

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023 AND 2022

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Roosevelt Children's Academy Charter School, Inc. (a nonprofit organization) (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt Children's Academy Charter School, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roosevelt Children's Academy Charter School, Inc. 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 Roosevelt Children's Academy Charter School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### **Auditor's 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 auditor's 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 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, 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 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 Roosevelt Children's Academy Charter School, Inc.'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 Roosevelt Children's Academy Charter School, Inc.'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

*Reid CPAs, LLP*

Woodbury, New York  
September 27, 2023

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

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,157,605	\$ 8,205,080
Grants and contracts receivable	3,091,322	4,043,187
Short-term investments	8,108,992	2,985,285
Prepaid expenses	246,846	222,266
<b>TOTAL CURRENT ASSETS</b>	<b>16,604,765</b>	<b>15,455,818</b>
<b>PROPERTY AND EQUIPMENT</b>		
At cost, less accumulated depreciation and amortization of \$4,965,921 in 2023 and \$4,346,158 in 2022	11,501,099	14,777,442
<b>NON CURRENT ASSETS</b>		
Excess pension plan contribution	-	184,012
Restricted cash	75,482	75,407
Grants and contracts receivable	100,550	329,118
Security deposits	30,371	30,371
Right of use asset	777,112	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>983,515</b>	<b>618,908</b>
<b>TOTAL ASSETS</b>	<b>\$ 29,089,379</b>	<b>\$ 30,852,168</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 616,720	\$ 583,586
Advance billing	2,174,591	2,088,977
Deferred revenue	-	17,628
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,791,311</b>	<b>2,690,191</b>
<b>OTHER LIABILITIES</b>		
Right of use liability	801,054	-
Pension plan contribution liability	31,346	-
<b>TOTAL OTHER LIABILITIES</b>	<b>832,400</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,623,711</b>	<b>2,690,191</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions	25,288,351	28,000,557
With donor restrictions	177,317	161,420
<b>TOTAL NET ASSETS</b>	<b>25,465,668</b>	<b>28,161,977</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 29,089,379</b>	<b>\$ 30,852,168</b>

See accompanying notes to financial statements.

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

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support</b>						
Public School District						
Resident student enrollment	\$ 14,231,696	\$ -	\$ 14,231,696	\$ 14,439,906	\$ -	\$ 14,439,906
Federal grants and contracts	876,234	-	876,234	1,212,094	-	1,212,094
State grants and contracts	6,653	-	6,653	7,691	-	7,691
Investment return, net	123,707	-	123,707	(14,343)	-	(14,343)
Other	372,373	59,087	431,460	67,855	23,829	91,684
Net assets released from restrictions	<u>43,190</u>	<u>(43,190)</u>	<u>-</u>	<u>(29,211)</u>	<u>29,211</u>	<u>-</u>
Total revenues and other support	<u>15,653,853</u>	<u>15,897</u>	<u>15,669,750</u>	<u>15,683,992</u>	<u>53,040</u>	<u>15,737,032</u>
<b>Expenses and losses</b>						
Regular education	11,330,282	-	11,330,282	10,950,338	-	10,950,338
Special education	2,014,247	-	2,014,247	1,936,224	-	1,936,224
Management and general	1,558,597	-	1,558,597	1,501,086	-	1,501,086
Fundraising and special events	43,190	-	43,190	29,211	-	29,211
Total Expenses	<u>14,946,316</u>	<u>-</u>	<u>14,946,316</u>	<u>14,416,860</u>	<u>-</u>	<u>14,416,860</u>
Transfer out of construction in progress costs	3,413,799		3,413,799			
Loss on disposal of fixed assets	<u>5,944</u>	<u>-</u>	<u>5,944</u>	<u>18,815</u>	<u>-</u>	<u>18,815</u>
Total expenses and losses	<u>18,366,059</u>	<u>-</u>	<u>18,366,059</u>	<u>14,435,675</u>	<u>-</u>	<u>14,435,675</u>
Increase (Decrease) in net assets from Operating Activities	(2,712,206)	15,897	(2,696,309)	1,248,318	53,040	1,301,358
Net Assets at beginning of year	<u>28,000,557</u>	<u>161,420</u>	<u>28,161,977</u>	<u>26,752,239</u>	<u>108,380</u>	<u>26,860,619</u>
Net Assets at end of year	<u>\$ 25,288,351</u>	<u>\$ 177,317</u>	<u>\$ 25,465,668</u>	<u>\$ 28,000,557</u>	<u>\$ 161,420</u>	<u>\$ 28,161,977</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY  
CHARTER SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023

