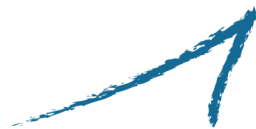


# **NEW ROOTS CHARTER SCHOOL**

**Ithaca, New York**

## **FINANCIAL REPORT**

**For the Years Ended  
June 30, 2024 and 2023**



**insero&co**

Certified Public Accountants | Business Advisors

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# ***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 |

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

|   |       |
|---|-------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 18-19 |
| 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, 2024 and 2023, 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, 2024 and 2023, 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.

#### 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 30, 2024, 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 30, 2024

# ***NEW ROOTS CHARTER SCHOOL***

## **STATEMENTS OF FINANCIAL POSITION JUNE 30,**

|  | <b>2024</b>         | <b>2023</b>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current Assets</b>  |                     |                     |
| Cash and Cash Equivalents  | \$ 1,012,745        | \$ 738,389          |
| State and Federal Aid Receivable   | 7,598               | 34,992              |
| Accounts Receivables Net of Allowance for Disputed<br>Claims of \$210,917 and \$508,855 (See Note 4) | 58,836              | 136,891             |
| Inventories  | 1,374               | 1,374               |
| Prepaid Expenses   | 27,539              | 33,119              |
| <b>Total Current Assets</b>  | <b>1,108,092</b>    | <b>944,765</b>      |
| <b>Noncurrent Assets</b>   |                     |                     |
| Cash and Cash Equivalents - Reserve  | 75,000              | 75,000              |
| Deposits   | 23,457              | 23,457              |
| Equipment and Leasehold Improvements, Net of<br>Accumulated Depreciation of \$560,511 and \$512,536  | 344,610             | 327,074             |
| Right-of-Use Asset, Net of Accumulated Amortization<br>of \$641,916 and \$305,468                    | 99,509              | 351,730             |
| <b>Total Noncurrent Assets</b>   | <b>542,576</b>      | <b>777,261</b>      |
| <b>Total Assets</b>  | <b>\$ 1,650,668</b> | <b>\$ 1,722,026</b> |
| <b>LIABILITIES</b>   |                     |                     |
| <b>Current Liabilities</b>   |                     |                     |
| Accounts Payable   | \$ 7,812            | \$ 19,882           |
| Accrued Liabilities  | 149,245             | 128,401             |
| Deferred Revenue   | 148,221             | 62,595              |
| Due to Retirement System   | 92,201              | 86,445              |
| Lease Liability, Current Portion   | 53,446              | 324,220             |
| <b>Total Current Liabilities</b>   | <b>450,925</b>      | <b>621,543</b>      |
| Lease Liability, Noncurrent Portion  | 46,063              | 27,510              |
| <b>Total Liabilities</b>   | <b>496,988</b>      | <b>649,053</b>      |
| <b>NET ASSETS</b>  |                     |                     |
| <b>Net Assets Without Donor Restrictions</b>   |                     |                     |
| Investment in Equipment and Leasehold Improvements   | 344,610             | 327,074             |
| Reserve  | 75,000              | 75,000              |
| Undesignated   | 725,752             | 662,581             |
| <b>Total Net Assets Without Donor Restrictions</b>   | <b>1,145,362</b>    | <b>1,064,655</b>    |
| <b>Net Assets With Donor Restrictions</b>  | <b>8,318</b>        | <b>8,318</b>        |
| <b>Total Net Assets</b>  | <b>1,153,680</b>    | <b>1,072,973</b>    |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 1,650,668</b> | <b>\$ 1,722,026</b> |

