

ROCHESTER ACADEMY OF
SCIENCE CHARTER SCHOOL

Financial Statements and
Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Rochester Academy of Science Charter School
Rochester, New York:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rochester Academy of Science Charter School (a nonprofit organization) (the School), 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 financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Academy of Science 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 generally accepted auditing standards 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 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 audits.

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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 30, 2024

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Statements of Financial Position
June 30, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and equivalents - unrestricted	\$ 655,975	650,023
Grants and other receivables	567,565	60,906
Prepaid expenses	38,004	5,181
Total current assets	1,261,544	716,110
Property and equipment, at cost	653,648	570,525
Less accumulated depreciation and amortization	(138,679)	(51,525)
Net property and equipment	514,969	519,000
Right-of-use assets, net	5,132,459	5,243,446
Other assets - cash and equivalents - board designated	55,316	25,078
Total assets	\$ 6,964,288	6,503,634
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	44,441	78,703
Accrued payroll and benefits	279,861	153,643
Due to related entities	335,409	574,919
Current installments of lease liabilities	326,688	306,588
Total current liabilities	986,399	1,113,853
Long-term liability - lease liabilities, net of current installments	5,074,523	5,077,285
Total liabilities	6,060,922	6,191,138
Net assets without donor restrictions:		
General operating	848,050	287,418
Board designated	55,316	25,078
Total net assets without donor restrictions	903,366	312,496
Total liabilities and net assets	\$ 6,964,288	6,503,634

See accompanying notes to financial statements.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
 Statements of Activities
 Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue:		
Public school districts:		
Resident student enrollment	\$ 3,511,237	1,049,675
Students with disabilities	121,550	30,021
Grants and contracts:		
Federal grants	466,301	1,099,030
State and local grants	430,000	390,000
Other income	<u>28,971</u>	<u>26,614</u>
Total revenue	<u>4,558,059</u>	<u>2,595,340</u>
Expenses:		
Program services:		
Regular education	2,556,407	1,569,638
Special education	257,215	114,822
Other programs	<u>362,295</u>	<u>69,458</u>
Total program services	3,175,917	1,753,918
Supporting services - management and general	<u>791,272</u>	<u>420,010</u>
Total expenses	<u>3,967,189</u>	<u>2,173,928</u>
Change in net assets	590,870	421,412
Net assets (deficit) at beginning of year	<u>312,496</u>	<u>(108,916)</u>
Net assets at end of year	<u>\$ 903,366</u>	<u>312,496</u>

See accompanying notes to financial statements.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2024
with comparative totals for 2023

	No. of positions	Program Services				Supporting Services	Total	
		Regular education	Special education	Other programs	Total	Management and general	2024	2023
Personnel services costs:								
Instructional personnel	30	\$ 1,121,968	154,314	131,129	1,407,411	-	1,407,411	614,308
Non-instructional personnel	7	-	-	85,944	85,944	395,820	481,764	236,598
Total salaries and staff	37	1,121,968	154,314	217,073	1,493,355	395,820	1,889,175	850,906
Fringe benefits and payroll taxes		216,060	29,722	41,800	287,582	76,216	363,798	118,880
Retirement		95,202	13,097	18,418	126,717	33,583	160,300	56,078
Professional fees		-	-	-	-	134,966	134,966	52,822
Repairs and maintenance		210,317	13,145	13,145	236,607	26,289	262,896	116,951
Insurance		34,280	2,142	2,142	38,564	4,285	42,849	34,760
Utilities		45,704	2,856	2,856	51,416	5,713	57,129	23,632
Supplies and materials		139,016	-	-	139,016	-	139,016	88,299
Staff development		13,912	870	870	15,652	1,739	17,391	19,785
Advertising		8,840	552	552	9,944	1,105	11,049	27,655
Telephone and internet		10,702	669	669	12,040	1,338	13,378	15,722
Technology		51,478	3,217	3,217	57,912	6,436	64,348	39,148
Student services		11,194	-	-	11,194	-	11,194	13,620
Office expense		-	-	-	-	30,516	30,516	54,167
Depreciation and amortization		158,512	9,907	9,907	178,326	19,815	198,141	135,381
Shared services		104,886	6,555	6,555	117,996	13,111	131,107	246,322
Interest		259,141	16,196	16,196	291,533	32,393	323,926	253,065
Enrichment program		-	-	24,922	24,922	-	24,922	-
Student testing and assessment		11,622	-	-	11,622	-	11,622	3,362
Other expenses		63,573	3,973	3,973	71,519	7,947	79,466	23,373
Total expenses		\$ 2,556,407	257,215	362,295	3,175,917	791,272	3,967,189	2,173,928

