

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Roosevelt Children's Academy Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Roosevelt Children's Academy Charter School, Inc. (a nonprofit organization) (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 2021 and 2020 financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Children's Academy Charter School, Inc. as of June 30, 2021 and 2020 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 the 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.

Reid CPAs, LLP

Woodbury, New York
October 29, 2021

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30,

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,177,569	\$ 17,054,605
Grants and contracts receivable	4,067,249	2,920,049
Prepaid expenses	244,166	268,051
TOTAL CURRENT ASSETS	16,488,984	20,242,705
PROPERTY AND EQUIPMENT		
At cost, less accumulated depreciation and amortization of \$3,780,647 in 2021 and \$4,230,379 in 2020	10,308,780	8,986,102
NON CURRENT ASSETS		
Excess pension plan contribution	208,044	253,074
Restricted cash	3,078,007	75,225
Grants and contracts receivable	28,460	-
Security deposits	30,371	30,371
TOTAL NONCURRENT ASSETS	3,344,882	358,670
TOTAL ASSETS	\$ 30,142,646	\$ 29,587,477
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 966,700	\$ 844,026
Advance billing	2,315,326	1,993,553
Deferred revenue	-	5,231
TOTAL CURRENT LIABILITIES	3,282,026	2,842,810
PPP - SBA Guaranteed Loan	-	1,630,885
TOTAL LIABILITIES	3,282,026	4,473,695
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	26,752,240	25,029,108
With donor restrictions	108,380	84,674
TOTAL NET ASSETS	26,860,620	25,113,782
TOTAL LIABILITIES AND NET ASSETS	\$ 30,142,646	\$ 29,587,477

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
Public School District						
Resident student enrollment	\$ 13,459,362	\$ -	\$ 13,459,362	\$ 12,041,508	\$ -	\$ 12,041,508
Federal grants and contracts	403,506	-	403,506	374,407	-	374,407
State grants and contracts	3,245	-	3,245	8,395	-	8,395
Investment return, net	-	-	-	57,536	-	57,536
Other	102,895	18,992	121,887	218,520	27,303	245,823
Forgiveness of PPP Loan	1,633,286	-	1,633,286	-	-	-
Net assets released from restrictions	<u>(4,714)</u>	<u>4,714</u>	<u>-</u>	<u>(20,133)</u>	<u>20,133</u>	<u>-</u>
Total revenues and other support	<u>15,597,580</u>	<u>23,706</u>	<u>15,621,286</u>	<u>12,680,233</u>	<u>47,436</u>	<u>12,727,669</u>
Expenses and losses						
Regular education	10,531,590	-	10,531,590	10,984,646	-	10,984,646
Special education	1,747,758	-	1,747,758	1,872,103	-	1,872,103
Management and general	1,590,386	-	1,590,386	1,598,530	-	1,598,530
Fundraising and special events	4,714	-	4,714	20,133	-	20,133
Total Expenses	<u>13,874,448</u>	<u>-</u>	<u>13,874,448</u>	<u>14,475,412</u>	<u>-</u>	<u>14,475,412</u>
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,078</u>	<u>-</u>	<u>13,078</u>
Total expenses and losses	<u>13,874,448</u>	<u>-</u>	<u>13,874,448</u>	<u>14,488,490</u>	<u>-</u>	<u>14,488,490</u>
Increase (Decrease) in net assets from Operating Activities	1,723,132	23,706	1,746,838	(1,808,257)	47,436	(1,760,821)
Net Assets at beginning of year	<u>25,029,108</u>	<u>84,674</u>	<u>25,113,782</u>	<u>26,837,365</u>	<u>37,238</u>	<u>26,874,603</u>
Net Assets at end of year	<u>\$ 26,752,240</u>	<u>\$ 108,380</u>	<u>\$ 26,860,620</u>	<u>\$ 25,029,108</u>	<u>\$ 84,674</u>	<u>\$ 25,113,782</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADMEY
 CHARTER SCHOOL, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2021