	Program Services			Support Services		Total
	Regular Education	Special Education	Total	Management and General	Fundraising	
EXPENSES						
Salaries and wages	\$ 5,668,291	\$ 820,410	\$ 6,488,701	\$ 969,576	\$ -	\$ 7,458,277
Payroll tax expenses and fringe benefits	<u>1,716,515</u>	<u>248,443</u>	<u>1,964,958</u>	<u>293,614</u>	<u>-</u>	<u>2,258,572</u>
Total Personnel Service Costs	<u>7,384,806</u>	<u>1,068,853</u>	<u>8,453,659</u>	<u>1,263,190</u>	<u>-</u>	<u>9,716,849</u>
Consultants - education	706,178	176,544	882,722	-	-	882,722
Food purchases	592,238	148,060	740,298	-	-	740,298
Insurance expense	125,790	7,292	133,082	49,222	-	182,304
Supplies and materials	300,989	80,264	381,253	20,066	-	401,319
Textbooks	21,070	5,268	26,338	-	-	26,338
Telephone	48,405	2,806	51,211	18,941	-	70,152
Occupancy	436,476	116,394	552,870	29,098	-	581,968
Field trips	45,855	11,464	57,319	-	-	57,319
Fundraising expenses	-	-	-	-	43,190	43,190
Staff development	29,892	7,473	37,365	-	-	37,365
Equipment - rentals	30,562	1,772	32,334	11,959	-	44,293
Professional fees	80,823	4,685	85,508	31,627	-	117,135
Repairs and maintenance	504,662	134,576	639,238	33,644	-	672,882
Travel	2,345	136	2,481	918	-	3,399
Board of Trustees	4,757	276	5,033	1,861	-	6,894
Utilities	166,886	44,503	211,389	11,126	-	222,515
Depreciation	696,824	185,820	882,644	46,455	-	929,099
Postage	10,646	617	11,263	4,166	-	15,429
Advertising	11,021	639	11,660	4,313	-	15,973
Administrative fees	70,365	4,079	74,444	27,534	-	101,978
Student testing and incentives	48,250	12,063	60,313	-	-	60,313
Other	<u>11,442</u>	<u>663</u>	<u>12,105</u>	<u>4,477</u>	<u>-</u>	<u>16,582</u>
TOTAL EXPENSES	<u>\$ 11,330,282</u>	<u>\$ 2,014,247</u>	<u>\$ 13,344,529</u>	<u>\$ 1,558,597</u>	<u>\$ 43,190</u>	<u>\$ 14,946,316</u>

See accompanying notes to financial statements

ROOSEVELT CHILDREN'S ACADMEY  
CHARTER SCHOOL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022

	Program Services			Support Services		Total 2022
	Regular Education	Special Education	Total	Management and General	Fundraising	
EXPENSES						
Salaries and wages	\$ 5,275,369	\$ 763,540	\$ 6,038,909	\$ 902,366	\$ -	\$ 6,941,275
Payroll tax expenses and fringe benefits	<u>1,911,535</u>	<u>276,670</u>	<u>2,188,205</u>	<u>326,973</u>	<u>-</u>	<u>2,515,178</u>
Total Personnel Service Costs	<u>7,186,904</u>	<u>1,040,210</u>	<u>8,227,114</u>	<u>1,229,339</u>	<u>-</u>	<u>9,456,453</u>
Consultants - education	852,174	213,043	1,065,217	-	-	1,065,217
Food purchases	561,350	140,337	701,687	-	-	701,687
Insurance expense	100,207	5,809	106,016	39,211	-	145,227
Supplies and materials	296,228	78,994	375,222	19,749	-	394,971
Textbooks	40,100	10,025	50,125	-	-	50,125
Telephone	55,773	3,233	59,006	21,824	-	80,831
Occupancy	398,816	106,351	505,167	26,588	-	531,754
Field trips	41,596	10,399	51,995	-	-	51,995
Fundraising expenses	-	-	-	-	29,211	29,211
Staff development	40,651	10,163	50,814	-	-	50,814
Equipment - rentals	31,286	1,814	33,100	12,242	-	45,342
Professional fees	90,267	5,233	95,500	35,322	-	130,822
Repairs and maintenance	425,043	113,345	538,388	28,336	-	566,724
Travel	3,027	175	3,202	1,184	-	4,387
Board of Trustees	2,659	154	2,813	1,040	-	3,853
Utilities	158,700	42,320	201,020	10,580	-	211,600
Depreciation	513,629	136,968	650,597	34,242	-	684,839
Postage	9,967	578	10,545	3,900	-	14,445
Advertising	8,477	491	8,968	3,317	-	12,285
Administrative fees	75,947	4,403	80,350	29,718	-	110,068
Student testing and incentives	46,054	11,513	57,567	-	-	57,567
Other	<u>11,484</u>	<u>666</u>	<u>12,150</u>	<u>4,494</u>	<u>-</u>	<u>16,643</u>
TOTAL EXPENSES	<u>\$ 10,950,338</u>	<u>\$ 1,936,224</u>	<u>\$ 12,886,563</u>	<u>\$ 1,501,086</u>	<u>\$ 29,211</u>	<u>\$ 14,416,860</u>