*See Notes to Financial Statements*

# NEW ROOTS CHARTER SCHOOL

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

|   | 2024                          |                            |                     | 2023                          |                            |                     |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>Operating Revenues</b>   |                               |                            |                     |                               |                            |                     |
| Public School Districts:  |                               |                            |                     |                               |                            |                     |
| Resident Student Enrollment   | \$ 1,636,929                  | \$ -                       | \$ 1,636,929        | \$ 1,601,675                  | \$ -                       | \$ 1,601,675        |
| Special Education Revenue   | 106,997                       | -                          | 106,997             | 105,813                       | -                          | 105,813             |
| State Aid Intercept Revenue   | 367,174                       | -                          | 367,174             | -                             | -                          | -                   |
| Grants and Contracts:   |                               |                            |                     |                               |                            |                     |
| Federal Grants - Title I and Other Title Grants   | -                             | 42,765                     | 42,765              | -                             | 42,077                     | 42,077              |
| Federal Grants - IDEA Funds   | -                             | 44,654                     | 44,654              | -                             | 30,937                     | 30,937              |
| Federal Grants - ARP/ ESSR  | -                             | 135,038                    | 135,038             | -                             | 4,280                      | 4,280               |
| Federal and State Grants - School Lunch   | -                             | 60,990                     | 60,990              | -                             | 60,069                     | 60,069              |
| Other Grants  | -                             | 106,843                    | 106,843             | -                             | 47,801                     | 47,801              |
| Contributions   | 66,716                        | -                          | 66,716              | 247,643                       | -                          | 247,643             |
| Investment Income   | 456                           | -                          | 456                 | 414                           | -                          | 414                 |
| Food Service Income   | 19                            | -                          | 19                  | 306                           | -                          | 306                 |
| Fundraising Income  | 6,258                         | -                          | 6,258               | -                             | -                          | -                   |
| E-Rate Reimbursement  | 23,146                        | -                          | 23,146              | 22,146                        | -                          | 22,146              |
| Other Income  | 36,574                        | -                          | 36,574              | 23,103                        | -                          | 23,103              |
| Net Assets Released From Purpose Restrictions   | 390,290                       | (390,290)                  | -                   | 185,928                       | (185,928)                  | -                   |
| <b>Total Revenues and Other Support</b>   | <b>2,634,559</b>              | <b>-</b>                   | <b>2,634,559</b>    | <b>2,187,028</b>              | <b>(764)</b>               | <b>2,186,264</b>    |
| <b>Expenses</b>   |                               |                            |                     |                               |                            |                     |
| <b>Program Expenses</b>   |                               |                            |                     |                               |                            |                     |
| Regular Education   | 1,666,020                     | -                          | 1,666,020           | 1,458,862                     | -                          | 1,458,862           |
| Special Education   | 195,208                       | -                          | 195,208             | 177,978                       | -                          | 177,978             |
| Enrichment Programs   | 169,356                       | -                          | 169,356             | 158,376                       | -                          | 158,376             |
| <b>Total Program Expenses</b>   | <b>2,030,584</b>              | <b>-</b>                   | <b>2,030,584</b>    | <b>1,795,216</b>              | <b>-</b>                   | <b>1,795,216</b>    |
| <b>Supporting Services</b>  |                               |                            |                     |                               |                            |                     |
| Management and General  | 523,268                       | -                          | 523,268             | 478,835                       | -                          | 478,835             |
| <b>Total Supporting Services</b>  | <b>523,268</b>                | <b>-</b>                   | <b>523,268</b>      | <b>478,835</b>                | <b>-</b>                   | <b>478,835</b>      |
| <b>Total Expenses</b>   | <b>2,553,852</b>              | <b>-</b>                   | <b>2,553,852</b>    | <b>2,274,051</b>              | <b>-</b>                   | <b>2,274,051</b>    |
| Change in Net Assets Before the Change<br>in the Allowance for Prior Year's Disputed Claims | 80,707                        | -                          | 80,707              | (87,023)                      | (764)                      | (87,787)            |
| Change in the Allowance for Disputed Claims   | -                             | -                          | -                   | (8,412)                       | -                          | (8,412)             |
| Net Assets, Beginning of Year   | 1,064,655                     | 8,318                      | 1,072,973           | 1,160,090                     | 9,082                      | 1,169,172           |
| <b>Net Assets, End of Year</b>  | <b>\$ 1,145,362</b>           | <b>\$ 8,318</b>            | <b>\$ 1,153,680</b> | <b>\$ 1,064,655</b>           | <b>\$ 8,318</b>            | <b>\$ 1,072,973</b> |

