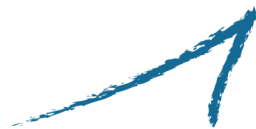


NEW ROOTS CHARTER SCHOOL

Ithaca, New York

FINANCIAL REPORT

**For the Years Ended
June 30, 2023 and 2022**



insero&co

Certified Public Accountants | Business Advisors

NEW ROOTS CHARTER SCHOOL

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-17

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
Schedule of Findings and Management Responses	20



INDEPENDENT AUDITORS' REPORT

Board of Trustees
New Roots Charter School
Ithaca, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Roots Charter School (the School), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2023 and 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

During the year ended June 30, 2023, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, "Leases" (Topic 842). There was no net effect on the balances previously reported due to this adoption and the details are disclosed in Note 7. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, 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 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.

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 27, 2023

NEW ROOTS CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION JUNE 30,

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 738,389	\$ 676,199
State and Federal Aid Receivable	34,992	145,352
Accounts Receivables Net of Allowance for Disputed Claims of \$508,855 and \$500,443 (See Note 4)	136,891	173,568
Inventories	1,374	1,374
Prepaid Expenses	33,119	42,782
Total Current Assets	944,765	1,039,275
Noncurrent Assets		
Cash and Cash Equivalents - Reserve	75,000	75,000
Deposits	23,457	23,457
Equipment and Leasehold Improvements, Net of Accumulated Depreciation of \$516,998 and \$473,755	327,074	294,680
Right-of-Use Asset, Net of Accumulated Amortization of \$305,468 and \$-0-	351,730	-
Total Noncurrent Assets	777,261	393,137
Total Assets	\$ 1,722,026	\$ 1,432,412
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 19,882	\$ 27,900
Accrued Liabilities	128,401	129,333
Deferred Revenue	62,595	40,603
Due to Retirement System	86,445	65,404
Lease Liability, Current Portion	324,220	-
Total Current Liabilities	621,543	263,240
Lease Liability, Noncurrent Portion	27,510	-
Total Liabilities	649,053	263,240
NET ASSETS		
Net Assets Without Donor Restrictions		
Investment in Equipment and Leasehold Improvements	327,074	294,680
Reserve	75,000	75,000
Undesignated	662,581	790,410
Total Net Assets Without Donor Restrictions	1,064,655	1,160,090
Net Assets With Donor Restrictions	8,318	9,082
Total Net Assets	1,072,973	1,169,172
Total Liabilities and Net Assets	\$ 1,722,026	\$ 1,432,412

See Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Public School Districts:						
Resident Student Enrollment	\$ 1,601,675	\$ -	\$ 1,601,675	\$ 1,803,575	\$ -	\$ 1,803,575
Special Education Revenue	105,813	-	105,813	123,602	-	123,602
Grants and Contracts:						
Federal Grants - Title I and Other Title Grants	-	42,077	42,077	-	44,122	44,122
Federal Grants - IDEA Funds	-	30,937	30,937	-	19,008	19,008
Federal Grants - ARP/ ESSR	-	4,280	4,280	-	161,679	161,679
Federal and State Grants - School Lunch	-	60,069	60,069	-	53,817	53,817
Other Grants	-	47,801	47,801	-	20,767	20,767
Contributions	247,643	-	247,643	39,132	-	39,132
Investment Income	414	-	414	352	-	352
Food Service Income	306	-	306	802	-	802
E-Rate Reimbursement	22,146	-	22,146	25,846	-	25,846
Other Income	23,103	-	23,103	7,672	-	7,672
Gain (Loss) on Disposal of Fixed Assets	-	-	-	(515)	-	(515)
Net Assets Released From Purpose Restrictions	185,928	(185,928)	-	299,393	(299,393)	-
Total Revenues and Other Support	2,187,028	(764)	2,186,264	2,299,859	-	2,299,859
Expenses						
Program Expenses						
Regular Education	1,458,862	-	1,458,862	1,358,069	-	1,358,069
Special Education	177,978	-	177,978	169,203	-	169,203
Enrichment Programs	158,376	-	158,376	143,709	-	143,709
Total Program Expenses	1,795,216	-	1,795,216	1,670,981	-	1,670,981
Supporting Services						
Management and General	478,835	-	478,835	464,567	-	464,567
Total Supporting Services	478,835	-	478,835	464,567	-	464,567
Total Expenses	2,274,051	-	2,274,051	2,135,548	-	2,135,548
Change in Net Assets Before the Change in the Allowance for Prior Year's Disputed Claims	(87,023)	(764)	(87,787)	164,311	-	164,311
Change in the Allowance for Disputed Claims	(8,412)	-	(8,412)	15,646	-	15,646
Net Assets, Beginning of Year	1,160,090	9,082	1,169,172	980,133	9,082	989,215
Net Assets, End of Year	\$ 1,064,655	\$ 8,318	\$ 1,072,973	\$ 1,160,090	\$ 9,082	\$ 1,169,172

See Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Enrichment Programs	Program Services Subtotal	Management and General	
Personnel Service Costs						
Administrative Staff Personnel	\$ 24,503	\$ 3,834	\$ 2,067	\$ 30,404	\$ 287,958	\$ 318,362
Instructional Personnel	701,782	110,037	59,419	871,238	-	871,238
Non-Instructional Personnel	1,430	-	-	1,430	-	1,430
Total Personnel Service Costs	727,715	113,871	61,486	903,072	287,958	1,191,030
Benefits and Payroll Taxes	189,454	29,644	15,986	235,084	74,972	310,056
Legal Fees	-	-	-	-	9,000	9,000
Accounting/Auditing Fees	-	-	-	-	30,240	30,240
Youth Entrepreneurship Grant	27,535	-	-	27,535	-	27,535
Roots of Success Grant	3,400	-	-	3,400	-	3,400
Contracted Services	30,755	5,850	5,272	41,877	22,608	64,485
Supplies and Materials	-	-	-	-	7,640	7,640
Office Expense	-	-	-	-	1,239	1,239
Food Service	-	-	42,341	42,341	-	42,341
Insurance	33,585	1,260	3,229	38,074	3,872	41,946
Maintenance and Repairs	1,381	208	-	1,589	227	1,816
Marketing and Recruitment	16,776	3,981	739	21,496	4,186	25,682
Rent	256,322	9,625	24,833	290,780	29,356	320,136
Staff Development	1,064	-	-	1,064	-	1,064
Textbooks	449	50	-	499	-	499
Travel and Conferences	84	-	-	84	-	84
Utilities	12,525	687	-	13,212	2,106	15,318
Other Expenses	1,867	-	-	1,867	-	1,867
Student Services	2,350	784	-	3,134	-	3,134
Technology	58,188	10,268	-	68,456	-	68,456
Bad Debt Expense	48,894	-	-	48,894	-	48,894
Interest Expense	11,951	449	1,158	13,558	1,369	14,927
Depreciation	34,567	1,301	3,332	39,200	4,062	43,262
Total Expenses	\$ 1,458,862	\$ 177,978	\$ 158,376	\$ 1,795,216	\$ 478,835	\$ 2,274,051

See Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Program Services Subtotal	Supporting Services	Total
	Regular Education	Special Education	Enrichment Programs		Management and General	
Personnel Service Costs						
Administrative Staff Personnel	\$ 22,711	\$ 3,554	\$ 1,916	\$ 28,181	\$ 266,903	\$ 295,084
Instructional Personnel	650,469	101,992	55,074	807,535	-	807,535
Non-Instructional Personnel	1,325	-	-	1,325	-	1,325
Total Personnel Service Costs	674,505	105,546	56,990	837,041	266,903	1,103,944
Benefits and Payroll Taxes	154,254	24,136	13,016	191,406	61,042	252,448
Legal Fees	-	-	-	-	22,171	22,171
Accounting/Auditing Fees	-	-	-	-	28,994	28,994
Youth Entrepreneurship Grant	20,766	-	-	20,766	-	20,766
Cayuga Wetlands Restoration Grant	10,971	-	-	10,971	-	10,971
Roots of Success Grant	27,730	-	-	27,730	-	27,730
Contracted Services	40,023	7,613	6,861	54,497	29,422	83,919
Supplies and Materials	-	-	-	-	8,171	8,171
Office Expense	-	-	-	-	2,490	2,490
Expensed Equipment	-	-	-	-	1,065	1,065
Food Service	-	-	34,759	34,759	-	34,759
Insurance	26,417	991	2,540	29,948	3,045	32,993
Maintenance and Repairs	719	109	-	828	118	946
Marketing and Recruitment	27,450	6,514	1,210	35,174	6,850	42,024
Rent	260,811	9,793	25,267	295,871	29,870	325,741
Staff Development	462	-	-	462	-	462
Textbooks	276	31	-	307	-	307
Travel and Conferences	1,319	-	-	1,319	-	1,319
Utilities	4,090	224	-	4,314	688	5,002
Other Expenses	3,267	-	-	3,267	-	3,267
Student Services	827	276	-	1,103	-	1,103
Technology	72,376	12,772	-	85,148	-	85,148
Depreciation	31,806	1,198	3,066	36,070	3,738	39,808
Total Expenses	\$ 1,358,069	\$ 169,203	\$ 143,709	\$ 1,670,981	\$ 464,567	\$ 2,135,548

See Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Cash Received From Providing Services	\$ 1,736,059	\$ 1,840,678
Cash Received From Contributors and Grantors	565,159	338,457
Interest Received	414	352
Other Cash Received	45,249	33,003
Cash Paid to Employees	(1,466,774)	(1,308,016)
Cash Paid to Suppliers	(742,261)	(783,960)
Net Cash Provided (Used) by Operating Activities	<u>137,846</u>	<u>120,514</u>
Cash Flows From Investing Activities		
Equipment Acquisitions and Leasehold Improvements	(75,656)	(24,008)
Loss on Disposal of Fixed Assets	-	515
Net Cash Provided (Used) by Investing Activities	<u>(75,656)</u>	<u>(23,493)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents and Restricted Cash	62,190	97,021
Cash and Cash Equivalents and Restricted Cash, July 1,	<u>751,199</u>	<u>654,178</u>
Cash and Cash Equivalents and Restricted Cash, June 30,	<u>\$ 813,389</u>	<u>\$ 751,199</u>

See Notes to Financial Statements

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

***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 March 17, 2022, and expires after July 31, 2025. 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 Accounting

The financial statements of the School have been prepared in accordance 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

These include net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School's management and the Board of Trustees.

Net Assets With Donor Restrictions

These include 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "Leases" (Topic 842). ASU 2016-02 improves transparency and comparability among companies by recognizing lease assets and lease liabilities on the Statement of Financial Position and by disclosing key information about leasing arrangements. ASU 2016-02 requires a lessee to recognize on the Statement of Financial Position a liability to make lease payments and a right of use asset representing its right to use the underlying asset for the lease term for both finance and operating leases. The guidance is effective for private companies for financial statements issued for fiscal years beginning after December 15, 2021. The School adopted this standard as of July 1, 2022 using the modified retrospective approach and elected the optional transition relief amendment that allows for a cumulative-effect adjustment in the period of adoption and did not restate prior periods.

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

***Note 1* Summary of Significant Accounting Policies - Continued**

Recent Accounting Pronouncements - Continued

In addition, we elected the package of practical expedients permitted under the transition guidance, which among other things, allowed the School to carry forward the historical lease classification and provided relief from reviewing existing contracts to determine if they contain leases. The School did not elect to use hindsight in determining the lease term.

The adoption of this guidance resulted in a \$657,198 increase to both total assets and total liabilities as of July 1, 2022. The School recognized \$657,198 of operating lease right of use assets and operating lease obligations. The adoption of this guidance did not have a material impact to our Statement of Activities or Statement of Cash Flows. See Note 7 for additional lease disclosures.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 is 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 years ended June 30, 2023 and 2022. See Note 4 for further information.

Prepaid Expenses

Prepaid expenses represent 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.

Inventory

Inventory is valued at the cost of quantity on hand.

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

***Note 1* Summary of Significant Accounting Policies - Continued**

Leases

The School determines if an arrangement is or contains a lease at inception. The School records right of use assets and lease obligations for finance and operating leases, which are initially based on the discounted future minimum lease payments over the term of the lease. As the rate implicit in our leases is not easily determinable, the School has elected to use the risk-free rate for the same period as the lease term.

Lease term is defined as the non-cancelable period of the lease plus any options to extend the lease when it is reasonably certain that it will be exercised. Leases may also include options to terminate the arrangement or options to purchase the underlying asset. For leases with an initial term of 12 months or less, no right of use assets or lease obligations are recorded on the Statement of Financial Position, and the School recognizes short-term lease expense for these leases on a straight-line basis over the lease term.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. None of the lease agreements include variable rental payments. The School has elected to separate lease from non-lease components for all leases.

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.

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).

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 **Summary of Significant Accounting Policies - Continued**

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 Accounting Standards Codification (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.