See accompanying notes to financial statements



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

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,696,309)	\$ 1,301,358
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	929,099	684,839
Transfer of construction in progress balance to Friends of RCA	3,413,402	-
Loss on disposal of fixed assets	5,944	18,815
Amortization of right of use asset, net of liability including adjustment for adoption of ASC 842 of \$23,552	23,942	-
Changes in assets and liabilities:		
Grants and contracts receivable	1,180,433	(276,596)
Prepaid expenses	(24,580)	21,899
Accounts payable and accrued expenses	33,134	(383,113)
Advance billing	85,614	(226,349)
Deferred revenue	(17,628)	17,628
	5,629,360	(142,877)
Total adjustments		
Net cash provided (used) by operating activities	2,933,051	1,158,481
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4,101,908)	(5,172,316)
Transfer of prepaid bond costs to Friends of RCA	3,029,806	
Purchase of short-term investments	(5,123,707)	(2,985,285)
Net cash used by investing activities	(6,195,809)	(8,157,601)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Excess pension plan contribution	184,012	24,032
Pension plan contribution liability	31,346	-
Net cash provided by financing activities	215,358	24,032
<b>NET DECREASE IN CASH</b>	(3,047,400)	(6,975,088)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH- beginning</b>	8,280,487	15,255,575
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH- end</b>	\$ 5,233,087	\$ 8,280,487
<b>NON-CASH INVESTING ACTIVITIES</b>		
Recording of Right of use asset - Beginning	\$ 1,160,652	\$ -
Recording of Right of use liability - Beginning	\$ 1,160,652	\$ -
Transfer of construction in progress balance to friends of RCA	\$ 3,413,402	\$ -

See accompanying notes to financial statements.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**1. ORGANIZATION SUMMARY**

Roosevelt Children's Academy Charter School, Inc. (the "School"), a 501(c)(3) tax-exempt organization, is a charter public elementary and middle school located in Roosevelt, New York. The School was chartered during July 2000, and the first classes were offered during the 2000-2001 school year. The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State ("State") Education Department (the "NYSED").

The School charter was renewed in June 2020 for an additional five years through June 2025. The School educates children on a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The focus of the School is on the core skills of reading, language, writing and mathematics, with an extended day, a high degree of individualized instruction, and an innovative research based academic curriculum. Enrollment is open to all potential student candidates, with a preference for those residing in the immediate area. In fiscal years 2023 and 2022, the Charter School operated classes for students in kindergarten through 8<sup>th</sup> grade.

During the fiscal year ended June 30, 2023, the School initiated its plans to expand its capacity to enroll additional students. In the Spring of 2023, The Friends of Roosevelt Children's Academy Charter School Inc. ("Friends of RCA"), a not for profit organization created to assist the School in its endeavors issued Nassau County bonds in the amount of \$32,000,000 to finance the construction of the new facilities. In connection with the issuance of the Nassau County bonds, the School transferred its title to 111-115 Pleasant avenue, Roosevelt, New York to the Friends of RCA. Effective July 1, 2023, The School entered into a lease agreement to lease the properties from Friends of RCA as well as reimburse Friends of RCA of any costs related to the maintenance and management of the properties. As of June 30, 2023 on the costs associated with 111-115 were transferred over to Friends. The transfer of 105 & 106 Pleasant avenue were moved on July 1, 2023, concurrent with the leases.