	Program Services			Support Services		Total
	Regular Education	Special Education	Total	Management and General	Fundraising	
EXPENSES						
Salaries and wages	\$ 6,007,827	\$ 869,554	\$ 6,877,381	\$ 1,027,655	\$ -	\$ 7,905,036
Payroll tax expenses and fringe benefits	1,965,624	284,498	2,250,122	336,225	-	2,586,347
Total Personnel Service Costs	7,973,451	1,154,052	9,127,503	1,363,880	-	10,491,383
Consultants - education	498,785	124,696	623,481	-	-	623,481
Food purchases	186,262	46,565	232,827	-	-	232,827
Insurance expense	98,413	5,705	104,118	38,510	-	142,628
Supplies and materials	243,661	64,976	308,637	16,244	-	324,881
Textbooks	19,250	4,812	24,062	-	-	24,062
Telephone	46,930	2,721	49,651	18,364	-	68,014
Occupancy	376,610	100,429	477,039	25,107	-	502,146
Field trips	94,470	23,618	118,088	-	-	118,088
Fundraising expenses	-	-	-	-	4,714	4,714
Staff development	42,123	10,531	52,654	-	-	52,654
Equipment - rentals	35,033	2,031	37,064	13,709	-	50,773
Professional fees	72,485	4,202	76,687	28,364	-	105,051
Repairs and maintenance	255,641	68,171	323,812	17,043	-	340,855
Travel	3,917	227	4,144	1,533	-	5,677
Board of Trustees	2,110	122	2,232	826	-	3,058
Utilities	145,355	38,761	184,116	9,690	-	193,806
Depreciation	301,626	80,434	382,060	20,108	-	402,168
Postage	12,115	702	12,817	4,741	-	17,558
Advertising	4,554	264	4,818	1,782	-	6,600
Administrative fees	72,794	4,220	77,014	28,484	-	105,498
Student testing and incentives	40,892	10,223	51,115	-	-	51,115
Other	5,114	296	5,410	2,001	-	7,411
TOTAL EXPENSES	\$ 10,531,590	\$ 1,747,758	\$ 12,279,348	\$ 1,590,386	\$ 4,714	\$ 13,874,448

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Support Services		Total
	Regular Education	Special Education	Total	Management and General	Fundraising	
EXPENSES						
Salaries and wages	\$ 6,007,095	\$ 869,448	\$ 6,876,543	\$ 1,027,529	\$ -	\$ 7,904,072
Payroll tax expenses and fringe benefits	<u>1,828,255</u>	<u>264,616</u>	<u>2,092,871</u>	<u>312,728</u>	<u>-</u>	<u>2,405,599</u>
Total Personnel Service Costs	<u>7,835,350</u>	<u>1,134,064</u>	<u>8,969,414</u>	<u>1,340,257</u>	<u>-</u>	<u>10,309,671</u>
Consultants - education	564,935	141,234	706,169	-	-	706,169
Food purchases	289,230	72,308	361,538	-	-	361,538
Insurance expense	96,613	5,601	102,214	37,805	-	140,019
Supplies and materials	246,150	65,640	311,790	16,410	-	328,200
Textbooks	77,461	19,365	96,826	-	-	96,826
Telephone	46,368	2,688	49,056	18,144	-	67,200
Occupancy	363,099	96,826	459,925	24,207	-	484,132
Field trips	15,445	3,861	19,306	-	-	19,306
Fundraising expenses	-	-	-	-	20,133	20,133
Staff development	187,194	46,799	233,993	-	-	233,993
Equipment - rentals	34,522	2,001	36,523	13,509	-	50,032
Professional fees - legal	93,396	5,414	98,810	36,546	-	135,356
Repairs and maintenance	228,317	60,885	289,202	15,221	-	304,423
Travel	6,754	392	7,146	2,643	-	9,789
Board of Trustees	3,820	221	4,041	1,495	-	5,536
Utilities	157,577	42,020	199,597	10,505	-	210,102
Depreciation	573,428	152,914	726,342	38,229	-	764,572
Postage	12,057	699	12,756	4,718	-	17,474
Advertising	10,821	627	11,448	4,234	-	15,682
Administrative fees	66,431	3,851	70,282	25,995	-	96,277
Student testing and incentives	53,668	13,417	67,085	-	-	67,085
Other	<u>22,009</u>	<u>1,276</u>	<u>23,285</u>	<u>8,612</u>	<u>-</u>	<u>31,897</u>
TOTAL EXPENSES	<u>\$ 10,984,646</u>	<u>\$ 1,872,103</u>	<u>\$ 12,856,749</u>	<u>\$ 1,598,530</u>	<u>\$ 20,133</u>	<u>\$ 14,475,412</u>