Evaluation of Subsequent Events

The School has evaluated events and transactions occurring between June 30, 2023 and October 27, 2023, which is the date on which the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. See Note 14 for further information.

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 **Cash and Cash Equivalents**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the Statement of Cash Flows.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 738,389	\$ 676,199
Restricted Cash	<u>75,000</u>	<u>75,000</u>
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 813,389</u>	<u>\$ 751,199</u>

Note 4 **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 \$508,855 and \$500,443 for the years ended June 30, 2023, and 2022.

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 5 Equipment and Leasehold Improvements

A summary of changes in equipment and leasehold improvements is as follows:

	2023				
	Cost July 1,	Net Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$ 596,645	\$ -	\$ 596,645	\$ (367,070)	\$ 229,575
Equipment	171,790	69,385	241,175	(149,928)	91,247
Total	\$ 768,435	\$ 69,385	\$ 837,820	\$ (516,998)	\$ 320,822
	2022				
	Cost July 1,	Net Additions	Cost June 30,	Accumulated Depreciation	Net Book Value
Leasehold Improvements	\$ 596,645	\$ -	\$ 596,645	\$ (337,171)	\$ 259,474
Equipment	287,869	(116,079)	171,790	(136,584)	35,206
Total	\$ 884,514	\$(116,079)	\$ 768,435	\$ (473,755)	\$ 294,680

Depreciation expense for 2023 and 2022 was \$44,139 and \$39,908, respectively.

Note 6 Short-Term Leases

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. The initial term of the agreement expired, and the agreement was extended on a month-by-month basis with monthly payments of \$1,500 for the 2022-2023 school year. The agreement excludes July and August, months when school is not in session. Rent expense under this lease was \$15,000 and \$15,000, for the years ended June 30, 2023 and 2022, respectively.

The School had additional rent expenses for a copier and other purposes of \$4,678 and \$5,024, respectively, for the years ended June 30, 2023 and 2022. The copier lease ended by the year ended June 30, 2023, and was considered short-term.

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 7 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 2022 included \$21,199 for the original lease contract and an additional \$5,377 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.

The components of operating lease cost for the year ended June 30, 2023 is as follows:

Operating Lease Cost	\$ 305,136
Interest on Liabilities	<u>14,927</u>
Total Lease Cost	<u>\$ 320,063</u>

Supplemental cash flow information related to lease for the year ended June 30, 2023 is as follows:

Cash paid for amounts included in measurement of lease obligations:	
Operating cash flows from operating leases	\$ 320,063

The following table summarizes the remaining lease term and discount rate:

	Operating
	Leases
Weighted Average Remaining Lease Term	<u>1.08 Years</u>
Weighted Average Discount Rate	2.88%

Future maturities of lease liabilities, as of June 30, 2023 are as follows:

	Operating
	Leases
2024	\$ 330,103
2025	<u>27,576</u>
Total Undiscounted Lease Obligations	357,679
(Less): Imputed Interest	<u>(5,949)</u>
Net Lease Obligation	<u>\$ 351,730</u>

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 8 Line of Credit

During the years ended June 30, 2023 and 2022, 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 9 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 0.004% 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, 2022, the most recent valuation available, the System's fiduciary net position was \$131,964,582,107 and its net pension liability was \$1,918,891,690 with a funded status of 98.6%.

The School is required to contribute at an actuarially determined rate. Required contributions for the current and prior years were:

<u>Year</u>	<u>NYSTRS</u>
2023	\$ 71,828
2022	66,823
2021	45,201

The School's total liability, including employer and employee contribution amounts, on June 30, 2023 and 2022 amounted to \$86,445 and \$65,404, respectively.

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 10 Net Assets With Donor Restrictions

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

	2023	2022
CFTC Strategic Planning	\$ 4,000	\$ 4,000
CARS Grant	25	25
Scholarship Funds	410	410
Sponsor a Senior	2,073	2,073
Events	359	359
Jason New Roots Fund	826	826
Capital Campaign	625	625
Youth Entrepreneurship Market	-	764
Total	\$ 8,318	\$ 9,082

Note 11 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 on June 30, 2023 and 2022 and is reported as restricted cash and reserved net assets without donor restrictions.