**LIQUIDITY**

The School has approximately \$16.3M of financial assets available within one year of the statement of financial position to meet cash needs for general expenditures consisting of \$5.1M in cash, \$8.1M in short-term investments and \$3.1M in grants and contributions receivable.

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

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING**

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

**INVESTMENTS**

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

**NET ASSET PRESENTATION**

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

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

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

**CASH AND CASH EQUIVALENTS**

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

**FINANCIAL INSTRUMENTS**

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

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

LAND, BUILDING AND EQUIPMENT

Property and equipment are recorded at cost. Additions and improvements or betterments in excess of \$5,000 with an estimated useful life of greater than one year are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Normal replacement and maintenance costs are charged to earnings as incurred and major renewals and significant improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss for the year is included in income.

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

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

ASSET IMPAIRMENT

The School reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset.

RESTRICTED CASH

Restricted cash related to a reserve account that is required to be maintained by the School in accordance with the charter requirements of \$75,482 and \$75,407 as of June 30, 2023 and 2022.

ADVANCE BILLING

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

DONATED SERVICES

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

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**REVENUE RECOGNITION**

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

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

**GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable represent funds under charter school contracts that have been billed but not collected as of the date of the financial statements. Grants and contracts receivable are recorded at net realizable value. As of June 30, 2023 and 2022, the School's management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of receivables, subsequent receipts and current economic conditions.

**STUDENT ENROLLMENT**

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

**FUNCTIONAL EXPENSE ALLOCATION**

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

- 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.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2023 and 2022, respectively.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business income taxable ("UBIT"). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2023 and 2022.

The School has filed federal information returns, as required, and all other applicable returns in jurisdictions where required. For the years ended June 30, 2023 and 2022 respectively, there was no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by a taxing authority. As of June 30, 2023, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination by taxing authorities for the years prior to June 30, 2020.

**USE OF ESTIMATES**

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

**NEW ACCOUNTING STANDARDS ADOPTED AND TO BE ADOPTED**

Through June 2023, the Financial Accounting Standards Board ("FASB") issued various updates ("ASUs") to the FASB Accounting Standards Codification ("ASC"). ASU 2016-02 "Leases" was implemented during the fiscal year ended June 30, 2023. ASU 2016-02, "Leases," requires lessees to recognize a lease liability, which is the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

NEW ACCOUNTING STANDARDS ADOPTED AND TO BE ADOPTED (CONTINUED)

specified asset for the lease term. No other ASU's were adopted during the year ended June 30, 2023 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.

LEASES

The School recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The School is a lessee in a noncancellable operating lease for its premises in Roosevelt, New York. The School determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The School recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the School uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, the School uses its incremental borrowing rate based on the information available at the commencement date for all leases. The School's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. The School has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the School is reasonably certain to exercise. The School recognizes lease cost associated with our short-term leases on a straight-line basis over the lease term.

**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, 2023 and 2022, the School's uninsured cash balances totaled approximately \$5,000,000 and \$7,500,000 respectively. The School's management monitors the balances in excess of the FDIC coverage to limit any exposure to loss due to credit risk on cash and cash equivalents. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk on its cash and cash equivalent accounts.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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>2023</u>	<u>2022</u>
NYSED (pupil enrollment)	\$ 14,231,696	\$ 14,439,906
Federal Government	876,234	1,212,094
New York State	<u>6,653</u>	<u>7,691</u>
	<u>\$ 15,114,583</u>	<u>\$ 15,659,691</u>

**5. INVESTMENTS**

Investments are carried at fair value and realized and unrealized gains and losses are reflected within investment return, net, in the statements of activities and changes and in net assets. The School invested its excess cash in short-term investments. Investments as of June 30, 2023 and 2022 were \$8,108,992 and \$2,985,285 respectively with various maturity dates in 2023 and 2024.

