular Education	Special Education	Enrichment Programs	
Personnel Service Costs				
Administrative Staff Personnel	\$ 22,178	\$ 3,470	\$ 1,872	\$ 27,520
Instructional Personnel	635,225	99,601	53,784	788,610
Non-instructional Personnel	1,293			1,293
Total Personnel Service Costs	658,696	103,071	55,656	817,423
Benefits and Payroll Taxes	126,729	19,829	10,693	157,251
Legal Fees				-
Accounting/Auditing Fees				-
Board Expenses				-
Contracted Services	28,052	5,336	4,809	38,197
Supplies and Materials	9,920	2,233		12,153
Office Expense				-
Expensed Equipment				-
Food Service			30,897	30,897
Insurance	32,439	1,217	3,119	36,775
Maintenance and Repairs	2,091	315		2,406
Marketing and Recruitment	20,207	4,795	891	25,893
Rent	263,810	9,906	25,558	299,274
Staff Development	2,248	1,078		3,326
Technology	15,210	2,684		17,894
Textbooks	108	12		120
Student Services	2,868	956		3,824
Travel and Conferences	2,733			2,733
Utilities	11,893	652		12,545
Other Expenses	8,680			8,680
Depreciation	44,780	1,686	4,316	50,782
<b>Total Expenses</b>	<b>\$ 1,230,464</b>	<b>\$ 153,770</b>	<b>\$ 135,939</b>	<b>\$ 1,520,173</b>

*See Notes to Financial Statements*

<b>Supporting Services</b>		
<b>Management and General</b>	<b>Supporting Services Subtotal</b>	<b>Total</b>
\$ 260,649	\$ 260,649	\$ 288,169
		788,610
		1,293
<u>260,649</u>	<u>260,649</u>	<u>1,078,072</u>
50,149	50,149	207,400
26,049	26,049	26,049
27,490	27,490	27,490
150	150	150
20,622	20,622	58,819
248	248	12,401
3,565	3,565	3,565
246	246	246
		30,897
3,739	3,739	40,514
344	344	2,750
5,042	5,042	30,935
30,214	30,214	329,488
		3,326
		17,894
		120
		3,824
		2,733
2,000	2,000	14,545
		8,680
<u>5,263</u>	<u>5,263</u>	<u>56,045</u>
<u><b>\$ 435,770</b></u>	<u><b>\$ 435,770</b></u>	<u><b>\$ 1,955,943</b></u>

# *NEW ROOTS CHARTER SCHOOL*

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Program Services Subtotal
	Regular Education	Special Education	Enrichment Programs	
Personnel Service Costs				
Administrative Staff Personnel	\$ 28,283	\$ 4,425	\$ 2,387	\$ 35,095
Instructional Personnel	810,060	127,015	68,586	1,005,661
Non-Instructional Personnel	1,650			1,650
Total Personnel Service Costs	839,993	131,440	70,973	1,042,406
Benefits and Payroll Taxes	177,198	27,726	14,952	219,876
Legal Fees				
Accounting/Auditing Fees				
Board Expenses				
Contracted Services	26,985	5,133	4,626	36,744
Supplies and Materials	9,489	2,136		11,625
Office Expense				
Expensed Equipment				
Food Service			39,069	39,069
Insurance	33,324	1,250	3,204	37,778
Maintenance and Repairs	4,413	666		5,079
Marketing and Recruitment	10,180	2,416	449	13,045
Rent	245,553	9,220	23,789	278,562
Staff Development	4,593	1,078		5,671
Technology	27,293	4,817		32,110
Textbooks	641	71		712
Student Services	3,310	1,104		4,414
Travel and Conferences	2,119			2,119
Utilities	16,896	927		17,823
Other Expenses	1,967			1,967
Depreciation	44,872	1,689	4,325	50,886
<b>Total Expenses</b>	<b>\$ 1,448,826</b>	<b>\$ 189,673</b>	<b>\$ 161,387</b>	<b>\$ 1,799,886</b>

**Supporting Services**

<b>Management and General</b>	<b>Supporting Services Subtotal</b>	<b>Total</b>
\$ 332,387	\$ 332,387	\$ 367,482
		1,005,661
		1,650
<u>332,387</u>	<u>332,387</u>	<u>1,374,793</u>
70,121	70,121	289,997
21,329	21,329	21,329
16,000	16,000	16,000
128	128	128
19,838	19,838	56,582
237	237	11,862
5,122	5,122	5,122
894	894	894
		39,069
3,841	3,841	41,619
726	726	5,805
2,540	2,540	15,585
28,123	28,123	306,685
		5,671
		32,110
		712
		4,414
		2,119
2,841	2,841	20,664
		1,967
<u>5,273</u>	<u>5,273</u>	<u>56,159</u>
<u><b>\$ 509,400</b></u>	<u><b>\$ 509,400</b></u>	<u><b>\$ 2,309,286</b></u>

