

**EARL MONROE NEW RENAISSANCE BASKETBALL  
CHARTER SCHOOL**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2023**

**(With Comparative Totals for 2022)**



BUSINESS  
ADVISORS  
AND CPAS

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Earl Monroe New Renaissance Basketball Charter School

### ***Opinion***

We have audited the accompanying financial statements of Earl Monroe New Renaissance Basketball Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Earl Monroe New Renaissance Basketball Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Earl Monroe New Renaissance Basketball Charter 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.

### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, in 2023, Earl Monroe New Renaissance Basketball Charter School adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Earl Monroe New Renaissance Basketball Charter School's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Earl Monroe New Renaissance Basketball Charter 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 Earl Monroe New Renaissance Basketball Charter School's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

We have previously audited Earl Monroe New Renaissance Basketball Charter School's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2022. In our opinion, the summarized comparative information presented herein as of June 30, 2022 and for the period from January 2, 2019 (date of inception) to June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of Earl Monroe New Renaissance Basketball Charter 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 Earl Monroe New Renaissance Basketball Charter 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 Earl Monroe New Renaissance Basketball Charter School's internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 24, 2023

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

	June 30,	
	2023	2022
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 440,894	\$ 566,445
Grants and other receivables	125,672	91,832
Pledges receivable - current portion	303,500	233,500
Prepaid expenses	122,934	149,417
Due from related party	65,758	-
TOTAL CURRENT ASSETS	1,058,758	1,041,194
<u>PROPERTY AND EQUIPMENT</u> , net	673,538	690,909
<u>OTHER ASSETS</u>		
Right-of-use assets - operating	1,529,185	-
Pledges receivable, net of current portion	109,800	245,890
Security deposit	156,667	156,667
Cash in escrow	75,011	25,003
TOTAL ASSETS	\$ 3,602,959	\$ 2,159,663
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 194,175	\$ 272,315
Current portion of lease liabilities - operating	1,698,399	-
Accrued payroll and benefits	183,616	90,301
Due to related party	261,182	-
TOTAL CURRENT LIABILITIES	2,337,372	362,616
<u>OTHER LIABILITIES</u>		
Long-term lease liabilities- operating	14,040	-
Deferred lease liability	-	131,587
TOTAL LIABILITIES	2,351,412	494,203
<u>NET ASSETS</u>		
Without donor restrictions	868,245	1,241,070
With donor restrictions	383,302	424,390
TOTAL NET ASSETS	1,251,547	1,665,460
TOTAL LIABILITIES AND NET ASSETS	\$ 3,602,959	\$ 2,159,663

The accompanying notes are an integral part of the financial statements.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30, 2023			Period from January 2, 2019 (date of inception) to June 30, 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 3,804,572	\$ -	\$ 3,804,572	\$ 1,873,474
Students with disabilities	436,380	-	436,380	330,364
Grants and contracts				
State and local	23,830	-	23,830	3,260
Federal - Title and IDEA	195,376	-	195,376	101,122
Federal - Other	272,592	-	272,592	1,668,023
Food service/Child nutrition program	105,529	-	105,529	-
NYC DoE rental assistance	1,141,372	-	1,141,372	562,042
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,979,651	-	5,979,651	4,538,285
Expenses:				
Program services:				
Regular education	4,354,590	-	4,354,590	2,962,508
Special education	1,785,300	-	1,785,300	1,086,099
TOTAL PROGRAM SERVICES	6,139,890	-	6,139,890	4,048,607
Management and general	1,834,184	-	1,834,184	1,855,224
TOTAL OPERATING EXPENSES	7,974,074	-	7,974,074	5,903,831
DEFICIT FROM SCHOOL OPERATIONS	(1,994,423)	-	(1,994,423)	(1,365,546)
Support and other revenue:				
Contributions:				
Foundations	329,967	135,000	464,967	884,666
Individuals	567,609	30,000	597,609	1,529,831
Corporations	512,000	-	512,000	616,500
Miscellaneous income	5,934	-	5,934	9
Net assets released from restriction	206,088	(206,088)	-	-
TOTAL SUPPORT AND OTHER REVENUE	1,621,598	(41,088)	1,580,510	3,031,006
CHANGE IN NET ASSETS	(372,825)	(41,088)	(413,913)	1,665,460
Net assets at beginning of year	1,241,070	424,390	1,665,460	-
NET ASSETS AT END OF YEAR	\$ 868,245	\$ 383,302	\$ 1,251,547	\$ 1,665,460