See accompanying notes to financial statements.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2023

	No. of positions	Program Services				Supporting Services	Total
		Regular education	Special education	Other programs	Total	Management and general	
Personnel services costs:							
Instructional personnel	12	\$ 560,956	53,352	-	614,308	-	614,308
Non-instructional personnel	<u>3</u>	<u>-</u>	<u>-</u>	<u>16,380</u>	<u>16,380</u>	<u>220,218</u>	<u>236,598</u>
Total salaries and staff	<u>15</u>	560,956	53,352	16,380	630,688	220,218	850,906
Fringe benefits and payroll taxes		78,366	7,454	2,294	88,114	30,766	118,880
Retirement		36,967	3,516	1,082	41,565	14,513	56,078
Professional fees		-	-	-	-	52,822	52,822
Repairs and maintenance		93,561	5,848	5,848	105,257	11,694	116,951
Insurance		27,808	1,738	1,738	31,284	3,476	34,760
Utilities		18,906	1,182	1,182	21,270	2,362	23,632
Supplies and materials		88,299	-	-	88,299	-	88,299
Staff development		15,829	989	989	17,807	1,978	19,785
Advertising		22,124	1,383	1,383	24,890	2,765	27,655
Telephone and internet		12,578	786	786	14,150	1,572	15,722
Technology		31,318	1,957	1,957	35,232	3,916	39,148
Student services		12,114	1,152	354	13,620	-	13,620
Office expense		43,334	2,708	2,708	48,750	5,417	54,167
Depreciation and amortization		108,305	6,769	6,769	121,843	13,538	135,381
Shared services		197,058	12,316	12,316	221,690	24,632	246,322
Interest		202,452	12,653	12,653	227,758	25,307	253,065
Student testing and assessment		3,362	-	-	3,362	-	3,362
Other expenses		<u>16,301</u>	<u>1,019</u>	<u>1,019</u>	<u>18,339</u>	<u>5,034</u>	<u>23,373</u>
Total expenses		<u>\$ 1,569,638</u>	<u>114,822</u>	<u>69,458</u>	<u>1,753,918</u>	<u>420,010</u>	<u>2,173,928</u>

See accompanying notes to financial statements.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Statements of Cash Flows
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 590,870	421,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	198,141	135,381
Changes in:		
Grants and other receivables	(506,659)	112,006
Prepaid expenses	(32,823)	(5,181)
Accounts payable	(34,262)	19,918
Accrued payable and benefits	126,218	153,643
Due to related entities	<u>(239,510)</u>	<u>573,144</u>
Net cash provided by operating activities	<u>101,975</u>	<u>1,410,323</u>
Cash flows from investing activities - purchases of property and equipment	<u>(83,123)</u>	<u>(508,710)</u>
Cash flows from financing activities:		
Increase in lease liability	17,338	56,572
Payments on line of credit	<u>-</u>	<u>(290,000)</u>
Net cash provided by (used in) financing activities	<u>17,338</u>	<u>(233,428)</u>
Net change in cash and equivalents	36,190	668,185
Cash and equivalents at beginning of year	<u>675,101</u>	<u>6,916</u>
Cash and equivalents at end of year	<u>\$ 711,291</u>	<u>675,101</u>
Supplemental disclosure of cash flow information:		
Cash paid for amounts included in measurement of lease liabilities - finance lease interest payments	<u>\$ 306,588</u>	<u>196,493</u>
Lease assets obtained in exchange for lease liabilities - finance lease	<u>\$ -</u>	<u>5,327,301</u>
Classifications of cash and equivalents:		
Unrestricted	655,975	650,023
Board designated	<u>55,316</u>	<u>25,078</u>
	<u>\$ 711,291</u>	<u>675,101</u>

See accompanying notes to financial statements.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL

Notes to Financial Statements

June 30, 2024 and 2023

(1) Organization and Purpose

Rochester Academy of Science Charter School (the School) is a not-for-profit education corporation that operates kindergarten through 12th grades and is dedicated to providing quality education to a diverse body of students in the Rochester region of New York State. The School continually provides a rigorous, innovative and enhanced curriculum - highlighting science, technology, engineering and math (STEM) - in order to prepare students for successful futures in the global environment.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the School's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the School. At June 30, 2024 and 2023, the School only had net assets without donor restrictions.