# ***NEW ROOTS CHARTER SCHOOL***

## **STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Providing Services	\$ 1,749,637	\$ 1,925,945
Cash Received from Contributors and Grantors	341,571	202,076
Interest Received	228	187
Other Cash Received	29,914	8,592
Cash Paid to Employees	(1,343,758)	(1,562,537)
Cash Paid to Suppliers	(610,317)	(583,183)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>167,275</u>	<u>(8,920)</u>
<b>Cash Flows From Investing Activities</b>		
Equipment Acquisitions and Leasehold Improvements	-	(5,118)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>(5,118)</u>
<b>Cash Flows From Financing Activities</b>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	167,275	(14,038)
Cash and Cash Equivalents, July 1,	<u>168,164</u>	<u>182,202</u>
<b>Cash and Cash Equivalents, June 30,</b>	<u><u>\$ 335,439</u></u>	<u><u>\$ 168,164</u></u>

*See Notes to Financial Statements*

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Summary of Significant Accounting Policies**

#### **Activity**

New Roots Charter School (the School) is a nonprofit public high school committed to sustainable education and social justice located in Central New York. The School's first year of operations was 2009-2010. The School operates under a charter agreement, which was renewed on April 10, 2017 and expires after July 31, 2022. Most of the School's revenue is derived from New York State aid passed through to the School from the home school districts of its students.

#### **Accounting Method**

The School maintains its accounts on the accrual basis. Revenues are recorded in the year earned and expenses are recognized when incurred.

#### **Basis of Presentation**

The financial statements of the School have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (U.S. GAAP), which require the School to report information regarding its financial position and activities according to the following net asset classifications.

#### **Net Assets Without Donor Restrictions**

Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. All revenues, gains, and losses that are not restricted by donors and grantors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions and may be used at the discretion of the School's management and the Board of Trustees.

#### **Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606), effective for years beginning after December 15, 2018. This update supersedes existing revenue recognition guidance. Entities should now recognize revenue depicting the transfer of promised goods or services in a manner which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Nature of Activities and Summary of Significant Accounting Policies - Continued**

#### **New Accounting Pronouncements - Continued**

In June 2018, FASB issued ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” (Topic 958). This accounting standard is meant to help nonprofit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for resources provided. If the resource provider does receive commensurate value, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (Topic 606). If no commensurate value is received from the resource provider, the transfer is a contribution. The effective date of this ASU is for years beginning after December 15, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those reporting periods.

During the year ended June 30, 2020, the School adopted the above accounting pronouncements. The adoption had no effect on the net asset balances or other financial statement items previously reported.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less.

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management has provided an allowance for disputed claims based on an evaluation of the collectability of the outstanding receivable balances for the year ending June 30, 2020. See Note 3 for further information.

#### **Prepaid Expenses**

Prepaid expenses represents professional development services the School has the right to receive for which it has paid. This entire amount is expected to be expended during the next fiscal year.

#### **Leasehold Improvements and Equipment**

Leasehold improvements and equipment are stated at cost and depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The capitalization threshold for the School is \$250. Equipment is depreciated over 3 to 20 years and leasehold improvement costs over 20 years.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 1* Nature of Activities and Summary of Significant Accounting Policies - Continued**

#### **Inventory**

Inventory is valued at the cost of quantity on hand.

#### **Revenue Recognition**

Revenue from school districts resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

The School receives grants from governmental and non-governmental sources. These grant awards are accounted for as exchange transactions if the grantor receives an equivalent benefit in return or as nonexchange transactions if the resources provided are for the benefit of the School, the mission of the grantor, or the public at large. For grant awards accounted for as exchange transactions, revenue is recognized as performance obligations are satisfied. For grant awards accounted for as nonexchange transactions, revenue is recognized when a promise to give has been made, or in the case of a conditional promise to give, when the condition has been met by the School. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions until the assets are acquired and placed in service. Contributions of assets other than cash are recorded at their estimated fair value at date of donation.

#### **Income Tax Status**

The School is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under §170(b)(1)(A) and has been classified as an organization other than a private school under §590(a)(2).