*See Notes to Financial Statements*

# **NEW ROOTS CHARTER SCHOOL**

## **STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2024**

|                                      | <b>Program Services</b>  |                          |                            | <b>Supporting Services</b>       |                               | <b>Total</b>        |
|--------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------------|-------------------------------|---------------------|
|                                      | <b>Regular Education</b> | <b>Special Education</b> | <b>Enrichment Programs</b> | <b>Program Services Subtotal</b> | <b>Management and General</b> |                     |
| <b>Personnel Service Costs</b>       |                          |                          |                            |                                  |                               |                     |
| Administrative Staff Personnel       | \$ 26,452                | \$ 4,139                 | \$ 2,232                   | \$ 32,823                        | \$ 310,878                    | \$ 343,701          |
| Instructional Personnel              | 757,637                  | 118,795                  | 64,148                     | 940,580                          | -                             | 940,580             |
| Non-Instructional Personnel          | 1,543                    | -                        | -                          | 1,543                            | -                             | 1,543               |
| <b>Total Personnel Service Costs</b> | <b>785,632</b>           | <b>122,934</b>           | <b>66,380</b>              | <b>974,946</b>                   | <b>310,878</b>                | <b>1,285,824</b>    |
| Benefits and Payroll Taxes           | 166,835                  | 26,105                   | 14,077                     | 207,017                          | 66,021                        | 273,038             |
| Legal Fees                           | -                        | -                        | -                          | -                                | 25,817                        | 25,817              |
| Accounting/Auditing Fees             | -                        | -                        | -                          | -                                | 26,480                        | 26,480              |
| Youth Entrepreneurship Grant         | 64,858                   | -                        | -                          | 64,858                           | -                             | 64,858              |
| Roots of Success Grant               | 14,651                   | -                        | -                          | 14,651                           | -                             | 14,651              |
| Contracted Services                  | 30,996                   | 5,896                    | 5,314                      | 42,206                           | 22,787                        | 64,993              |
| Supplies and Materials               | -                        | -                        | -                          | -                                | 11,459                        | 11,459              |
| Office Expense                       | -                        | -                        | -                          | -                                | 4,404                         | 4,404               |
| Food Service                         | -                        | -                        | 45,380                     | 45,380                           | -                             | 45,380              |
| Insurance                            | 56,482                   | 2,119                    | 5,430                      | 64,031                           | 6,511                         | 70,542              |
| Maintenance and Repairs              | 1,825                    | 275                      | -                          | 2,100                            | 300                           | 2,400               |
| Marketing and Recruitment            | 36,286                   | 8,611                    | 1,599                      | 46,496                           | 9,055                         | 55,551              |
| Rent                                 | 277,328                  | 10,414                   | 26,868                     | 314,610                          | 31,762                        | 346,372             |
| Staff Development                    | 2,180                    | -                        | -                          | 2,180                            | -                             | 2,180               |
| Textbooks                            | 932                      | 103                      | -                          | 1,035                            | -                             | 1,035               |
| Travel and Conferences               | 187                      | -                        | -                          | 187                              | -                             | 187                 |
| Utilities                            | 15,250                   | 836                      | -                          | 16,086                           | 2,565                         | 18,651              |
| Other Expenses                       | 25,881                   | -                        | -                          | 25,881                           | -                             | 25,881              |
| Student Services                     | 21,571                   | 7,194                    | -                          | 28,765                           | -                             | 28,765              |
| Technology                           | 51,235                   | 9,041                    | -                          | 60,276                           | -                             | 60,276              |
| Bad Debt Expense                     | 69,236                   | -                        | -                          | 69,236                           | -                             | 69,236              |
| Interest Expense                     | 6,323                    | 237                      | 613                        | 7,173                            | 724                           | 7,897               |
| Depreciation                         | 38,332                   | 1,443                    | 3,695                      | 43,470                           | 4,505                         | 47,975              |
| <b>Total Expenses</b>                | <b>\$ 1,666,020</b>      | <b>\$ 195,208</b>        | <b>\$ 169,356</b>          | <b>\$ 2,030,584</b>              | <b>\$ 523,268</b>             | <b>\$ 2,553,852</b> |

*See Notes to Financial Statements*

# NEW ROOTS CHARTER SCHOOL

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

|                                      | Program Services     |                      |                        | Program<br>Services<br>Subtotal | Supporting<br>Services    | Total               |
|--------------------------------------|----------------------|----------------------|------------------------|---------------------------------|---------------------------|---------------------|
|                                      | Regular<br>Education | Special<br>Education | Enrichment<br>Programs |                                 | Management<br>and General |                     |
| <b>Personnel Service Costs</b>       |                      |                      |                        |                                 |                           |                     |
| 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               |
| <b>Total Personnel Service Costs</b> | <u>727,715</u>       | <u>113,871</u>       | <u>61,486</u>          | <u>903,072</u>                  | <u>287,958</u>            | <u>1,191,030</u>    |
| 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              |
| <b>Total Expenses</b>                | <u>\$ 1,458,862</u>  | <u>\$ 177,978</u>    | <u>\$ 158,376</u>      | <u>\$ 1,795,216</u>             | <u>\$ 478,835</u>         | <u>\$ 2,274,051</u> |

