

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Opinion

In our opinion, the 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,054,605	\$ 13,904,273
Grants and contracts receivable	2,920,049	2,671,681
Short-term investments	-	5,061,464
Prepaid expenses	<u>268,051</u>	<u>424,761</u>
TOTAL CURRENT ASSETS	<u>20,242,705</u>	<u>22,062,179</u>
PROPERTY AND EQUIPMENT		
At cost, less accumulated depreciation and amortization of \$4,230,379 in 2020 and \$4,487,733 in 2019	<u>8,986,102</u>	<u>8,981,245</u>
NON CURRENT ASSETS		
Excess pension plan contribution	253,074	163,402
Restricted cash	75,225	75,075
Security deposits	<u>30,371</u>	<u>30,371</u>
TOTAL NONCURRENT ASSETS	<u>358,670</u>	<u>268,848</u>
TOTAL ASSETS	<u>\$ 29,587,477</u>	<u>\$ 31,312,272</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accr1(c)-8(r)-6.3(1931 -1.337 Td [SET)-19.5(S)]TJ EMC y0TSy0TSabU3 ()Tj EMC /P <

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
Public School District						
Resident student enrollment	\$ 12,041,508	\$ -	\$ 12,041,508	\$ 12,241,236	\$ -	\$ 12,241,236
Federal grants and contracts	374,407	-	374,407	461,649	-	461,649
State grants and contracts	8,395	-	8,395	187,732	-	187,732
Investment return, net	57,536		57,536	61,464		61,464
Other	218,520	27,303	245,823	253,812	13,095	266,907
Net assets released from restrictions	<u>(20,133)</u>	<u>20,133</u>	<u>-</u>	<u>2,613</u>	<u>(2,613)</u>	<u>-</u>
Total revenues and other support	<u>12,680,233</u>	<u>47,436</u>	<u>12,727,669</u>	<u>13,208,506</u>	<u>10,482</u>	<u>13,218,988</u>

ROOSEVELT CHILDREN'S ACADMEY
CHARTER SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>			<u>Support Services</u>		<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES						
Salaries and wages	6,007,095	869,448	6,876,543	1,027,529	-	7,904,072
Payroll tax expenses and fringe benefits	<u>1,828,255</u>	<u>264,616</u>	<u>2,092,871</u>	<u>312,728</u>	-	<u>2,405,599</u>
Total Personnel Service Costs	<u>7,835,350</u>	<u>1,134,064</u>	<u>8,969,414</u>	<u>1,340,257</u>	-	<u>10,309,671</u>
Consultants - education	564,935	141,234	706,169	-	-	706,169
Food purchases	289,230	72,308	361,538	-	-	361,538
Insurance expense	96,613	5,601	102,214	37,805	-	140,019
Supplies and materials	246,150	65,640	311,790	16,410	-	328,200
Textbooks	77,461	19,365	96,826	-	-	96,826
Telephone	46,368	2,688	49,056	18,144	-	67,200
Occupancy	363,099	96,826	459,925	24,207	-	484,132
Field trips	15,445	3,861	19,306	-	-	19,306
Fundraising expenses	-	-	-	-	20,133	20,133
Staff development	187,194	46,799	233,993	-	-	233,993
Equipment - rentals	34,522	2,001	36,523	13,509	-	50,032
Professional fees - legal	93,396	5,414	98,810	36,546	-	135,356
Repairs and maintenance	228,317	60,885	289,202	15,221	-	304,423
Travel	6,754	392	7,146	2,643	-	9,789
Board of Trustees	3,820	221	4,041	1,495	-	5,536
Utilities	157,577	42,020	199,597	10,505	-	210,102
Depreciation	573,429	152,914	726,343	38,229	-	764,572
Postage	12,057	699	12,756	4,718	-	17,474
Advertising	10,821	627	11,448	4,234	-	15,682
Administrative fees	66,431	3,851	70,282	25,995	-	96,277
Student testing and incentives	53,668	13,417	67,085	-	-	67,085
Other	<u>22,009</u>	<u>1,276</u>	<u>23,285</u>	<u>8,612</u>	-	<u>31,897</u>
TOTAL EXPENSES	<u>10,984,646</u>	<u>1,872,103</u>	<u>12,856,749</u>	<u>1,598,530</u>	<u>20,133</u>	<u>14,475,412</u>

	<u>Regular Education</u>	<u>Special Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES						
Salaries and wages	\$ 5,490,891	\$ 813,467	\$ 6,304,358	\$ 945,375	\$ -	\$ 7,249,733
Payroll tax expenses and fringe benefits	<u>1,820,230</u>	<u>269,664</u>	<u>2,089,894</u>	<u>313,098</u>	<u>-</u>	<u>2,402,992</u>
Total Personnel Service Costs	<u>7,311,121</u>	<u>1,083,131</u>	<u>8,394,252</u>	<u>1,258,473</u>	<u>-</u>	<u>9,652,725</u>
Consultants - education	521,386	130,346	651,732	-	-	651,732
Food purchases	454,590	113,648	568,238	-	-	568,238
Insurance expense	91,566	5,308	96,874	35,830	-	132,704
Supplies and materials	265,042	70,678	335,720	17,669	-	353,389
Textbooks	79,950	19,988	99,938	-	-	99,938
Telephone	44,993	2,608	47,601	17,606	-	65,207
Occupancy						