Investments at June 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Investments at beginning of year	\$ 2,985,285	\$ -
Investments during the year - Net	5,000,000	2,999,628
Investments retrun, net	123,707	(14,343)
Investments at end of year	<u>\$ 8,108,992</u>	<u>\$ 2,985,285</u>



**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**6. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,157,605	\$ 8,205,080
Restricted cash	<u>75,482</u>	<u>75,407</u>
Total cash, cash equivalents and restricted cash reported on statements of cash flows.	<u>\$ 5,233,087</u>	<u>\$ 8,280,487</u>

**7. ADVANCE BILLING AND DEFERRED REVENUES**

The School invoices the appropriate school districts in June for the first two months of the following fiscal year. Those billings will be recognized during the next fiscal year. At June 30, 2023 and 2022, advance billing totaled \$2,174,591 and \$2,088,977, respectively.

	<u>2023</u>	<u>2022</u>
Balance at the beginning of year	\$ 2,088,977	\$ 2,315,326
Additions:		
Advance billing issued	2,174,591	2,088,977
Reductions:		
Advance billing earned	<u>2,088,977</u>	<u>2,315,326</u>
Balance at end of year	<u>\$ 2,174,591</u>	<u>\$ 2,088,977</u>

As of June 30, 2023 and 2022, the School received no advance payments from school districts. Other deferred revenues as of June 30, 2023 and 2022 were \$0 and \$17,628 respectively.

**8. PROPERTY AND EQUIPMENT**

At June 30, property and equipment consisted of the following

	<u>2023</u>	<u>2022</u>
Land	\$ 1,307,889	\$ 1,307,889
School buildings	5,952,993	5,952,993
Building improvements	1,822,002	1,757,392
Furniture and fixtures	127,771	118,907
Computer equipment	1,429,101	894,042
Office equipment	116,143	106,467
Software	57,190	53,753
Automobiles	<u>-</u>	<u>129,559</u>
	10,813,089	10,321,002

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**8. PROPERTY AND EQUIPMENT (CONTINUED)**

Less: Accumulated depreciation and amortization	<u>4,965,921</u>	<u>4,346,158</u>
	5,847,168	5,974,844
Construction in progress	<u>5,653,931</u>	<u>8,802,598</u>
Total	\$ <u>11,501,099</u>	\$ <u>14,777,442</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 were \$929,099 and \$684,839, respectively.

During the year ended June 30, 2023, the School transferred \$3,413,799 in construction in progress at 115 Pleasant avenue, Roosevelt, N.Y. to the books of Friends of RCA pursuant to the agreement between RCA and Friends of RCA. In addition \$3,029,806 in bond costs related to 115 Pleasant avenue incurred by the school were reimbursed by Friends of RCA. The agreement calls for Friends of RCA to own, manage and rent out the buildings to RCA for 48 years effective July 1, 2023.

During the years ended June 30, 2023 and 2022, the School wrote-off certain old assets that no longer had any use or value. During the years ended July 30, 2023 and 2022, the school incurred a loss on disposition of \$5,944 and \$18,815 respectively.

**9. CREDIT AGREEMENT**

The School had a \$4,500,000 variable revolving line of credit which was unused at June 30, 2021. The line of credit was subject to interest rate equal to the Wall Street Prime Rate with a minimum floor rate of 3.25% and required the School to maintain a restricted cash balance of \$3,000,000 as collateral. The line of credit was terminated in January 2023.

**10. EMPLOYEE BENEFIT PLANS**

**DEFINED CONTRIBUTION PLAN**

The School sponsors a 401(k) plan (the "Plan") that covers substantially all of its eligible employees. Employees are eligible for the Plan upon employment, and participation in the plan is voluntary. Under the 401 (k) salary reduction provisions of the Plan, employees may elect to defer a portion of their compensation, subject to statutory limitations, and have the deferred amounts contributed to their retirement accounts which become fully vested immediately. The School matches participants' contributions to the Plan up to 4% of the individual participants' annual compensation. The School's contribution recognized in the Statements of Activities and Changes in Net Assets was \$153,061 and \$154,350 for the years ended June 30, 2023 and 2022, respectively. The Plan's assets are held in a separate trust for the exclusive benefit of the participants and beneficiaries and are not included in the accompanying financial statements.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
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**10. EMPLOYEE BENEFIT PLANS (CONTINUED)**

DEFINED BENEFIT PLAN

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

Pension Plan obligations and funded status:

	<u>2023</u>	<u>2022</u>
Projected benefit obligation at June 30	\$ (3,167,381)	\$ (3,015,855)
Pension Plan assets at fair value at June 30	\$ 3,136,035	\$ 3,199,867
Funded (Under Funded) status	<u>\$ (31,346)</u>	<u>\$ 184,012</u>