Note 12 Availability and Liquidity

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

	2023	2022
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 813,389	\$ 751,199
Accounts Receivable, Net	136,891	173,568
State and Federal Aid Receivable	34,992	145,352
Total Financial Assets	985,272	1,070,119
(Less):		
Amounts Unavailable for General Expenditures Within One Year Due to:		
Dissolution Reserve	(75,000)	(75,000)
Donor Restricted Financial Assets	(8,318)	(9,082)
Total Amounts Unavailable for General Expenditures Within One Year	(83,318)	(84,082)
Total Financial Assets Available for General Expenditures Within One Year	\$ 901,954	\$ 986,037

NEW ROOTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

***Note 12* 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 11 for additional details.

Additionally, management uses a detailed monthly budget and projected cash flow statement to actively monitor the School's resources.

The School also has a \$20,000 line of credit available to meet cash flow needs.

***Note 13* Charter Status**

On March 17, 2022, the State University of New York (SUNY) Board of Trustees (Institute) passed a resolution to approve the School's charter renewal for a term of three years through and including July 31, 2025, subject to the following conditions beginning in the 2022-2023 school year:

- Each school year as part of annual reporting the School shall report to the Institute regarding the resources developed by one or more unique staff positions, together with associated data, metrics and measures the School shall establish that result in increased oversight of curriculum development, instructional delivery, and teacher coaching and professional development;
- The School shall engage an external consultant to conduct an annual evaluation of the charter's educational program using the benchmarks described in the SUNY Renewal Policies and report findings by July 31 each year to the Education Corporation board and the Institute;
- Each school year, the School shall maintain a minimum enrollment of no less than 80% of the enrollment set forth in the charter agreement; and,
- The School shall report to the Institute each school year as part of annual reporting: data on alumni post-secondary activities and outcomes as outlined in the accountability plan to be set forth in the charter agreement; a description of the resources and staff dedicated to supporting alumni and tracking outcome data; and, a description of responsive program adjustments intended to improve outcomes each year;
- The School as described in its application for charter renewal meets the requirements of the New York Charter Schools Act of 1998 (as amended) and applicable laws, rules, and regulations; and
- The School, as limited and restricted, can demonstrate the ability to operate the school in an educationally and fiscally sound manner.

As of the date of this report, management had met the terms above and is in compliance with the SUNY requirements.

***Note 14* Subsequent Event**

Effective July 11, 2023, the School entered into a new five-year agreement for copiers requiring regular monthly payments of \$254 and an interest rate of 4.24%.

**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, 2023, 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 27, 2023.

Report on 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) as a basis for designing 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Management Responses as item 2023-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

School's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Management Responses. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 27, 2023

NEW ROOTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND MANAGERMENTS RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

Finding 2023-001

Issue: Accounting Adjustments

Criteria:

Management is charged with maintaining fiscal integrity and stewardship. This includes providing accurate and timely financial information.

Condition:

During our current year audit, the following accounts required adjustments to reflect the actual balances at year end: accounts receivable, fixed assets, accrued payroll, compensated absences, deferred revenue and the related revenue and expense accounts. Additionally, the accounts receivable balance required an extensive analysis and material adjustment as part of the audit.

Cause:

Inaccurate or incomplete yearend review of balances and reconciliation of accounts prior to the audit.

Effect or Potential Effect:

There is an enhanced risk of inaccurate accounting records or untimely information.

Questioned Costs:

None.

Context:

Audit adjustments have also been detected and corrected in prior years.

Repeat Finding:

This is not a repeat finding.

Recommendation:

We recommend management review and adjust account balances to agree to underlying support regularly and within 30 days of year end. We further recommend all entries be entered into QuickBooks as the transactions occur to ensure the School's accounting records accurately reflect the School's financial activity. In addition, a comprehensive analysis of the accounts receivable balance should be performed periodically and at year end to ensure the records are accurate and any old receivables are identified, investigated, and collected or adjusted.

Views of Responsible Officials of the Auditee:

Management accepts the audit findings, and concurs with the recommendation for greater oversight through a monthly and year end reconciliation process. Management will also research and resolve old accounts receivable balances and perform periodic reviews of the balances.

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, 2023, 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 first 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 significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 the attention by those charged with governance. We consider the following deficiency in the School's internal control to be a significant deficiency.

SIGNIFICANT DEFICIENCY

Current Year Comment

Bookkeeping

Finding:

During our current year audit, the following accounts required adjustments to reflect the actual balances at year end; accounts receivable, fixed assets, accrued payroll, compensated absences, deferred revenue and the related revenue and expense accounts. Additionally, the accounts receivable balance required an extensive analysis and material adjustment as part of the audit.