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30, 2023						P Jan (date t
	Program Services			Supporting Services			
	No. of Positions	Regular Education	Special Education	Management and		Total	
				Sub-total	General		
	11	\$ 488,101	\$ 160,148	\$ 648,249	\$ 379,474	\$ 379,474	\$ 1,027,723
	34	1,528,294	779,442	2,307,736	-	-	2,307,736
	5	50,307	16,506	66,813	300,035	300,035	366,848
	50	2,066,702	956,096	3,022,798	679,509	679,509	3,702,307
ing services		476,635	220,501	697,136	156,712	156,712	853,848
		107,226	49,605	156,831	35,255	35,255	192,086
		-	-	-	31,345	31,345	31,345
		-	-	-	24,700	24,700	24,700
		193,591	63,518	257,109	166,904	166,904	424,013
		780,168	255,976	1,036,144	480,030	480,030	1,516,174
		14,207	4,661	18,868	8,741	8,741	27,609
		22,322	7,324	29,646	13,734	13,734	43,380
		80,454	26,397	106,851	-	-	106,851
		5,455	1,790	7,245	3,356	3,356	10,601
		20,256	6,646	26,902	12,463	12,463	39,365
		38,046	12,483	50,529	23,409	23,409	73,938
		73,591	24,146	97,737	32,756	32,756	130,493
		32,553	10,681	43,234	20,030	20,030	63,264
		122,635	40,237	162,872	-	-	162,872
		162,397	53,283	215,680	-	-	215,680
	2,591	850	3,441	31,192	31,192	34,633	
	-	-	-	-	-	-	
	155,761	51,106	206,867	95,838	95,838	302,705	
	-	-	-	18,210	18,210	18,210	
	\$ 4,354,590	\$ 1,785,300	\$ 6,139,890	\$ 1,834,184	\$ 1,834,184	\$ 7,974,074	



EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30, 2023	Period from January 2, 2019 (date of inception) to June 30, 2022
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (413,913)	\$ 1,665,460
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	302,705	205,778
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(33,840)	(91,832)
Pledges receivable	66,090	(479,390)
Prepaid expenses	26,483	(149,417)
Due from related party	(65,758)	-
Security deposit	-	(156,667)
Accounts payable and accrued expenses	(78,140)	272,315
Accrued payroll and benefits	93,315	90,301
Due to related party	261,182	-
Operating lease liability, net of right of use asset	183,254	-
Deferred lease liability	<u>(131,587)</u>	<u>131,587</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	209,791	1,488,135
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(285,334)</u>	<u>(896,687)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(285,334)</u>	<u>(896,687)</u>
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(75,543)	591,448
Cash, cash equivalents and restricted cash at beginning of period	<u>591,448</u>	<u>-</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	<u>\$ 515,905</u>	<u>\$ 591,448</u>

The accompanying notes are an integral part of the financial statements.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30, 2023	Period from January 2, 2019 (date of inception) to June 30, 2022
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 440,894	\$ 566,445
Cash in escrow	<u>75,011</u>	<u>25,003</u>
	<u>\$ 515,905</u>	<u>\$ 591,448</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 33,803</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Earl Monroe New Renaissance Basketball Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides high school students with a rigorous academic program in the context of basketball, historically “New York’s Game.” The school graduates students with a college preparatory education and career readiness to succeed in the basketball and other sports-related industries. On January 2, 2019 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration on July 31, 2025. On October 17, 2019, the Charter School was granted a request to delay the opening of the Charter School until the 2021-2022 school year and with that an extension of the provisional charter for an additional year, renewable upon expiration on July 31, 2026. Effective January 22, 2021, the original charter agreement was revised to change the name of the Charter School from Lewis Katz New Renaissance Basketball Academy Charter School to Earl Monroe New Renaissance Basketball Charter School.

Basis of accounting

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

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Charter School are reported in the following self-balancing net asset groups:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had net assets with donor restrictions of \$383,302 and \$424,390 at June 30, 2023 and June 30, 2022, respectively.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenue over time as follows:

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,	
	2023	2022
Grants and other receivables	\$ 1,731	\$ -

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position and amounted to \$123,941 and \$91,832 at June 30, 2023 and June 30, 2022, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no deferred revenue at June 30, 2023 and June 30, 2022. The Charter School received cost-reimbursement grants of approximately \$57,000 and \$259,000 that has not been recognized at June 30, 2023 and June 30, 2022, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents include demand deposit accounts and certain money market accounts, and are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of instruction and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. The amount in escrow was \$75,011 and \$25,003 at June 30, 2023 and June 30, 2022, respectively.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 and June 30, 2022.

Pledges receivable

Pledges receivable represent unconditional promises to give. Those that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. Discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. The gross value and the net present value of the pledges receivable was approximately \$421,200 and \$413,300 at June 30, 2023, respectively. The gross value and the net present value of the pledges receivable was approximately \$485,700 and \$479,400 at June 30, 2022, respectively.