#### **Donated Services**

A large number of volunteers have donated significant amounts of time, services, and materials on the School's behalf. The value of this contributed time and services has not been reflected in the financial statements, inasmuch as no objective basis is available to measure the value of such services and it does not meet the criteria for recognition under FASB ASC 958.

#### **Functional Allocation of Expenses**

The Statement of Functional Expenses provides an analysis of expenses by both natural and functional classification. Natural expenses are defined by their nature, such as salaries, rent supplies, etc. Functional expenses are classified by the type of activity for which the expenses were incurred; for example, administrative and program costs. Expenses are allocated to program, administration, and fundraising based on management's estimates of the time spent, square footage, and other allocation methods appropriate to the type of expense.

# NEW ROOTS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

**Note 1 Nature of Activities and Summary of Significant Accounting Policies - Continued**

**Events Subsequent to Report Date**

The School has evaluated events and transactions occurring between June 30, 2020 and October 29, 2020, which is the date on which the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No subsequent events were noted.

**Note 2 Concentration of Credit Risk**

The School maintains cash balances at one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. During the year, deposits may exceed FDIC insurance limits.

**Note 3 Allowance for Disputed Claims**

The School derives its revenue via billings sent to the home School District for services provided to respective students. Occasionally, school districts dispute student residency and eligibility and refuse to pay the related bill. New York State has established an intercept process to ensure Charter Schools with substantiated claims are compensated for their services. The School anticipates receiving these funds, but has established an allowance for financial statement purposes. The allowance for disputed claims was \$578,685 and \$438,977 for the years ended June 30, 2020 and 2019, respectively.

**Note 4 Fixed Assets**

A summary of changes in fixed assets is as follows:

	2020				
	Cost July 1,	Net Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold					
Improvements	\$ 596,645		\$ 596,645	\$ (277,373)	\$ 319,272
Equipment	288,019		288,019	(246,620)	41,399
<b>Total</b>	<b>\$ 884,664</b>	<b>\$ -</b>	<b>\$ 884,664</b>	<b>\$ (523,993)</b>	<b>\$ 360,671</b>
	2019				
	Cost July 1,	Net Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold					
Improvements	\$ 595,757	\$ 888	\$ 596,645	\$ (247,474)	\$ 349,171
Equipment	283,789	4,230	288,019	(220,474)	67,545
<b>Total</b>	<b>\$ 879,546</b>	<b>\$ 5,118</b>	<b>\$ 884,664</b>	<b>\$ (467,948)</b>	<b>\$ 416,716</b>

Depreciation expense for 2020 and 2019 was \$56,045 and \$56,159, respectively.

# NEW ROOTS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### **Note 5 Leases**

On May 10, 2009, the School entered into a five year and two month lease agreement with The Historic Clinton House of Ithaca, LLC, commencing on May 15, 2009, for classroom and administrative space. Monthly payments for fiscal year 2020 included \$19,982 for the original lease contract and an additional \$5,220 for extra space. The original lease includes three 5-year options to renew with a 4% base rent increase at the end of each twelve month period. As of July 5, 2020, the School exercised its second five-year term extension beginning August 1, 2019 and ending July 30, 2024. The extension calls for a base rent of \$24,468 per month with 3% annual increases thereafter. The extra space agreement includes two five-year options to renew with a 4% base rent increase at the end of each twelve month period. Rent expense under this lease was \$300,018 and \$282,312 for the years ended June 30, 2020 and 2019, respectively. Future minimum rental payments will be:

<u>Year</u>	<u>Payment</u>
<b>2021</b>	<b>\$ 311,759</b>
2022	321,024
2023	328,158
2024	337,507
2025	28,194

On September 27, 2018, the School entered into a 20 month lease agreement with St. Catherine Greek Orthodox Church for use of a commercial kitchen with monthly payments of \$1,850 for the 2019-2020 school year. The agreement excludes July and August, months when school is not in session. Rent expense under these leases was \$22,200 and \$17,500, for the years ended June 30, 2020 and 2019, respectively.

The School had additional rent expenses for parking and other purposes of \$7,270 and \$6,873, respectively, for the years ended June 30, 2020 and 2019.

### **Note 6 Line of Credit**

During the years ended June 30, 2020 and 2019, the School maintained a \$20,000 line of credit with a local financial institution to ensure adequate cash flows throughout the school year. The line of credit was not utilized during either year.