Recommendation:

We recommend management review and adjust account balances to agree to underlying support regularly and within 30 days of year end. We further recommend all entries be entered into QuickBooks as the transactions occur to ensure the School's accounting records accurately reflect the School's financial activity. A comprehensive analysis of the accounts receivable balance should be performed periodically and at year end to ensure the records are accurate and any old receivables are identified, investigated, and collected or adjusted. In addition, Management should develop a process for tracking grant revenue, receivables, and deferred grant revenue.

OTHER MATTERS

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

Current and Prior Year Comments

Stale Dated Outstanding Checks

Finding:

The current and prior year cash reconciliations include stale dated checks from as far back as 2021.

Recommendation:

We continue to recommend management research and resolve the 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:

On June 30, 2023 and 2022, the School had receivable balances due from various school districts of \$645,746 and \$674,011, respectively. Of the balances outstanding on June 30, 2023, and 2022, \$508,855 and \$500,443 represented balances outstanding for more than a year. Through our inquiries with management and several 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 several school districts had overpaid, and these amounts had not been applied against the outstanding balances.

Current Year Status:

In previous years the School had performed a reconciliation of the historical balances and has been working with School District officials to collect those balances. During 2022 the School was able to collect historical payments from several School Districts, reducing the overall allowance balances. No additional payments were collected in 2023 and some balances that were previous reported as current have not been collected and have been added to the historical balance.

Recommendation:

We recommend management continue to work with School District officials to determine a net realizable amount owed by the respective School Districts and resolve discrepancies to settle outstanding balances.

Prior Year Comments Resolved

Payroll

Finding:

During the prior year audit there was a lack of physical evidence of confirmation by management for salary amounts for new hires, adjustments, and terminations.

Resolution:

Adequate supporting documentation was available for the examined employee records during the current year audit.

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 the 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 27, 2023 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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 27, 2023

NEW ROOTS CHARTER SCHOOL

Ithaca, New York

EXECUTIVE SUMMARY

**For the Years Ended
June 30, 2023 and 2022**



NEW ROOTS CHARTER SCHOOL

EXECUTIVE SUMMARY OF 2023 AUDIT RESULTS

Independent Auditors' Report on the financial statements.

An unmodified opinion on New Roots Charter School's (the School) financial statements for the years ended June 30, 2023 and 2022.

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:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements With Management
- Management Representations
- Management Consultations With Other Independent Accountants
- Other Audit Findings or Issues

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*.

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 one significant deficiency at the financial statement level.

Management Comment Letter

Additionally, a separate letter dated October 27, 2023, discusses enhancements regarding financial reporting.

NEW ROOTS CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION JUNE 30,

	2023	2022	2021	2020	2019
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 738,389	\$ 676,199	\$ 579,178	\$ 260,439	\$ 143,164
State and Federal Aid Receivable	34,992	145,352	104,681	37,533	2,312
Accounts Receivables, Net	136,891	173,568	70,621	83,523	297,031
Inventories	1,374	1,374	1,374	1,374	1,395
Prepaid Expenses and Other Current Assets	33,119	42,782	30,887	-	3,326
Total Current Assets	944,765	1,039,275	786,741	382,869	447,228
Noncurrent Assets					
Cash and Cash Equivalents - Reserve	75,000	75,000	75,000	75,000	25,000
Deposits	23,457	23,457	23,457	23,457	23,457
Right-of-Use Asset	351,730	-	-	-	-
Equipment and Leasehold Improvements, Net	327,074	294,680	310,995	360,671	416,716
Total Assets	\$ 1,722,026	\$ 1,432,412	\$ 1,196,193	\$ 841,997	\$ 912,401
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable	\$ 19,882	\$ 27,900	\$ 20,177	\$ 14,363	\$ 13,601
Accrued Liabilities	128,401	129,333	128,488	111,781	148,492
Deferred Revenue	62,595	40,603	-	-	-
Due to Retirement System	86,445	65,404	58,313	267,033	288,608
Lease Liabilities	351,730	-	-	-	-
Total Liabilities	649,053	263,240	206,978	393,177	450,701
NET ASSETS					
Net Assets Without Donor Restrictions					
Investment in Equipment and Leasehold Improvements	327,074	294,680	310,995	360,671	416,716
Reserve	75,000	75,000	75,000	75,000	25,000
Undesignated	662,581	790,410	594,138	4,067	5,803
Total Net Assets Without Donor Restrictions	1,064,655	1,160,090	980,133	439,738	447,519
Net Assets With Donor Restrictions	8,318	9,082	9,082	9,082	14,181
Total Net Assets	1,072,973	1,169,172	989,215	448,820	461,700
Total Liabilities and Net Assets	\$ 1,722,026	\$ 1,432,412	\$ 1,196,193	\$ 841,997	\$ 912,401