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,746,838	\$ (1,760,821)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	402,168	764,572
Loss on disposal of fixed assets	-	13,078
Forgiveness of PPP Loan	(1,630,885)	-
Changes in assets and liabilities:		
Grants and contracts receivable	(1,175,660)	(248,369)
Prepaid expenses	23,884	156,710
Accounts payable and accrued expenses	122,675	59,225
Advance billing	321,773	(47,464)
Deferred revenue	<u>(5,231)</u>	<u>(1,606,620)</u>
 Total adjustments	 <u>(1,941,276)</u>	 <u>(908,868)</u>
 Net cash used by operating activities	 <u>(194,438)</u>	 <u>(2,669,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,724,846)	(782,506)
Proceeds from sale (purchase) of short-term investments	<u>-</u>	<u>5,061,464</u>
 Net cash provided (used) by investing activities	 <u>(1,724,846)</u>	 <u>4,278,958</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	-	1,630,885
Excess pension plan contribution	<u>45,030</u>	<u>(89,672)</u>
 Net cash provided by financing activities	 <u>45,030</u>	 <u>1,541,213</u>
NET INCREASE (DECREASE) IN CASH	(1,874,254)	3,150,482
CASH, CASH EQUIVALENTS AND RESTRICTED CASH- beginning	<u>17,129,830</u>	<u>13,979,348</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH- end	<u>\$ 15,255,576</u>	<u>\$ 17,129,830</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. ORGANIZATION SUMMARY

Roosevelt Children's Academy Charter School, Inc. (the "School"), a 501(c)(3) tax-exempt organization, is a public elementary charter school located in Roosevelt, New York. The School was chartered during July 2000, and the first classes were offered during the 2000-2001 school year. The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State ("State") Education Department (the "NYSED"). The School charter was renewed in June 2020 for an additional five years through June 2025. The School educates children on a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The focus of the School is on the core skills of reading, language, writing and mathematics, with an extended day, a high degree of individualized instruction, and an innovative research based academic curriculum. Enrollment is open to all potential student candidates, with a preference for those residing in the immediate area. In fiscal years 2021 and 2020, the Charter School operated classes for students in kindergarten through 8th grade.

The School has initiated plans to expand its capacity to enroll additional students. The plans include the purchase of land adjacent to the existing school building and the issuance of Nassau County bonds to finance the construction of the facility. (See subsequent event note # 16 for additional information).

LIQUIDITY

The School has approximately \$7.3M of financial assets available within one year of the statement of financial position to meet cash needs for general expenditures consisting of \$3.3M in cash and \$4M in grants and contributions receivable.

The School is substantially supported by revenues from the Federal and New York State government. As part of its liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The School invests some of its cash in excess of daily requirements in short-term investments. In addition, the School has a line of credit available for \$4.5 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are reported in the statement of financial position at fair value, which is determined using quoted market prices. Unrealized gains and losses are included in the change in net assets.

NET ASSET PRESENTATION

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions or time restrictions. It requires that the amounts for each of the two classes of net assets: with donor restrictions and without donor restrictions be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Net assets with donor imposed restrictions result from (a) contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School and (b) contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations.

When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the School considers all short-term, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

FINANCIAL INSTRUMENTS

The School's financial instruments include cash, due from government agencies, marketable securities, accounts payable, advance billing and deferred revenue for which carrying values approximate fair values due to the short maturities of those instruments.

LAND, BUILDING AND EQUIPMENT

Property and equipment are recorded at cost. Additions and improvements or betterments in excess of \$5,000 with an estimated useful life of greater than one year are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Normal replacement and maintenance costs are

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LAND, BUILDING AND EQUIPMENT (CONTINUED)

charged to earnings as incurred and major renewals and significant improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss for the year is included in income.