### **Note 7 Related Party Transactions**

One Board of Trustees member is the mother of one of the owners of The Historic Clinton House of Ithaca, LLC. This individual abstains from voting on matters pertaining to the building and/or the lease.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### **Note 8 Pension System**

The School participates in the New York State Teachers' Retirement System (NYSTRS)(System). This is a cost-sharing multiple employer public defined benefit employee retirement system. The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. The School's contributions to the System are less than 0.005% of total contributions to the System.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Plan members who joined NYSTRS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3.0% of their annual salary. Those joining NYSTRS on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Persons joining on or after April 1, 2012 are required to contribute between 3% and 6% of their annual salary throughout active service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

Once an employer joins, they cannot withdraw from the System. This eliminates the risk that an employer will withdraw, leaving unfunded obligations to be borne by the remaining employers. As of June 30, 2018, the most recent valuation available, the System's fiduciary net position was \$119,879,474,000 and its net pension assets were \$2,598,007,000 with a funded status of 102.2%.

The School is required to contribute at an actuarially determined rate. The School's contribution has an outstanding payable to the System in the amount of \$267,033. Of this amount, \$199,107 represents past due amounts plus interest. Interest has been charged at rates ranging from .45% to 2.33%. Required contributions for the prior three years were:

<u>Year</u>	<u>NYSTRS</u>
2020	\$ 48,745
2019	66,865
2018	77,888

The School's total liability, including employer and employee contribution amounts, at June 30, 2020 and 2019 amounted to \$267,033 and \$288,608, respectively.

# NEW ROOTS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

**Note 9 Net Assets With Donor Restrictions**

Net Assets With Donor Restrictions at June 30, consisted of the following:

	2020	2019
CFTC Strategic Planning	\$ 4,000	\$ 4,000
CARS Grant	25	2,581
Scholarship Funds	410	410
Sponsor a Senior	2,073	2,866
Events	359	359
Jason New Roots Fund	826	2,326
Capital Campaign	625	625
Youth Entrepreneurship Market	764	1,014
<b>Total</b>	<b>\$ 9,082</b>	<b>\$ 14,181</b>

**Note 10 Dissolution Reserve**

As part of the charter agreement, education corporations agree to establish a dissolution reserve fund account of no less than \$75,000 as determined by the State University of New York (SUNY). This amount is established to pay for legal and audit expenses that would be associated with a dissolution should it occur. The reserve balance was \$75,000 and \$25,000 at June 30, 2020 and 2019, respectively.

**Note 11 Availability and Liquidity**

The School's financial assets available within one year of the Statement Financial Position date for general expenditures are as follows:

	2020	2019
<b>Financial Assets at Year End</b>		
Cash and Cash Equivalents	\$ 335,439	\$ 168,164
Accounts Receivable, Net	83,523	297,031
State and Federal Aid Receivable	37,533	2,312
Total Financial Assets	456,495	467,507
<b>Less:</b>		
Amounts Unavailable for General Expenditures		
Within One Year Due to:		
Dissolution Reserve	(75,000)	(25,000)
Donor Restricted Financial Assets	(9,082)	(14,181)
Total Amounts Unavailable for General Expenditures	(84,082)	(39,181)
<b>Total Financial Assets Available for General Expenditures</b>		
<b>Within One Year</b>	<b>\$ 372,413</b>	<b>\$ 428,326</b>

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 11* Availability and Liquidity - Continued**

The School's governing Board of Trustees has designated a portion of its unrestricted resources for a dissolution reserve to conform to the School's charter agreement; see Note 10 for additional details.

During the June 30, 2020 fiscal year, management conducted a detailed review of the budgeting process and cash flow cycle. As a result of this analysis, management developed a detailed monthly budget and projected cash flow statement which was used by the School to monitor its current and future obligations and satisfy reporting requirements. The School has also engaged an independent financial and accounting consultant with twenty years of experience in the charter school sector to monitor the School's financial activity and produce monthly reports for the Board of Trustees and SUNY. As part of this process, an analysis of outstanding receivables was conducted, and a process developed to facilitate timely payments by School Districts. The School has submitted intercept requests to the New York State Education Department for the outstanding balances and will continue to submit requests as needed to facilitate the School's collection of the outstanding receivables. A plan was also developed with the NYSTRS System for the School to make monthly payments to satisfy its outstanding obligation. In addition to the planned payments, intercept proceeds, when received, will be used to expedite this process. The School also has a \$20,000 line of credit available to meet cash flow needs. The School is also conducting a variety of fundraising activities to support student activities.