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

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,760,821)	\$ (753,672)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	764,572	593,482
Loss on disposal of fixed assets	13,078	92,147
Changes in assets and liabilities:		
Excess pension plan contribution	(89,672)	51,009
Grants and contracts receivable	(248,369)	(133,742)
Prepaid expenses	156,710	(400,347)
Accounts payable and accrued expenses	59,225	138,476
Advance billing	(47,464)	3,427
Deferred revenue	<u>(1,606,620)</u>	<u>1,611,851</u>
 Total adjustments	 <u>(998,540)</u>	 <u>1,956,303</u>
 Net cash (used) provided by operating activities	 <u>(2,759,361)</u>	 <u>1,202,631</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(782,506)	(363,191)
Proceeds from sale (purchase) of short-term investments	<u>5,061,464</u>	<u>(5,061,464)</u>
 Net cash provided (used) by investing activities	 <u>4,278,958</u>	 <u>(5,424,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>1,630,885</u>	<u>-</u>
 Net cash provided by financing activities	 <u>1,630,885</u>	 <u>-</u>
NET INCREASE (DECREASE) IN CASH	3,150,482	(4,222,024)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH- beginning	<u>13,979,348</u>	<u>18,201,372</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH- end	<u>\$ 17,129,830</u>	<u>\$ 13,979,348</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
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ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LAND, BUILDING AND EQUIPMENT (CONTINUED)

accumulated depreciation are removed from the accounts and the resulting gain or loss for the period is included in income.

The estimated useful lives of the fixed assets are as follows:

	<u>(Years)</u>
School buildings	19-20
Furniture and fixtures	7
Office equipment	5

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement. The New PTw 0.94o10.9(s)-2(er)-5.9 s CGfud0.6()JTnt0 Tw

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSE ALLOCATION (CONTINUED)

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

INCOME TAXES

The School is exempt from Federal, state and local income taxes under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(2) and 170 (B)(1)(A)(II) of the IRC. There was no unrelated business income for the years ended June 30, 2020 and 2019 respectively.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income ("UBIT"). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2020 and 2019.

The School has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where required. For the years ended June 30, 2020 and 2019 respectively, there was no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NEW ACCOUNTING STANDARDS

Revenue from Contracts with Customers

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

Through June 2020, the Financial Accounting Standards Board (“FASB”) issued various updates (“ASUs”) to the FASB Accounting Standards Codification (“ASC”). No ASU’s were adopted during the year-ended June 30, 2020 that had a material effect on its financial statements. In addition, management believes that ASUs that have a prospective effective date will not have a material impact on its financial statements. ASU 2017-07 related to Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost was implemented in the current fiscal year with no material effect on the financial statements.

3. CONCENTRATION OF CREDIT RISK

The School maintains its cash balances at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 at each institution. At June 30, 2020 the School’s uninsured cash balances totaled \$16,629,097. The School’s management monitors the balances in excess of the FDIC coverage to limit any exposure to loss due to credit risk on cash and cash equivalents. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk on its cash and cash equivalent accounts.

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES

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

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

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

	<u>2020</u>	<u>2019</u>
NYSED (pupil enrollment)	\$ 12,041,508	\$ 12,241,236
Federal Government	374,407	461,649

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ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

5. INVESTMENTS

Investments are carried at fair value and realized and unrealized gains and losses are reflected within investment return, net, in the statement of activities. The School invests its excess cash in short-term investments and investment as of June 30, 2019 was \$5,000,000 which matured on January 30, 2020. During the fiscal years ended June 30, 2020 and 2019, short-term investments earned \$57,536 and \$61,464 respectively.

Investments at June 30 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Investments at beginning of year	\$ 5,061,464	\$ -
Investments during the year	-	5,000,000
Investment return, net	<u>57,536</u>	<u>61,464</u>
Investment – Matured	<u>(5,119,000)</u>	<u>-</u>
Investments at end of year	<u>\$ -</u>	<u>\$5,061,464</u>

6. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

7. ADVANCE BILLING AND DEFERRED REVENUES (CONTINUED)

	<u>2020</u>	<u>2019</u>	
Balance at the beginning of year	\$2,041,017	\$2,037,590	
Additions:			
Advance billing issued	1,993,553	2,0	037

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

8. PROPERTY AND EQUIPMENT (CONTINUED)

During the years

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

11. EMPLOYEE BENEFIT PLANS (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

Pension Plan obligations and funded status:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation at June 30	\$(2,106,504)	\$(1,564,907)
Pension Plan assets at fair value at June 30	<u>2,359,578</u>	<u>1,728,309</u>
Funded status	<u>253,074</u>	<u>163,402</u>
Accumulated benefit obligation at June 30	(2,106,504)	(1,564,907)
Employer contribution	575,000	530,000
Benefits paid	\$ -	\$ -

Amounts recognized in the Statement of Financial Position at June 30, 2020 and 2019 respectively consist of:

Pension liability (included in accrued expense)	\$ _____	\$ _____
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ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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

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

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

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

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2020 and 2019:

Cash and cash equivalents and money market funds: Fair value equ Tw0.5(f)4.3(E [(9d2(e)10.5(t)4.3(f)-6

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

The School expects to contribute approximately \$500,000 to the Pension Plan in 2021.

No plan assets are expected to be returned to the School during 2021.

The following benefits are expected to be paid:

Year

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

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

We have audited, in accordance with the auditing

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance.

Accordi