*See Notes to Financial Statements*

# ***NEW ROOTS CHARTER SCHOOL***

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

|  | <u>2024</u>         | <u>2023</u>       |
|--|---------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                        |                     |                   |
| Cash Received From Providing Services                              | \$ 2,189,174        | \$ 1,736,059      |
| Cash Received From Contributors and Grantors                       | 570,026             | 565,159           |
| Interest Received  | 456                 | 414               |
| Other Cash Received  | 65,978              | 45,249            |
| Cash Paid to Employees   | (1,550,088)         | (1,466,774)       |
| Cash Paid to Suppliers   | (935,679)           | (742,261)         |
|  | <u>339,867</u>      | <u>137,846</u>    |
| <b>Net Cash Provided (Used) by Operating Activities</b>            |                     |                   |
|  | <u>339,867</u>      | <u>137,846</u>    |
| <b>Cash Flows From Investing Activities</b>                        |                     |                   |
| Equipment Acquisitions and Leasehold Improvements                  | (65,511)            | (75,656)          |
|  | <u>(65,511)</u>     | <u>(75,656)</u>   |
| <b>Net Cash Provided (Used) by Investing Activities</b>            |                     |                   |
|  | <u>(65,511)</u>     | <u>(75,656)</u>   |
| <b>Cash Flows From Financing Activities</b>                        |                     |                   |
|  | <u>-</u>            | <u>-</u>          |
|  | <u>-</u>            | <u>-</u>          |
| Net Change in Cash and Cash Equivalents and Restricted Cash        | 274,356             | 62,190            |
| Cash and Cash Equivalents and Restricted Cash, July 1,             | 813,389             | 751,199           |
|  | <u>813,389</u>      | <u>751,199</u>    |
| <b>Cash and Cash Equivalents and<br/>Restricted Cash, June 30,</b> | <u>\$ 1,087,745</u> | <u>\$ 813,389</u> |

*See Notes to Financial Statements*

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

### ***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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)," which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss model with a forward-looking expected loss model which results in earlier recognition of credit losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The School adopted ASU 2016-13 as of June 30, 2023 using a modified retrospective approach. The adoption of this standard did not have a material impact on the School's financial statements.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

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

#### **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 are stated at the amount management expects to collect from outstanding balances. Management has provided an allowance for disputed claims based on an evaluation of the collectability of the outstanding receivable balances for the years ended June 30, 2024 and 2023. 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.

#### **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.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

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

#### **Leases - Continued**

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).

#### **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.

# NEW ROOTS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

#### **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, 2024 and October 30, 2024, which is the date on which the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

### *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>2024</u>                | <u>2023</u>              |
|--|----------------------------|--------------------------|
| Cash and Cash Equivalents                                  | \$ 1,012,745               | \$ 738,389               |
| Restricted Cash  | <u>75,000</u>              | <u>75,000</u>            |
| <b>Total Cash and Cash Equivalents and Restricted Cash</b> | <b><u>\$ 1,087,745</u></b> | <b><u>\$ 813,389</u></b> |

### *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 intercepted 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 \$210,917 and \$508,855 for the years ended June 30, 2024 and 2023.

# **NEW ROOTS CHARTER SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

**Note 5 Equipment and Leasehold Improvements**

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

|                        | <b>2024</b>             |                          |                          |                                     |                           |
|------------------------|-------------------------|--------------------------|--------------------------|-------------------------------------|---------------------------|
|                        | <b>Cost<br/>July 1,</b> | <b>Net<br/>Additions</b> | <b>Cost<br/>June 30,</b> | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
| Leasehold Improvements | \$ 596,645              | \$ -                     | \$ 596,645               | \$ (396,969)                        | \$ 199,676                |
| Equipment              | 242,965                 | 65,511                   | 308,476                  | (163,542)                           | 144,934                   |
| <b>Total</b>           | <b>\$ 839,610</b>       | <b>\$ 65,511</b>         | <b>\$ 905,121</b>        | <b>\$ (560,511)</b>                 | <b>\$ 344,610</b>         |
|                        | <b>2023</b>             |                          |                          |                                     |                           |
|                        | <b>Cost<br/>July 1,</b> | <b>Net<br/>Additions</b> | <b>Cost<br/>June 30,</b> | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
| Leasehold Improvements | \$ 596,645              | \$ -                     | \$ 596,645               | \$ (367,070)                        | \$ 229,575                |
| Equipment              | 171,790                 | 71,175                   | 242,965                  | (145,466)                           | 97,499                    |
| <b>Total</b>           | <b>\$ 768,435</b>       | <b>\$ 71,175</b>         | <b>\$ 839,610</b>        | <b>\$ (512,536)</b>                 | <b>\$ 327,074</b>         |

Depreciation expense for 2024 and 2023 was \$47,975 and \$43,262, 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 2023 school year. The agreement excludes July and August, months when school is not in session. Rent expense under this lease was \$15,000 for the year ended June 30, 2024. During the 2024 year the School signed a long term agreement to extend the lease, see Note 7 for further details.

**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. 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 School is in the final stages of renewing the agreement as of the date of this report.