(c) Estimates

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

(d) Cash and Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and equivalents.

(e) Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash accounts in financial institutions. The School maintains cash at financial institutions which periodically may exceed federally insured limits. At June 30, 2024 and 2023, the School had \$461,291 and \$425,100, respectively, in excess of the federally insured limits.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Capitalization thresholds and estimated useful lives of property and equipment are as follows:

	<u>Cost</u>	<u>Years</u>
Leasehold improvements	\$5,000	10 - 20
Furniture and fixtures	2,000	3 - 5
Equipment	2,000	3 - 5

Furniture, fixtures and equipment purchased as a bundle greater than \$20,000 will also be capitalized and depreciated using the straight-line method over their estimated useful lives.

(g) Public School District Revenue

The School receives per pupil aid passed through from each student’s home public school district. The New York State Department of Education mandates the rate per pupil. The regular education per pupil rate from Rochester City School District, the district from which the School receives its largest pass through of district revenue, was \$14,316 and \$14,216 for the years ended June 30, 2024 and 2023, respectively.

(h) Receivables and Bad Debts

The School’s accounts receivable are primarily derived from tuition revenue. At each statement of financial position date, the School recognizes an expected allowance for bad debts. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of the School’s historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that the allowance for bad debts is adequate.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Receivables and Bad Debts, Continued

The School writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. There were no write-offs for the years ended June 30, 2024 and 2023.

(i) Revenue Recognition

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the School expects to be entitled in exchange for these goods or services. The School utilizes a five-step framework as identified in ASU No. 2014-09. The primary sources of revenue from contracts with customers for the School are as follows:

Tuition and Fees

Tuition and fees revenue from public school districts are recognized over the period that services are provided.

Tuition and fees are generally nonrefundable, billed monthly and payment is typically due within 30 days of invoice. Amounts billed or received in advance are deferred and recognized when earned.

Tuition and fees receivables and timing of revenue recognition are as follows:

	<u>Accounts Receivable</u>	<u>Revenue Recognized</u>
2024	\$ <u>149,220</u>	<u>3,632,787</u>
2023	\$ <u>9,296</u>	<u>1,079,696</u>

Grants and Contacts

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(j) Advertising and Recruitment

The School uses advertising to promote recruitment and its program activities. These costs are expensed as incurred and amounted to \$11,049 and \$27,655 for the years ended June 30, 2024 and 2023, respectively.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The School has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The School presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the School has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the School are subject to examination by taxing authorities.

(l) Subsequent Events

The School has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(m) New Accounting Policies

At the beginning of fiscal 2024, the School adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Statements, as amended, which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportive forecasts for collectability. The School adopted this new standard utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the School's financial statements.

(n) Reclassifications

Reclassifications have been made to certain 2023 balances in order to conform them to the 2024 presentation.

(3) Liquidity

The School has \$1,223,540 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$655,975 of cash and equivalents and \$567,565 of grants and other receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2024 statement of financial position date. As more fully described in note 6, the School has an escrow account with a balance of \$50,316.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Notes to Financial Statements, Continued

(4) Grants and Other Receivables

Grants and other receivables at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
School district tuition	\$ 149,220	9,296
U.S. Department of Education	417,569	50,444
Other receivables	<u>776</u>	<u>1,166</u>
	\$ <u>567,565</u>	<u>60,906</u>

(5) Property and Equipment

Property and equipment at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 33,253	46,686
Furniture and fixtures	271,463	211,409
Equipment	<u>348,932</u>	<u>312,430</u>
	653,648	570,525
Less accumulated depreciation and amortization	<u>(138,679)</u>	<u>(51,525)</u>
Net property and equipment	\$ <u>514,969</u>	<u>519,000</u>

During the year ended June 30, 2023, in connection with the Buffalo Academy of Science Charter School, the School transferred all assets related to their building and land to BRASS Foundation, Inc. Subsequently, these assets were leased back to the School under a finance lease arrangement. See note 8 to these financial statements for additional details on the lease arrangement.