The estimated useful lives of the fixed assets are as follows:	<u>(Years)</u>
School buildings	20
Building Improvements	20
Leasehold Improvements	10
Furniture and fixtures	7
Office equipment	7
Computer equipment	3
Automobiles	5
Software	3

Depreciation for construction-in-progress will commence over the estimated useful lives of the respective assets when the assets are placed in service.

ASSET IMPAIRMENT

The School reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2021 and 2020, respectively, there were no such losses.

RESTRICTED CASH

Restricted cash relates to a reserve accounts that are required to be maintained by the School in accordance with the charter requirements as well as \$3,000,000 in restricted cash as required by the line of credit arrangement with a bank providing the school with a \$4,500,000 line.

ADVANCE BILLING

Advance billing represents tuition and fees received for the next school term.

DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. A number of volunteers have made contributions of their time to the School to develop its academic programs or serve on the School's board of trustees.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED SERVICES (CONTINUED)

Teachers also provided fund-raising services throughout the fiscal year. None of these services are recognized as contributions in the accompanying financial statements since the specialized skill criteria for recognition under U.S. GAAP have not been met.

REVENUE RECOGNITION

Revenue from state and local governments 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 New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Revenue from federal and state government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government or when required services have been provided during the applicable school year. Funds received in advance are recorded as unearned revenue.

GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent funds under charter school contracts that have been billed but not collected as of the date of the financial statements. Grants and contracts receivable are recorded at net realizable value. As of June 30, 2021 and 2020, the School's management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of receivables, subsequent receipts and current economic conditions.

STUDENT ENROLLMENT

Enrollment of available class slots is open to all potential student candidates with those residing in the immediate area given first preference. A lottery is held to award these available slots.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The expenses allocated include: Occupancy based on square footage, travel, repairs and maintenance, professional fees and staff development based on time and effort. Accordingly, certain costs have been allocated among the respective programs and supporting services benefited using methodologies developed by management as follows:

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSE ALLOCATION (CONTINUED)

- Program services – represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.
- Management and general – represents expenses related to the overall administration and operation of the School that are not associated with any program services or development.

INCOME TAXES

The School is exempt from Federal, state and local income taxes under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(2) and 170 (B)(1)(A)(II) of the IRC. There was no unrelated business income for the years ended June 30, 2021 and 2020, respectively.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business income taxable ("UBIT"). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2021 and 2020.

The School has filed federal information returns, as required, and all other applicable returns in jurisdictions where required. For the years ended June 30, 2021 and 2020 respectively, there was no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by a taxing authority. As of June 30, 2021, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination by taxing authorities for the years prior to June 30, 2018.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NEW ACCOUNTING STANDARDS ADOPTED AND TO BE ADOPTED

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School has adopted ASU 2014-09 with no material effect on its financial statements.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business and private not for profit entities for fiscal year beginning after December 15, 2021 and the School is currently evaluating the impact of the pending adoption of ASU 2016-02.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED AND TO BE ADOPTED (CONTINUED)

Through June 2021, the Financial Accounting Standards Board ("FASB") issued various updates ("ASUs") to the FASB Accounting Standards Codification ("ASC"). No ASU's were adopted during the year ended June 30, 2021 that had a material effect on its financial statements. In addition, management believes that ASUs that have a prospective effective date will not have a material impact on its financial statements. ASU 2017-07 related to Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost was implemented in the current fiscal year with no material effect on the financial statements.

3. CONCENTRATION OF CREDIT RISK

The School maintains its cash balances at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. At June 30, 2021 and 2020, the School's uninsured cash balances totaled approximately \$14,700,000 and \$16,630,000 respectively. The School's management monitors the balances in excess of the FDIC coverage to limit any exposure to loss due to credit risk on cash and cash equivalents. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk on its cash and cash equivalent accounts.

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES

Under the School's charter school agreement and the Charter Schools Act, the School is entitled to receive funding from the NYSED through pupil enrollment funds. The calculation of the amounts to be paid to the School under these programs is determined by the NYSED and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School. If these regulations were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

Federal food subsidies and Title I, II and IV funds are received through grants approved by the U.S. Department of Agriculture and Education, respectively. The State food subsidies are received through grants approved by the NYSED.