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,

	2023	2022	2021	2020	2019
OPERATING REVENUES					
Public School District					
Resident Student Enrollment, Net of Allowance	\$ 1,601,675	\$ 1,803,575	\$ 1,464,051	\$ 1,550,649	\$ 1,974,558
Less Allowance for Current Year Disputed Claims	-	-	-	-	(129,578)
Subtotal	<u>1,601,675</u>	<u>1,803,575</u>	<u>1,464,051</u>	<u>1,550,649</u>	<u>1,844,980</u>
Special Education Revenue	105,813	123,602	102,708	124,109	194,579
Grants and Contracts					
State and Local	-	-	15,692	930	37,502
Federal Grants - Title I and Other Title Grants	42,077	44,122	45,222	57,990	59,635
Federal Grants - IDEA funds	30,937	19,008	36,877	57,359	57,448
Federal Grants - ARP/ESSER	4,280	161,679	34,168	-	-
Federal and State Grants - School Lunch	60,069	53,817	21,801	35,064	44,761
Other Grants	47,801	20,767	-	-	-
Payroll Protection Program	-	-	326,285	-	-
Contributions	247,643	39,132	204,413	225,449	5,042
Investment Income	414	352	306	228	187
Food Service Income	306	802	273	1,079	401
Fundraising Income	-	-	-	7,825	2,282
E-Rate Reimbursement	22,146	25,846	-	-	3,261
Other Income	23,103	7,672	15,685	22,089	3,049
(Loss) on Disposal of Fixed Assets	-	(515)	-	-	-
Total Revenues and Other Support	<u>2,186,264</u>	<u>2,299,859</u>	<u>2,267,481</u>	<u>2,082,771</u>	<u>2,253,127</u>
EXPENSES					
Salaries	1,191,030	1,103,944	966,153	1,078,072	1,374,793
Benefits and Payroll Taxes	310,056	252,448	168,036	207,400	289,997
Legal Fees	9,000	22,171	35,847	26,049	21,329
Accounting/Auditing Fees	30,240	28,994	36,687	27,490	16,000
Youth Entrepreneurship Grant	27,535	20,766	-	-	-
Cayuga Wetlands Restoration Grant	-	10,971	-	-	-
Roots of Success Grant	3,400	27,730	-	-	-
Board Expenses	-	-	-	150	128
Contracted Services	64,485	83,919	51,482	58,819	56,582
Supplies and Materials	7,640	8,171	5,282	12,401	11,862
Office Expense	1,239	2,490	3,236	3,565	5,122
Expensed Equipment	-	1,065	729	246	894
Food Service	42,341	34,759	20,763	30,897	39,069
Insurance	41,946	32,993	25,433	40,514	41,619
Maintenance and Repairs	1,816	946	5,511	2,750	5,805
Marketing and Recruitment	25,682	42,024	25,582	30,935	15,585
Rent	320,136	325,741	322,454	329,488	306,685
Staff Development	1,064	462	3,207	3,326	5,671
Technology	68,456	85,148	45,747	17,894	32,110
Textbooks	499	307	44	120	712
Student Services	3,134	1,103	3,643	3,824	4,414
Travel and Conferences	84	1,319	126	2,733	2,119
Utilities	15,318	5,002	10,922	14,545	20,664
Other Expenses	1,867	3,267	14,806	8,680	1,967
Bad Debt Expense	48,894	-	-	-	-
Interest Expense	14,927	-	-	-	-
Depreciation and Amortization	43,262	39,808	49,526	56,045	56,159
Total Expenses	<u>2,274,051</u>	<u>2,135,548</u>	<u>1,795,216</u>	<u>1,955,943</u>	<u>2,309,286</u>
Change in Net Assets Before the Change in the Allowance for Disputed Claims	<u>(87,787)</u>	<u>164,311</u>	<u>472,265</u>	<u>126,828</u>	<u>(56,159)</u>
Change in the Allowance for Disputed Claims	<u>(8,412)</u>	<u>15,646</u>	<u>68,130</u>	<u>(139,708)</u>	<u>(83,994)</u>
Net Assets, July 1,	<u>1,169,172</u>	<u>989,215</u>	<u>448,820</u>	<u>461,700</u>	<u>601,853</u>
Net Assets, June 30,	<u>\$ 1,072,973</u>	<u>\$ 1,169,172</u>	<u>\$ 989,215</u>	<u>\$ 448,820</u>	<u>\$ 461,700</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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities					
Cash Received From Providing Services	\$ 1,736,059	\$ 1,840,678	\$ 1,648,064	\$ 1,749,637	\$ 1,925,945
Cash Received From Contributors and Grants	565,159	338,457	617,310	341,571	202,076
Interest Received	414	352	306	228	187
Other Cash Received	45,249	33,003	15,685	29,914	8,592
Cash Paid to Employees and Suppliers	<u>(2,209,035)</u>	<u>(2,091,976)</u>	<u>(1,962,626)</u>	<u>(1,954,075)</u>	<u>(2,145,720)</u>
Net Cash Provided (Used) by Operating Activities	<u>137,846</u>	<u>120,514</u>	<u>318,739</u>	<u>167,275</u>	<u>(8,920)</u>
Cash Flows From Investing Activities					
Equipment Acquisitions	(75,656)	(24,008)	-	-	(5,118)
Loss on Disposal of Fixed Assets	-	515	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>(75,656)</u>	<u>(23,493)</u>	<u>-</u>	<u>-</u>	<u>(5,118)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash From Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	<u>62,190</u>	<u>97,021</u>	<u>318,739</u>	<u>167,275</u>	<u>(14,038)</u>
Cash and Cash Equivalents at July 1,	<u>751,199</u>	<u>654,178</u>	<u>335,439</u>	<u>168,164</u>	<u>182,202</u>
Cash and Cash Equivalents at June 30,	<u>\$ 813,389</u>	<u>\$ 751,199</u>	<u>\$ 654,178</u>	<u>\$ 335,439</u>	<u>\$ 168,164</u>