### ***Note 12* Evaluation of Going Concern**

The current financial statements contain a \$578,685 allowance for disputed claims. The School's inability to collect on these balances has significantly reduced the resources currently available for operations and also contributed to the past due outstanding balance due to the New York State Teachers Retirement System of \$199,107 at June 30, 2020. The School is actively pursuing collection of the disputed amounts and has been making payments on the outstanding liability.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 12* Evaluation of Going Concern - Continued**

On December 18, 2019, the SUNY Board of Trustees passed a resolution to place the School on probationary status. The probation included a remedial plan consisting of the following requirements:

- Submission of the 2019 audited financial statements by January 1, 2020.
- Submission of a proposed recruitment plan and budget for increasing enrollment by January 15, 2020.
- Commencing February 1, 2020, submission of monthly reports regarding current enrollment and applications received for the 2020-21 school year.
- Submission of a fiscally sound budget through June 30, 2020 based on the current and lower enrollment, which demonstrates the fiscal soundness of the School and includes substantial payments to NYSTRS totaling at least \$80,000.
- Submission of monthly unaudited financial statements as well as board meeting packets provided to the School's Board of Trustees.
- By the dates specified in the Charter Agreement, quarterly unaudited financial reports, annual budgets, annual audits, and annual accountability reports for the remainder of the charter term.
- Submission of documents showing the 2020-21 incoming class meets the age and grade requirements in the charter agreement.

Failure to comply with the requirements may result in the SUNY's termination of the School's Charter.

As of the date of this report, management had met the terms of the remedial plan and was in compliance with the SUNY requirements. Additionally, management has been attempting to collect on outstanding disputed balances and hired a consultant to assist them with meeting all the reporting requirements. As of the date of the accompanying financial statements, no disputed amounts have been collected.

The uncertainties associated with the collectability of outstanding receivable balances and reduced enrollment raises substantial doubt regarding the School's ability to meet its current and future obligations and continue as a going concern.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

### ***Note 13*** **Uncertainty**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies on the area in which the School operates. While it is unknown how long these conditions will last and what the complete financial effect will be, the School expects disruptions to businesses and residents and potential effects to New York State government funding, which could negatively impact operating results in future periods.

**INDEPENDENT AUDITORS' 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***

Board of Trustees  
New Roots Charter School  
Ithaca, New York

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 New Roots Charter School (the School), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 29, 2020.

**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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

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.

**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*.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 29, 2020

## **MANAGEMENT COMMENT LETTER**

Board of Trustees  
New Roots Charter School  
Ithaca, New York

In planning and performing our audit of the financial statements of New Roots Charter School (the School) for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting as a basis for designing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We identified one material weakness in New Roots Charter School's internal controls during the June 30, 2019 audit that was resolved during the 2020 fiscal year.

### **Material Weaknesses**

#### **Prior Year Comment Resolved**

##### **Bookkeeping**

###### **Finding:**

During our prior year audit, the following accounts required adjustments to reflect actual balances at year end; accounts receivable, accounts payable, accrued liabilities, fixed assets, payroll and related benefits, and beginning net assets. Additionally, revenue required an extensive analysis and material adjustment. Management did not close and review the year end balances prior to the audit, resulting in several audit adjustments.

Resolution:

In the current year, the School contracted with an external accountant for bookkeeping services. As a result, there were no material adjustments detected as part of our audit.

**Other Matters**

During our audit, we also noted the following matters that provide opportunities for strengthening internal controls and operating efficiency.

**Current and Prior Year Comments**

Journal Entry Supporting Documentation

Finding:

Consistent with the prior year, no supporting documentation was maintained for journal entries examined.

Recommendation:

We recommend adequate supporting documentation be maintained for all journal entries.

Stale Dated Outstanding Checks

Finding:

The prior year cash reconciliations included 72 stale dated checks amounting to \$14,173. Many of these checks were resolved during 2020 fiscal year. The current year cash reconciliations included 13 remaining stale dated checks amounting to \$3,911.

Recommendation:

We recommend management research and resolve the remaining stale dated checks through either resolving the balances with the original payee or remitting the funds to the New York State Comptroller Department of Uncollected Funds.

Accounts Receivable

Findings:

At June 30, 2020 and 2019, the School had receivable balances due from various School Districts of \$795,058 and \$727,205, respectively. Of the \$795,058 balance at June 30, 2020, \$590,438 represented balances outstanding for more than a year. Through our inquiries with management and some School District officials, it appears the discrepancies result from differences in the understanding on issues such as student residency, eligibility, and School District obligations under education law. We also noted some School Districts had overpaid, and these amounts had not been applied against the outstanding balances as of June 30, 2020.