The amount received from government agencies and included as revenue in the Statements of Activities consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
NYSED (pupil enrollment)	\$ 13,459,362	\$ 12,041,508
Federal Government	403,506	374,407
New York State	<u>3,245</u>	<u>8,395</u>
	<u>\$ 13,866,113</u>	<u>\$ 12,424,310</u>

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
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5. INVESTMENTS

Investments are carried at fair value and realized and unrealized gains and losses are reflected within investment return, net, in the statements of activities and changes and in net assets. The School invested its excess cash in short-term investments and investment as of June 30, 2019 was \$5,061,464 which matured on January 30, 2020. During the fiscal year ended June 30 2020 short-term investments earned \$57,536, The School did not renew its investment after January 30, 2020.

Investments at June 30 are summarized as follows:

	<u>2020</u>
Investments at beginning of year	\$ 5,061,464
Investments during the year	-
Investment return, net	<u>57,536</u>
Investment – Matured	<u>(5,119,000)</u>
Investments at end of year	<u>\$ -</u>

6. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table summarizes cash, cash equivalent and restricted cash as reported on The statements of cash flow:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalent	\$ 12,177,569	\$ 17,054,605
Restricted cash	<u>3,078,007</u>	<u>75,225</u>
Total cash, cash equivalent and restricted cash reported on statement of cash flow	<u>\$ 15,255,576</u>	<u>\$ 17,129,829</u>

7. ADVANCE BILLING AND DEFERRED REVENUES

The School invoices the appropriate school districts in June for the first two months of the following fiscal year. Those billings will be recognized during the next fiscal year. At June 30, 2021 and 2020, advance billing totaled \$2,315,326 and \$1,993,553, respectively.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. ADVANCE BILLING AND DEFERRED REVENUES (CONTINUED)

	2021	2020
Balance at the beginning of year	\$1,993,553	\$2,041,017
Additions:		
Advance billing issued	2,315,326	1,993,553
Reductions:		
Advance billing earned	1,993,553	2,041,017
Balance at end of year	\$2,315,326	\$1,993,553

As of June 30, 2021 and 2020, the School received no advance payments from school districts. Other deferred revenues as of June 30, 2021 and 2020 were \$0 and \$5,231 respectively.

8. PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following

	2021	2020
Land	\$ 1,307,889	\$ 1,307,889*
School buildings	5,959,997	5,959,997*
Modular space and related costs	-	349,985
Building improvements	1,702,610	1,561,613
Furniture and fixtures	115,282	132,931
Computer equipment	434,696	447,362
Office equipment	181,421	15,454
Software	99,769	31,471
Automobiles	129,559	129,559
Equipment	-	135,766
	9,931,223	10,072,027
Less: Accumulated depreciation and amortization	3,780,647	4,230,379
	6,150,576	5,841,648
Construction in progress	4,158,204	3,144,454*
Total	\$ 10,308,780	\$ 8,986,102

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 were \$402,168 and \$764,572, respectively.

*Restated

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended June 30, 2020, the School wrote-off certain old assets that no longer had any use or value and incurred a \$13,078 loss on disposition.

9. CREDIT AGREEMENTS

The School had a \$4,500,000 variable revolving line of credit which was unused at June 30, 2021. The line of credit expires on December 31, 2021 with an interest rate equal to the Wall Street Prime Rate with a minimum floor rate of 3.25% and requires the School to maintain a restricted cash balance of \$3,000,000 as collateral.

10. PAYCHECK PROTECTION PROGRAM – SBA LOAN

The School received \$1,630,885 as an assistance from the COVID-19 Paycheck Protection Program – SBA Loan during May 2020 to assist in covering some of the costs of operations, as defined by the program. The loan was forgiven as it was used in accordance with the provisions of the CARES Act and reported as other income on the June 30, 2021 financial statements.

11. EMPLOYEE BENEFIT PLANS

DEFINED CONTRIBUTION PLAN

The School sponsors a 401(k) plan (the "Plan") that covers substantially all of its eligible employees. Employees are eligible for the Plan upon employment, and participation in the Plan is voluntary. Under the 401 (k) salary reduction provisions of the Plan, employees may elect to defer a portion of their compensation, subject to statutory limitations, and have the deferred amounts contributed to their retirement accounts which become fully vested immediately. The School matches participants' contributions to the Plan up to 4% of the individual participants' annual compensation. The School's contribution recognized in the Statements of Activities and Changes in Net Assets was \$160,522 and \$168,710 for the years ended June 30, 2021 and 2020, respectively. The Plan's assets are held in a separate trust for the exclusive benefit of the participants and beneficiaries and are not included in the accompanying financial statements.