# NEW ROOTS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

### Note 7 Leases - Continued

On 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%. At the end of five years the Lease will automatically renew on a month-to-month basis until the School exercises the purchase option or provides 90 days notice and returns the equipment.

On January 1, 2023 the School entered into a three year agreement for a commissary space with St. Catherine Greek Orthodox Church. The agreement requires monthly payments of \$2,000 and an interest rate of 3.95% for the calendar year 2024. The monthly payment increases to \$2,080 beginning January 2025 and increases to \$2,163 effective January 2026.

The components of operating lease cost for the year ended June 30, 2024 is as follows:

|                         |                          |
|-------------------------|--------------------------|
| Operating Lease Cost    | \$ 338,475               |
| Interest on Liabilities | <u>7,897</u>             |
| <b>Total Lease Cost</b> | <b><u>\$ 346,372</u></b> |

Supplemental cash flow information related to lease for the year ended June 30, 2024 is as follows:

Cash paid for amounts included in measurement of lease obligations:

|  |            |
|--|------------|
| Operating cash flows from operating leases | \$ 346,372 |
|--|------------|

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

|                                       |                             |
|---------------------------------------|-----------------------------|
|                                       | <b>Operating<br/>Leases</b> |
| Weighted Average Remaining Lease Term | <u>1.99 Years</u>           |
| Weighted Average Discount Rate        | 3.63%                       |

Future maturities of lease liabilities, as of June 30, 2024 are as follows:

|                                      |                             |
|--------------------------------------|-----------------------------|
|                                      | <b>Operating<br/>Leases</b> |
| 2025                                 | \$ 55,890                   |
| 2026                                 | 28,503                      |
| 2027                                 | 16,023                      |
| 2028                                 | 3,045                       |
| 2029                                 | <u>254</u>                  |
| Total Undiscounted Lease Obligations | 103,715                     |
| (Less): Imputed Interest             | <u>(4,206)</u>              |
| <b>Net Lease Obligation</b>          | <b><u>\$ 99,509</u></b>     |

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

### ***Note 8*** **Line of Credit**

During the years ended June 30, 2024 and 2023, 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. Those 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 \$137,365,951,358, and its net pension liability was \$1,143,585,019 with a funded status of 99.2%.

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> |
|-------------|---------------|
| 2024        | \$ 73,107     |
| 2023        | 71,828        |
| 2022        | 66,823        |

The School's total liability, including employer and employee contribution amounts, on June 30, 2024 and 2023 amounted to \$92,201 and \$86,445, respectively.

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

**Note 10 Net Assets With Donor Restrictions**

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

|                         | <b>2024</b>     | <b>2023</b>     |
|-------------------------|-----------------|-----------------|
| 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             |
| <b>Total</b>            | <b>\$ 8,318</b> | <b>\$ 8,318</b> |

**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, 2024 and 2023 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:

|                                     | <b>2024</b>      | <b>2023</b>    |
|-------------------------------------|------------------|----------------|
| <b>Financial Assets at Year End</b> |                  |                |
| Cash and Cash Equivalents           | \$ 1,087,745     | \$ 813,389     |
| Accounts Receivable, Net            | 58,836           | 136,891        |
| State and Federal Aid Receivable    | 7,598            | 34,992         |
| <b>Total Financial Assets</b>       | <b>1,154,179</b> | <b>985,272</b> |

(Less):

**Amounts Unavailable for General Expenditures**

**Within One Year Due to:**

|   |                 |                 |
|---|-----------------|-----------------|
| Dissolution Reserve   | (75,000)        | (75,000)        |
| Donor Restricted Financial Assets   | (8,318)         | (8,318)         |
| <b>Total Amounts Unavailable for<br/>General Expenditures Within One Year</b> | <b>(83,318)</b> | <b>(83,318)</b> |

**Total Financial Assets Available for  
General Expenditures Within One Year**

|  |                     |                   |
|--|---------------------|-------------------|
|  | <b>\$ 1,070,861</b> | <b>\$ 901,954</b> |
|--|---------------------|-------------------|

# ***NEW ROOTS CHARTER SCHOOL***

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023**

### ***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, and management is currently in the process of renewing their charter for the year ending June 30, 2025.



**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, 2024, 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 30, 2024.

**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 2024-001 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 30, 2024

# ***NEW ROOTS CHARTER SCHOOL***

## **SCHEDULE OF FINDINGS AND MANAGEMENT'S RESPONSES FOR THE YEAR ENDED JUNE 30, 2024**

### **Finding 2024-001**

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, accrued payroll, accrued expenses, 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 year-end 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 a repeat finding of 2023-001 from the previously issued financial statements.

#### 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.