Recommendation:

We recommend management perform a comprehensive review of the historical receivable balances for each period outstanding, determine a net realizable amount owed by the respective school districts, and work directly with School District officials to resolve discrepancies and settle outstanding balances. It should be noted that during the current year the School created a more robust system for billing and timely collections, including contracting with a consultant who assisted them with the current year billing and improving the underlying accounting process.

**Resolved Prior Year Comments**

Supporting Documentation

Findings:

Cash Receipts

During our prior year audit, 5 of 15 receipts examined lacked adequate supporting documentation.

Cash Disbursements

During our prior year audit, 4 of 15 items tested did not have supporting documentation, lacked appropriate authorizing signatures, and did not have a purchase order as required by School policy.

Resolution:

All receipts and disbursements examined in the current year had adequate supporting documentation.

**DISCUSSION ITEMS**

Financial Condition

Condition:

As noted previously, the School is carrying a large accounts receivable balance, some of which are years old, which has significantly reduced the School's operating cash. Management has been working to evaluate and collect on these outstanding balances either directly from the School Districts or indirectly through the State aid intercept process. During 2019, management initiated the process of rebilling School Districts for outstanding amounts and submitting unpaid invoices to the New York State Education Department (NYSED) to collect payment through the state aid intercept process. Because the School has not yet recovered these funds, the allowance for disputed claims has been increased from \$438,977 at June 30, 2019 to \$578,685 at June 30, 2020.

The School's enrollment was lower than budgeted in 2019-20, which required an adjustment of operations in response to the reduced cash flow. In spite of reduced cash flow, Management was able to pay \$89,500 to reduce its outstanding New York State Teacher's Retirement System (NYSTRS) liability as of June 30, 2020. The School had an outstanding payable to NYSTRS in the amount of \$267,033 and \$288,608 at June 30, 2020 and 2019, respectively. Of this amount, \$199,107 and \$189,860 represented past due amounts plus interest for 2020 and 2019. Interest has been charged at rates ranging from .45% to 2.33%. The School arranged to make monthly payments to NYSTRS in the 2020 fiscal year to satisfy its obligation and will continue making regular payments to reduce the past due balance in the current fiscal year. The School also paid substantially all the 2020 TRS bill prior to the issuance of this report. Additionally, proceeds from the intercept process will be applied to the outstanding balance.

Recommendation:

As noted earlier, we recommend management continue to work with School Districts to resolve discrepancies and collect outstanding balances. On December 18, 2019, the SUNY Board of Trustees passed a resolution to place the School on probationary status. The probation lays out a corrective action plan that includes development of a proposed recruitment plan to increase enrollment, as well as development of a fiscally sound budget through June 30, 2020 which included substantial payments to NYSTRS totaling at least \$80,000.

Management's Response:

During the June 30, 2020 fiscal year, management conducted a detailed review of the budgeting process, cash flow cycle, and outstanding receivable balances. As a result of this analysis, management developed a detailed monthly budget and projected cash flow statement which was used by the School to monitor its current and future obligations and to satisfy required reporting requirements. Additionally, the School developed a process to monitor the timeliness of School District payments and has submitted intercept requests to the New York State Education Department for the outstanding receivable balances. The School's efforts resulted in improved collection of outstanding balances for the 2020 fiscal year. The School is also conducting a variety of fundraising activities to provide additional resources and has engaged an independent financial and accounting consultant with twenty years of experience in the charter school sector to monitor the school's financial activity and produce monthly reports for the Board of Trustees and SUNY. The School made payments to NYSTRS totaling \$89,500 during 2020, \$9,500 in excess of the SUNY requirement.

Impact of Accounting Standard Updates (ASUs) of the Financial Accounting Standards Board (FASB)

In February 2016, FASB issued ASU No. 2016-02, "Leases." The update changes the recording and reporting requirements for operating leases and requires assets and liabilities be recognized if the lease meets certain requirements.

ASU No. 2016-02 was to be effective for nonpublic entities for the years beginning after December 15, 2019, applied on a retrospective basis. On June 3, 2020, FASB issued ASU 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities," which delays the effective date to fiscal years beginning after December 15, 2021.

We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank you and your staff for their cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

This letter does not affect our report dated October 29, 2020 on the financial statements of the School.

This communication is intended solely for the information and use of management, the Audit Committee and Board of Trustees, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
October 29, 2020