DEFINED BENEFIT PLAN

The School sponsors a defined benefit pension plan (the "Cash Balance Plan") covering substantially all of its employees. Pension benefits are based on years of service and the employee's compensation during the last five years of employment. The School's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. EMPLOYEE BENEFIT PLANS (CONTINUED)
DEFINED BENEFIT PLAN (CONTINUED)

Pension Plan obligations and funded status:

	<u>2021</u>	<u>2020</u>
Projected benefit obligation at June 30	\$(2,478,707)	\$(2,106,504)
Pension Plan assets at fair value at June 30	<u>2,686,751</u>	<u>2,359,578</u>
Funded status	<u>\$ 208,044</u>	<u>\$253,074</u>

Reconciliation of Projected benefit obligation:

Benefit Obligation, Beginning of the Year	\$(2,106,504)	\$ (1,564,907)
Service Cost	(642,876)	(578,293)
Interest Cost	(49,974)	(53,446)
Actuarial Gain	<u>18,607</u>	<u>90,142</u>
Current year Benefit Obligation	\$(2,478,707)	\$(2,106,504)

Funded Position:

Projected benefit obligation	\$(2,478,707)	\$(2,106,504)
Market value of Assets	<u>2,686,751</u>	<u>2,359,578</u>
Funded status	208,044	253,074
Net Gain/(Loss)	<u>23,480</u>	<u>63,694</u>
Prepaid benefit Cost	\$184,564	\$189,380

Actuarial Assumptions

Based on discount rate of 2.80% at 6/30/2021 and 2.55% at 6/30/2020

Weighted-average rate of compensation increase: 3.0%

Mortality tables used:

For 2021, Pri-2012 Healthy Annuitant Tables with Generational Improvements using Scale MP-2020

For 2020, Pri2012 Health Annuitant Tables with Generational Improvements using Scale MP-2020

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. EMPLOYEE BENEFIT PLANS (CONTINUED)
DEFINED BENEFIT PLAN (CONTINUED)

Amounts recognized in the Statement of Financial Position:

	<u>2021</u>	<u>2020</u>
Noncurrent Assets	\$ 208,044	\$ 253,074
Current Liabilities	-	-
Noncurrent Liabilities	-	-
Pension asset	<u>\$ 208,044</u>	<u>\$ 253,074</u>

Total Other Comprehensive Income:

Total Other Comprehensive Income	\$ -
Prior Service Cost at End of Year	-
Net (Gain)/Loss at End of Year	<u>\$ (23,480)</u>
Balance at June 30, 2021	\$ (23,480)

Net Periodic Benefit Cost:

Actuarial Assumptions

Discount Rate	2.55%	3.50%
Expected Return on Plan Assets	2.55%	3.50%
Salary Scale	3.00%	3.00%
Average Future Service	20.25	20.07

Components of Net Periodic Benefit Cost

Service Cost	642,876	578,293
Interest Cost	49,974	53,446
Expected Return on Assets	(65,618)	(73,578)
Amortization of ATO	-	-
Amortization of Prior Service Cost	-	-
<u>Amortization of Net (Gain)/Loss</u>	<u>-</u>	<u>-</u>
Preliminary Net Periodic Benefit Cost	627,232	558,161
Curtailment (G)/L Recognized	-	-
Settlement (G)/L Recognized	-	-
<u>Special Termination (G)/L Recognized</u>	<u>-</u>	<u>-</u>
Net Periodic Benefit Cost	627,232	558,161

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. EMPLOYEE BENEFIT PLANS (CONTINUED)
DEFINED BENEFIT PLAN (CONTINUED)

Expected Benefit Payments:

Year	Active	Terminated	Retired	Total
2021	\$200,044	\$ -	\$ -	\$200,044
2022	\$ 25,049	\$ -	\$ -	\$ 25,049
2023	\$ 61,940	\$ -	\$ -	\$ 61,940
2024	\$ 35,396	\$ -	\$ -	\$ 35,396
2025	\$ 22,493	\$ -	\$ -	\$ 22,493
2026	\$ 54,474	\$ -	\$ -	\$ 54,474
2027	\$136,770	\$ -	\$ -	\$136,770
2028	\$ 62,028	\$ -	\$ -	\$ 62,028
2029	\$ -	\$ -	\$ -	\$ -
2030	<u>\$ 16,388</u>	\$ -	\$ -	<u>\$ 16,388</u>
Total	\$614,582	\$ -	\$ -	\$614,582

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3) measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 - Inputs to valuation methodology are unadjusted quoted process for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data
By correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. EMPLOYEE BENEFIT PLANS (CONTINUED)
DEFINED BENEFIT PLAN (CONTINUED)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

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

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2021 and 2020:

Cash and cash equivalents and money market funds: Fair value equals cost.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy; the School's Pension Plan assets measured at fair value on a recurring basis as of June 30, 2021 and 2020:

<u>Asset Class</u>	<u>Assets at Fair Value @ June 30, 2021</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash	\$ 2,226,775	\$ 2,226,775	\$ -
Fixed Income Securities	\$ <u>459,976</u>	\$ <u>-</u>	\$ <u>459,976</u>
	\$ <u>2,686,751</u>	\$ <u>2,226,775</u>	\$ <u>459,976</u>
<u>Asset Class</u>	<u>Assets at Fair Value @ June 30, 2020</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash	\$ 5,033	\$ 5,033	\$ -
Certificates of Deposit	\$ <u>2,354,545</u>	\$ <u>-</u>	\$ <u>2,354,545</u>
	\$ <u>2,359,578</u>	\$ <u>5,033</u>	\$ <u>2,354,545</u>

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

12. LEASES

OPERATING LEASES

On June 30, 2016, the School entered into a new four-year non-cancelable lease agreement with its existing landlord and agreed to occupy additional space. The agreement provides for base rent plus utility costs and property insurance costs and expired June 30, 2020. The lease provides for four renewal options of five years each at a two percent increase in rental payments over the prior year.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2021 for each of the next five years and in the aggregate are:

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 441,888
2023	406,454
2024	410,568
2025	<u>418,776</u>
Total minimum future rental payments	\$ <u>1,677,686</u>

Rental expense was \$502,146 and \$484,132 for the years ended June 30, 2021 and 2020, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The School receives approximately 86% and 95% all of its support and revenue from per pupil funding from the New York State Department of Education during the years ended June 30, 2021 and 2020, respectively. Additionally, the School's grants receivable consists of approximately 99% and 99% from the New York State Department of Education respectively. If the School's charter was modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected and would have a significant impact on the School's ability to carry out its activities at current levels.

14. NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

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 School's financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

15. CONTINGENCIES

LITIGATION

The School continues to be a defendant in employment related lawsuits and arbitration matters. The School has defended itself vigorously in these matters. The losses, if any, from the open claims are not expected to have a material effect on the School's financial position or results of operations.

16. SUBSEQUENT EVENTS

The School's management has performed subsequent event procedures through October 29, 2021, which is the date the financial statements were available for issuance.

In October 2021, the School completed the purchase of a parcel of land adjacent to its existing school building and the previously purchased land. Plans include the construction of a school facility on both parcels of land. The Plans will be financed by the issuance of Nassau County backed bonds for approximately \$28 million. The School has engaged an underwriting firm to complete the financing and begin construction.

17. RISK TO OPERATIONS

The United States continues to be in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level remain unknown, but has the potential to result in a significant economic impact. The impact of this situation on the School and its future results and financial position remains undeterminable. The School received a Paycheck Protection Program loan from the SBA in the amount of \$1,630,885 as disclosed in Footnote 10 which assisted the School in going through the economic impact of the pandemic.



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

To The Board of Trustees
Roosevelt Children’s Academy Charter School, Inc.

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 Roosevelt Children’s Academy Charter School, Inc. (the “School”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 law, 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reid CPAs, LLP

Woodbury, New York
October 29, 2021