Reconciliation of Projected benefit obligation:

Benefit Obligation, Beginning of the Year	\$ (3,015,855)	\$ (2,478,707)
Service Cost	(642,896)	(726,621)
Interest Cost	(120,363)	(67,756)
Actuarial Gain	337,685	44,291
Benefits Paid	274,048	212,938
Current year Benefit Obligation	<u>\$ (3,167,381)</u>	<u>\$ (3,015,855)</u>

Funded Position:

Projected benefit obligation	\$ (3,167,381)	\$ (3,015,855)
Market value of Assets	<u>3,136,035</u>	<u>3,199,867</u>
Funded status	(31,346)	184,012
Net Gain/(Loss)	<u>212,638</u>	<u>(26,312)</u>
Prepaid benefit cost	<u>\$ (243,984)</u>	<u>\$ 210,324</u>

Actuarial Assumptions

Based on discount rate of 4.95% at 6/30/2023 and 4.55% at 6/30/2022

Weighted-average rate of compensation increase: 3.0%

Mortality tables used:

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. EMPLOYEE BENEFIT PLANS (CONTINUED)**

DEFINED BENEFIT PLAN (CONTINUED)

For 2023, Pri-2012 Health Annuitant Tables with Generational Improvements using Scale MP-2021

For 2022, Pri-2012 Health Annuitant Tables with Generational Improvements using Scale MP-2021

Amounts recognized in the Statement of Financial Position:

	<u>2023</u>	<u>2022</u>
Noncurrent Assets	\$ -	\$ 184,012
Current Liabilities	-	-
Noncurrent Liabilities	(31,346)	-
Pension asset/(liability)	<u>\$ (31,346)</u>	<u>\$ 184,012</u>
Total Other Comprehensive Income:		
Total Other Comprehensive Income		
Prior Service Costs at End of Year	\$ -	\$ -
Net (Gain)/Loss at End of Year	-	-
Balance at June 30, 2023	<u>(212,638)</u>	<u>26,312</u>
(Accrued)/Prepaid Benefit Cost	<u>\$ (243,984)</u>	<u>\$ 210,324</u>
Actuarial Assumptions		
Discount Rate	4.55%	2.80%
Expected return on Plan Assets	4.55%	2.80%
Salary Scale	3.00%	3.00%
Average Future Service	20.95	22.88
Components of Net Periodic Benefit Cost		
Service Cost	\$ 642,896	\$ 726,621
Interest Cost	120,363	67,756
Expected Return on Assets	(138,951)	(85,137)
Amortization of ATO	-	-
Amortization of Prior Service Cost	-	-
Amortization of Net (Gain)/Loss	-	-
Preliminary Net Periodic Benefit Cost	<u>\$ 624,308</u>	<u>\$ 709,240</u>
Curtailment (G)/L Recognized	-	-
Settlement (G)/L Recognized	-	-
Special Termination (G)/L Recognized	-	-
Net Periodic Benefit Cost	<u>\$ 624,308</u>	<u>\$ 709,240</u>

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. EMPLOYEE BENEFIT PLANS (CONTINUED)**

DEFINED BENEFIT PLAN (CONTINUED)

Expected Benefit Payments:

Year	Active	Terminated	Retired	Total
2023	\$ 502,219	\$ -	\$ -	\$ 502,219
2024	\$ 68,955	\$ -	\$ -	\$ 68,955
2025	\$ 31,756	\$ -	\$ -	\$ 31,756
2026	\$ 59,290	\$ 10,539	\$ -	\$ 69,829
2027	\$ 288,876	\$ -	\$ -	\$ 288,876
2028	\$ 69,686	\$ 12,879	\$ -	\$ 82,565
2029	\$ 17,554	\$ -	\$ -	\$ 17,554
2030	\$ 38,398	\$ -	\$ -	\$ 38,398
2031	\$ -	\$ 20,401	\$ -	\$ 20,401
2032	\$ 2,064	\$ 42,742	\$ -	\$ 44,806
Total	<u>\$ 1,078,798</u>	<u>\$ 86,561</u>	<u>\$ -</u>	<u>\$ 1,165,359</u>

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. EMPLOYEE BENEFIT PLANS (CONTINUED)**

DEFINED BENEFIT PLAN (CONTINUED)

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, 2023 and 2022:

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

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

The following table sets forth by level, within the fair value hierarchy; the School's Pension Plan assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

Asset Class	Assets at Fair Value @ June 30, 2023		
	Total	Level 1	Level 2
Cash	\$ 280,521	\$ 280,521	\$ -
Fixed Income Securities	\$ 1,547,448	\$ -	\$ 1,547,448
Annuities/Insurance	\$ 1,308,067	\$ -	\$ 1,308,067
	\$ 3,136,036	\$ 280,521	\$ 2,855,515
	Assets at Fair Value @ June 30, 2022		
Asset Class	Total	Level 1	Level 2
Cash	\$ 244,790	\$ 224,790	\$ -
Fixed Income Securities	\$ 1,550,072	\$ -	\$ 1,550,072
Annuities/Insurance	\$ 1,405,005	\$ -	\$ 1,405,005
	\$ 3,199,867	\$ 224,790	\$ 2,955,077

**11. LEASES**

The School has an obligation as a lessee for its premises in Roosevelt, N.Y. effective July 1, 2020 with a noncancelable term in excess of one year due to expire on June 30, 2025. The Company classified this lease as an operating lease. Payments due under the lease contracts include fixed payments.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**11. LEASES (CONTINUED)**

There were no components of lease cost and supplemental cash flow information to disclose for the year ended June 30, 2023.

Amounts reported in the balance sheet as of June 30, 2023 were as follows:

Operating lease Right of use assets \$777,112  
 Operating lease liabilities \$801,054

Weighted average remaining lease term: 2 years  
 Weighted average discount rate: 5.00 %

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Maturities of lease liabilities under the noncancellable operating lease as of June 30, 2023 is as follows:

Year	
2024	\$ 453,149
2025	<u>390,500</u>
Total undiscounted cash flows	843,649
Less present value discount	<u>42,595</u>
Total lease liabilities	<u><u>\$ 801,054</u></u>

**12. CONCENTRATIONS OF CREDIT RISK**

The School received approximately 94% and 92% all of its support and revenue from per pupil funding from the New York State Department of Education during the years ended June 30, 2023 and 2022, respectively. Additionally, the School's grants receivable consists of approximately 99% and 99% from the New York State Department of Education respectively. If the School's charter was modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected and would have a significant impact on the School's ability to carry out its activities at current levels.

**13. NONCOMPLIANCE WITH GRANTOR RESTRICTIONS**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the School's financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

**ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**14. CONTINGENCIES**

LITIGATION

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

**15. SUBSEQUENT EVENTS**

The School's management has performed subsequent event procedures through September 26, 2023, which is the date the financial statements were available for issuance. The School entered into a lease agreement effective July 1, 2023 with Friends of RCA to lease the school properties at 105 and 106 Pleasant Ave, Roosevelt, N.Y. and 174 Babylon Turnpike, Merrick, N.Y. for 48 years. Monthly lease payments due will be \$19,728, \$22,723, and \$47,040 respectively for the first fiscal year with incremental increases thereafter.



# Roosevelt Children's Academy Charter School

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[www.rcacs.org](http://www.rcacs.org)

**Philip Leconte**  
**Chief Operations Officer/CFO**

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October 11, 2023

Reid CPAs, LLP

7600 Jericho Turnpike

Woodbury NY 11797

This representation letter is provided in connection with your audit of the financial statements and supplemental schedule of Roosevelt Children's Academy Charter School 401(K) Plan ("the Plan"), which comprise the statements of net assets available for benefits as of December 31, 2022 and 2021, and the related statement of changes in net assets available for benefits for the year ended December 31, 2022, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and whether the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole. As permitted by Regulation 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), we have instructed you not to perform any auditing procedures with respect to information prepared and certified to by Principal Life Insurance Company, the trustee, in accordance with DOL Regulation 2520.103-5, except for comparing the information with the related information included in the financial statements and supplemental schedule. Because of the significance of the information which you did not audit, we understand that you will not express an opinion on the financial statements and supplemental schedule as a whole. We understand that the form and content of the information in the financial statements and supplemental schedule, other than that derived from the information certified by Principle Life Insurance Company, has been audited by you in accordance with auditing standards generally accepted in the United States of America, and was subjected to tests of our accounting records and other procedures you considered necessary to enable you to express an opinion as to whether they are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 11, 2023 the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 15, 2023 including our responsibility for the preparation and fair presentation of the financial statements and note disclosures.

- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP, the notes include all disclosures required by laws and regulations to which the Plan is subject, including the DOL Rules and Regulations for Reporting and Disclosure under ERISA, and the supplemental schedules referred to above are fairly presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

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- 3) We acknowledge our responsibility for administering the plan and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants to determine the benefits due or which may become due to such participants
- 4) We acknowledge our election to have an ERISA Section 103(a)(3)(C) audit does not affect our responsibility for the financial statements and for determining the following:
  - a) The circumstances permit an ERISA Section 103(a)(3)(C) audit.
  - b) A qualified institution has prepared and certified the investment information as described in 29 CFR 2520.103-8.
  - c) The certification meets the 29 CFR 2520.103-5 requirements.
  - d) The certified investment information is appropriately measured, presented, and disclosed in accordance with U.S. GAAP.
- 5) We acknowledge our responsibility 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.
- 6) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 7) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Related-party relationships and transactions and relationships and transactions with parties-in-interest, as defined in ERISA Section 3(14) and regulations thereunder, have been appropriately accounted for and disclosed in accordance with U.S. GAAP and ERISA Section 3(14) and regulations thereunder.
- 9) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 10) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 11) Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 12) Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.

- 13) Guarantees, whether written or oral, under which the Plan is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 14) The supplemental schedules or financial statements disclose the following:
  - a) All non-exempt party-in-interest transactions [as defined in ERISA Section 3(14) and regulations under the section].
  - b) Investments or loans in default or considered to be uncollectible.
  - c) Reportable transactions [as defined in ERISA Section 103(b)(3)(H) and regulations under that section].
- 15) In regard to the assistance in the preparation of the financial statement services performed by you, we have
  - a) Assumed all management responsibilities.
  - b) Designated Philip Leconte who has suitable skill, knowledge, or experience to oversee the services.
  - c) Evaluated the adequacy and results of the services performed.
  - d) Accepted responsibility for the results of the services.

#### **Information Provided**

- 16) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) A substantially completed draft Form 5500.
  - c) Additional information that you have requested from us for the purpose of the audit.
  - d) Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.
  - e) Current Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
- 17) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 18) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 19) We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 20) We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
- 21) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations (including ERISA, DOL, and IRS regulations) whose effects should be considered when preparing financial statements.

- 22) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 23) We have disclosed to you the names of all the Plan's related parties and parties in interest and all the related-party and party-in-interest relationships and transactions of which we are aware.
- 24) The Plan has satisfactory title to all owned assets, which are recorded at fair value, and all liens, encumbrances, or security interests requiring disclosure in the financial statements have been properly disclosed.
- 25) We have no—
  - a) Plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  - b) Intentions to terminate the Plan.
- 26) Amendments to the Plan instrument, if any, have been properly recorded or disclosed in the financial statements.
- 27) The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) The methods and significant assumptions used to estimate fair values of financial instruments, including non-readily marketable securities, are appropriate for financial measurement and disclosure purposes. The methods and significant assumptions used result in a fair value appropriate for financial measurement and disclosure purposes.

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- 29) All required amendments to and filings of plan documents with the appropriate agencies have been made.
- 30) The Plan (and the trust established under the Plan) is qualified under the appropriate section of the Internal Revenue Code and we intend to continue them as a qualified plan (and trust). The Plan sponsor(s) has operated the Plan (and trust) in a manner that did not jeopardize this tax status. Required nondiscrimination testing related to Code Section 401(k) and 401(m) arrangements, as applicable, has been completed for the Plan, and any excess deferrals or contributions have been disposed of in accordance with regulations.
- 31) The Plan has complied with the DOL's regulations concerning the timely remittance of participant contributions to trusts containing assets for the Plan.
- 32) The Plan has complied with the fidelity bonding requirements of ERISA.
- 33) We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.
- 34) We have obtained appropriate fee disclosures from covered service providers and have concluded the fees are reasonable. The Plan is in compliance with DOL regulations regarding ERISA Section 408(b)(2).
- 35) We acknowledge our responsibility for presenting the Schedule H, Line 4i, schedule of assets held at year end in accordance with U.S. GAAP and in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. We believe the form and content of the schedules are fairly

presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. The methods of measurement and presentation of the supplemental schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplemental schedules.

Signature: Philip Leont

Title: CFO/COO