(6) Escrow Accounts

As set forth in its charter, the School established an escrow account to be used upon school closure. The balance in the escrow account was \$50,316 and \$25,078 at June 30, 2024 and 2023, respectively.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Notes to Financial Statements, Continued

(7) Related Entity Receivables and Payables

The School typically loans resources between related entities for purposes of providing cash flows. These transactions are typically repaid within one year and are non-interest bearing. Amounts due to related entities at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Buffalo Academy of Science Charter School	\$ 153,140	(159,919)
Buffalo/Rochester Academy of Science Schools Foundation	(488,549)	(415,000)
	\$ <u>(335,409)</u>	<u>(574,919)</u>

(8) Right-of-Use Assets - Lease Liabilities

The School leases its school building under a financing lease and has elected the practical expedient not to separate lease and non lease components for all lease transactions. The lease provides for monthly payments of \$20,524 through September 30, 2023, \$27,224 through September 30, 2027, \$27,360 through September 30, 2028, and \$27,497 through September 30, 2029, with further increases thereafter. The lease assets and liabilities were calculated using the School's risk-free discount rate of 6.0%. Additional information about the School's lease arrangement are as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Finance lease:		
Interest expense:		
Program services	\$ 291,533	227,758
Management and general	<u>32,393</u>	<u>25,307</u>
	<u>323,926</u>	<u>253,065</u>
Amortization expense:		
Program services	99,887	75,471
Management and general	<u>11,099</u>	<u>8,385</u>
	<u>110,986</u>	<u>83,856</u>
Total lease expense	\$ <u>434,912</u>	<u>336,921</u>
Weighted average:		
Remaining lease term	555 months	567 months
Discount rate	6.0%	6.0%

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL
Notes to Financial Statements, Continued

(8) Right-of-Use Assets - Lease Liabilities, Continued

	<u>2024</u>	<u>2023</u>
Lease liabilities at June 30, 2024 and 2023:		
Finance lease:		
Current installments	\$ 326,688	306,588
Noncurrent installments	<u>5,074,523</u>	<u>5,077,285</u>
Total lease liabilities	\$ <u>5,401,211</u>	<u>5,383,873</u>
The maturity of the lease payments under ASC 842 for the five years following June 30, 2024 and thereafter is as follows:		
2025	\$ 326,688	
2026	326,688	
2027	326,688	
2028	327,912	
2029	329,553	
Thereafter	<u>15,129,597</u>	
	16,767,126	
Less unamortized discount	<u>(11,365,915)</u>	
Total lease liabilities	\$ <u>5,401,211</u>	

The finance lease arrangement between the School and BRASS Foundation requires payments over the lease term that escalate from \$20,524 per month in 2023 to \$33,736 in 2070. The lower monthly payments at the beginning of the lease have resulted in the lease accruing interest in excess of the monthly payment. Accordingly, unpaid accrued interest in the amount of \$17,338 and \$56,572 have been added to the lease liability at June 30, 2024 and 2023, respectively.

(9) Pension Expense

The School participates in the New York State Teachers' Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the New York State Teacher's Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after that date and before January 1, 2010, who have less than ten years of service or membership are required to contribute 3% of their annual salary. Those joining the System on or after January 1, 2010 are required to contribute 3.5% of their annual salary throughout their active membership. Those joining on or after April 1, 2012 are required to contribute 3% and 6%, dependent upon their salary for their entire working career.

ROCHESTER ACADEMY OF SCIENCE CHARTER SCHOOL

Notes to Financial Statements, Continued

(9) Pension Expense, Continued

Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2024 and 2023 were 9.76% and 10.29%, respectively. The total retirement contribution expense amounted to \$160,300 and \$56,078 for the years ended June 30, 2024 and 2023, respectively.

(10) Concentration of Credit Risk

The School receives a substantial portion of its funding from school districts where students reside. One school district comprised approximately 77% and 41% of total revenue and support for the years ended June 30, 2024 and 2023, respectively.

(11) Contingency

The School has received grants which are subject to audit by agencies of the State and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior experience, the School's administration believes that disallowances, if any, will be immaterial.

The School is involved in various litigation arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such litigation would not be material to the School's financial position.

(12) Functional Expenses

The School is dedicated to providing quality education to a diverse body of students in the Rochester region of New York State. The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, allocation on a reasonable basis that is consistently applied is required. The expenses that are allocated include utilities, repairs and maintenance, insurance and depreciation. Other expenses such as salaries and wages, benefits, payroll taxes, other purchased services, student services, supplies, office expenses and other expenses, which are allocated on the basis of estimates of time and effort for each category.

**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**

The Board of Trustees
Rochester Academy of Science Charter School
Rochester, 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 Rochester Academy of Science Charter School (a nonprofit organization) (the School), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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.

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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 30, 2024