Due from/to related party

The Charter School has an amount due from a related party for contributions pledged and an amount due to the same related party for lease payments. See Note F for the related party facility lease.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the lesser of the assets' useful lives or the remaining term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed goods and services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist and food supplies and services from the local district. The Charter School was unable to determine a value for these services.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$131,000 and \$325,000 for the year ended June 30, 2023 and for the period from January 2, 2019 (date of inception) through June 30, 2022.

Comparatives for period ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the period ended June 30, 2022, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Charter School leases building space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Adoption of new accounting standard – leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 operating lease liabilities of \$3,097,513, which represents the present value of the remaining operating lease payments of \$3,221,369, discounted using the Charter School's weighted average risk-free rate of 2.85%, and a right-of-use asset of \$2,965,926, which represents the operating lease liability of \$3,097,513 adjusted for deferred rent of \$131,587.

The standard had a material impact on the accompanying statement of financial position, but did not have a significant impact on the statements of activities, changes in net assets and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.



EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 440,894	\$ 566,445
Grants and other receivables	125,672	91,832
Pledges receivable - current portion	<u>303,500</u>	<u>233,500</u>
Total financial assets available within one year	870,066	891,777
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(90,000)</u>	<u>-</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 780,066</u>	<u>\$ 891,777</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2023	2022
Undesignated	\$ 194,707	\$ 550,161
Invested in property and equipment	673,538	690,909
	<u>\$ 868,245</u>	<u>\$ 1,241,070</u>

Net assets with donor restrictions are as follows:

	June 30,	
	2023	2022
Time restricted - unrestricted pledges due in future periods	\$ 248,302	\$ 424,390
Time and purpose restricted - pledges due in future periods for:		
Athletics	75,000	-
Literacy program	60,000	-
	<u>\$ 383,302</u>	<u>\$ 424,390</u>

NOTE D: PLEDGES RECEIVABLE

Pledges receivable are recorded at their estimated net present value using a discount rate of 2%. Future payments to be received on the pledges receivable are as follows:

	June 30,	
	2023	2022
Within one year	\$ 303,500	\$ 233,500
In one to five years	117,721	252,168
	421,221	485,668
Less:		
Discount to net present value	(7,921)	(6,278)
	<u>\$ 413,300</u>	<u>\$ 479,390</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2023	2022
Furniture and fixtures	\$ 222,692	\$ 195,517
Leasehold improvements	489,368	464,877
Office equipment	195,045	57,033
Computers and equipment	274,916	179,260
	1,182,021	896,687
Less accumulated depreciation and amortization	508,483	205,778
	<u>\$ 673,538</u>	<u>\$ 690,909</u>

NOTE F: LEASES

Related party facility lease

In January 2021, the Charter School entered into a sublease agreement with a related party, Friends of New Renaissance Basketball Academy Charter School, Inc. ("Sublandlord") for property located at 1617 Parkview Avenue, Bronx, NY. The Sublandlord has entered into a related lease with an unrelated third party ("Overlandlord") which is guaranteed by the Charter School. The terms of that agreement are the same as the sublease. On March 28, 2023, that agreement was extended to June 30, 2025 which calls for base rent of \$981,162 for the period July 1, 2024 through June 30, 2025.

The sublease commences February 1, 2021 and expires June 30, 2024. The sublease also provides for the opportunity for two renewal periods, each with a one-year term. The sublease calls for base rent of \$200,000 for the period February 1, 2021 through June 30, 2021. Effective December 2022, the Charter School renegotiated its lease. The sublease commences July 1, 2022 and expires June 30, 2024. The sublease calls for base rent of \$1,465,425 for the year ended June 30, 2023 and base rent of \$1,698,510 for the year ended June 30, 2024. The sublease required a security deposit of \$156,667 to be made with the Overlandlord which is included in the accompanying statement of financial position at June 30, 2023 and 2022. Rent paid for the sublease for the years ended June 30, 2023 and 2022 was approximately \$1,465,000 and \$925,000, respectively.