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

**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, 2023, and issued our report thereon dated October 27, 2023. 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 22, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. During the year ended June 30, 2023, the School adopted Accounting Standards Update (ASU) 2016-02, “Leases” (Topic 842). Other than the adoption of ASU 2016-02, no new accounting policies were adopted and the application of existing policies was not changed during 2023. 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 School’s financial statements were allowance for disputed claims, and the allocation of functional expenses.

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 the allocation of functional expenses is primarily based on the costs attributable by function based on estimated percentage of time and effort, square footage, or full-time equivalent employees. We evaluated the key factors and assumptions used to develop the allowance for disputed claims and allocation of functional expenses 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, equipment and leasehold improvements, leases, availability and liquidity, and the Charter Status, the details of which are presented in Notes 4, 5, 6, 7, 12, and 13 to the financial statements.

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

Difficulties Encountered in Performing the Audit

There were several material adjustments that were required throughout the course of the audit. These adjustments were unanticipated and required time to research, resolve and complete. The adjustments hindered the efficiency of the audit and delayed the completion of our audit procedures and related reporting process.

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. The attached schedule summarizes the corrected misstatements identified during the course of the audit.

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 27, 2023.

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 auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

New Roots Charter School

October 27, 2023

Page 3

Restriction on Use

This information is intended solely for the information and use of 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 27, 2023

**SCHEDULE OF CORRECTED MISSTATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The following audit adjustments were reviewed, approved, and posted by management.

<u>Description</u>	<u>Effect - Increase (Decrease)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expense</u>
To record June 2023 Revenue in the current year	\$ 3,281	\$ -	\$ -	\$ 3,281	\$ -
To record accounts receivable for federal grants	33,106	-	-	33,106	-
To adjust tuition receivable to match support	(44,223)	2,142	-	(24,276)	22,089
To defer unearned portion of grant revenue	-	36,565	-	(36,565)	-
To adjust compensated absences to actual	-	(65,458)	-	-	(65,458)
To adjust accrued payroll to actual	-	50,657	-	-	50,657
To record fixed asset additions	22,501	-	-	23,465	964
Statement of Activities Effect	<u>-</u>	<u>-</u>	<u>(9,241)</u>	<u>\$ (989)</u>	<u>\$ 8,252</u>
Statement of Net Position Effect	<u>\$ 14,665</u>	<u>\$ 23,906</u>	<u>\$ (9,241)</u>		