Equipment leases

The Charter School has operating leases for copier equipment. The leases have various remaining lease terms ranging from 1 to 2 years with total monthly lease payments of approximately \$1,900.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

	<u>Balance Sheet Classification</u>	
<u>Assets</u>		
Operating Leases	Other assets	<u>\$ 1,529,185</u>
<u>Liabilities</u>		
Current:		
Operating Leases	Current liabilities	\$ 1,698,399
Non-current:		
Operating Leases	Other liabilities	<u>14,040</u>
		<u>\$ 1,712,439</u>

The component of lease expense were as follows:

Operating lease cost	\$ 1,537,674
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As of June 30, 2023, minimum payments due for lease liabilities for future years are as follows:

	<u>Operating leases</u>
2024	\$ 1,721,070
2025	12,313
2026	<u>1,978</u>
Total lease payments	1,735,361
Less: Interest	<u>(22,922)</u>
Present value of lease liabilities	<u>\$ 1,712,439</u>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES, Cont'd

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included for the year ended June 30, 2023	
Operating cash flows from operating leases	\$ 1,486,007
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):	
Operating leases	\$ 33,803
Weighted-average remaining lease term:	
Operating leases	1.02 years
Weighted-average discount rate:	
Operating leases	2.85%

NOTE G: CONTINGENCY

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

NOTE H: CONCENTRATIONS

At June 30, 2023 and 2022, 99% and 100%, respectively, of grants and other receivables are due from the federal government relating to certain grants.

For the year ended June 30, 2023 and the period from January 2, 2019 (date of inception) to June 30, 2022, approximately 71% and 49%, respectively, of total operating revenue and support came from per-pupil funding provided by the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

For the year ended June 30, 2023 and the period from January 2, 2019 (date of inception) to June 30, 2022, approximately 19% and 12%, respectively, of total operating revenue and support came from NYC DOE rental assistance. For the period from January 2, 2019 (date of inception) to June 30, 2022, approximately 39% of total operating revenue and support came from the federal government.

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan. The Charter School contributed approximately \$188,000 and \$81,000 to the Plan for the years ended June 30, 2023 and June 30, 2022, respectively.

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$202,002 and \$372,598 of revenue relative to ESSER grants during the year ended June 30, 2023 and the period from January 2, 2019 (date of inception) to June 30, 2022, respectively. As of June 30, 2023, the Charter School has approximately \$57,000 of ESSER grants available for expenditure through September 30, 2024.

**EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Earl Monroe New Renaissance Basketball Charter School

We have audited the financial statements of Earl Monroe New Renaissance Basketball Charter School as of June 30, 2023, and have issued our report thereon dated October 24, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2023.

We have also audited the financial statements of Earl Monroe New Renaissance Basketball Charter School as of June 30, 2022 and for the period from January 2, 2019 (date of inception) to June 30, 2022, and our report thereon dated October 17, 2022, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2022 financial statements as a whole. The 2022 Schedule of Activities hereinafter is presented for purposes of additional analysis and is not a required part of the 2022 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 financial statements or to the 2022 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report as of the same date, on the 2022 supplemental financial information stated that, in our opinion, such information was fairly stated in all material respects in relation to the financial statements for the period January 2, 2019 (date of inception) to June 30, 2022.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 24, 2023

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EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022,

AND THE PERIOD FROM JANUARY 2, 2019 (DATE OF INCEPTION) TO JUNE 30, 2021,

AND THE PERIOD FROM JANUARY 2, 2019 (DATE OF INCEPTION) TO JUNE 30, 2022

	Year ended June 30,		Period from	Period from
	2023	2022	January 2, 2019 (date of inception) to June 30, 2021	January 2, 2019 (date of inception) to June 30, 2022
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 3,804,572	\$ 1,873,474	\$ -	\$ 1,873,474
Students with disabilities	436,380	330,364	-	330,364
Grants and contracts				
State and local	23,830	3,260	-	3,260
Federal - Title and IDEA	195,376	101,122	-	101,122
Federal - Other	272,592	890,804	777,219	1,668,023
Food service/Child nutrition program	105,529	-	-	-
NYC DOE Rental Assistance	1,141,372	562,042	-	562,042
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>5,979,651</b>	<b>3,761,066</b>	<b>777,219</b>	<b>4,538,285</b>
Personnel services costs:				
Administrative staff personnel	1,027,723	671,557	128,087	799,644
Instructional personnel	2,307,736	1,118,641	4,196	1,122,837
Non-instructional personnel	366,848	168,281	25,000	193,281
Total salaries and wages	3,702,307	1,958,479	157,283	2,115,762
Fringe benefits and payroll taxes	853,848	362,208	21,820	384,028
Retirement	192,086	86,278	-	86,278
Legal services	31,345	30,726	101,785	132,511
Accounting/audit services	24,700	25,100	2,000	27,100
Other purchased/professional/ consulting services	424,013	387,513	276,476	663,989
Building and land rent/lease	1,516,174	886,701	369,457	1,256,158
Repairs and maintenance	27,609	266,544	820	267,364
Insurance	43,380	27,690	9,769	37,459
Supplies/materials	106,851	147,260	1,485	148,745
Equipment/furnishings	10,601	10,507	-	10,507
Leased equipment	39,365	10,074	-	10,074
Staff development	73,938	26,341	-	26,341
Marketing/recruitment	130,493	202,644	122,122	324,766
Technology	63,264	48,540	3,000	51,540
Food service	162,872	-	-	-
Student services	215,680	96,656	1,685	98,341
Office expense	34,633	45,216	6,292	51,508
Travel and conferences	-	89	-	89
Depreciation and amortization	302,705	205,778	-	205,778
Other	18,210	3,862	1,631	5,493
<b>TOTAL OPERATING EXPENSES</b>	<b>7,974,074</b>	<b>4,828,206</b>	<b>1,075,625</b>	<b>5,903,831</b>

EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL

SCHEDULE OF ACTIVITIES, Cont'd

YEARS ENDED JUNE 30, 2023 AND 2022,

AND THE PERIOD FROM JANUARY 2, 2019 (DATE OF INCEPTION) TO JUNE 30, 2021,

AND THE PERIOD FROM JANUARY 2, 2019 (DATE OF INCEPTION) TO JUNE 30, 2022

	<u>Year ended June 30,</u>		<u>Period from</u>	<u>Period from</u>
	<u>2023</u>	<u>2022</u>	<u>January 2,</u>	<u>January 2,</u>
			<u>2019 (date of</u>	<u>2019 (date of</u>
			<u>inception) to</u>	<u>inception) to</u>
			<u>June 30, 2021</u>	<u>June 30, 2022</u>
DEFICIT FROM SCHOOL OPERATIONS	(1,994,423)	(1,067,140)	(298,406)	(1,365,546)
Support and other revenue:				
Contributions:				
Foundations	464,967	622,166	262,500	884,666
Individuals	597,609	805,331	724,500	1,529,831
Corporations	512,000	575,500	41,000	616,500
Miscellaneous income	5,934	8	1	9
TOTAL SUPPORT AND OTHER REVENUE	<u>1,580,510</u>	<u>2,003,005</u>	<u>1,028,001</u>	<u>3,031,006</u>
CHANGE IN NET ASSETS	<u>\$ (413,913)</u>	<u>\$ 935,865</u>	<u>\$ 729,595</u>	<u>\$ 1,665,460</u>

**EARL MONROE NEW RENAISSANCE BASKETBALL CHARTER SCHOOL**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**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**

Board of Trustees  
Earl Monroe New Renaissance Basketball Charter School

We have audited 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, the financial statements of Earl Monroe New Renaissance Basketball Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 24, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Earl Monroe New Renaissance Basketball Charter School's internal control over financial reporting (internal control) to determine the 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 Earl Monroe New Renaissance Basketball Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Earl Monroe New Renaissance Basketball Charter 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Earl Monroe New Renaissance Basketball Charter 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 24, 2023

**EARL MONROE NEW RENAISSANCE BASKETBALL  
CHARTER SCHOOL**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2023**



October 24, 2023

Board of Trustees  
Earl Monroe New Renaissance Basketball Charter School

We have audited the financial statements of Earl Monroe New Renaissance Basketball Charter School as of and for the year ended June 30, 2023, and have issued our report thereon dated October 24, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 30, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Earl Monroe New Renaissance Basketball Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Principal and outsourced finance team who review the draft financial statements prior to issuance and accept responsibility for them.

## **Significant Risks Identified**

We have identified the following significant risks:

- Management override
- Revenue recognition
- Improper allocation of expenses to grants
- Misappropriation of assets
- Lease standard implementation

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Earl Monroe New Renaissance Basketball Charter School is included in Note A to the financial statements. In February 2016, the FASB issued a new standard related to leases requiring the recognition of right-of-use assets and lease liabilities on the balance sheet (ASC 842). As disclosed in Note A to the financial statements, during the year, Earl Monroe New Renaissance Basketball Charter School adopted ASC 842. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants and other receivables. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Earl Monroe New Renaissance Basketball Charter School's financial statements relate to revenue and support recognition and lease commitments, which is referred to in the notes of the financial statements.

## **Identified or Suspected Fraud**

We have not identified or obtained information that indicates that fraud may have occurred.



### **Significant Difficulties Encountered during the Audit**

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Earl Monroe New Renaissance Basketball Charter School's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with Earl Monroe New Renaissance Basketball Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Earl Monroe New Renaissance Basketball Charter School's auditors.

## Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\* \* \* \* \*

Should you desire further information concerning these matters, Michelle Cain or Kevin Kopp will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and Management of Earl Monroe New Renaissance Basketball Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

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