

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2018 and 2017, 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.

Report on Summarized Comparative Information

We have previously audited financial statements of the Roosevelt Children's Academy Charter School as of and for the year ended June 30, 2017, and our report, dated October 30, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements which it was derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses 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 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 as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Israeloff, Trattner & Co. P.C.

Garden City, NY
October 29, 2018

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,201,372	\$ 23,202,446
Grants and contracts receivable	2,537,940	2,129,273
Prepaid expenses	24,414	27,234
TOTAL CURRENT ASSETS	20,763,726	25,358,953
Property and Equipment, at cost, less accumulated depreciation and amortization of \$6,340,567 in 2018 and \$5,582,417 in 2017	9,303,683	6,652,720
OTHER ASSETS		
Excess pension plan contribution	214,411	-
Security deposits	30,371	30,371
TOTAL OTHER ASSETS	244,782	30,371
TOTAL ASSETS	\$ 30,312,191	\$ 32,042,044
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 646,326	\$ 2,171,197
Advance billing	2,037,590	1,892,418
TOTAL CURRENT LIABILITIES	2,683,916	4,063,615
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	27,601,519	27,901,515
Temporarily restricted	26,756	76,914
TOTAL NET ASSETS	27,628,275	27,978,429
TOTAL LIABILITIES AND NET ASSETS	\$ 30,312,191	\$ 32,042,044

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY
 CHARTER SCHOOL, INC.
 STATEMENT OF ACTIVITIES
 (WITH COMPARATIVE TOTALS FOR 2017)

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenue				
Public School District				
Resident student enrollment	\$ 11,974,863	\$ -	\$ 11,262,426	\$ -
Grants and contracts				
Federal funding - food service	278,469	-	260,818	-
Federal funding - other	244,803	-	173,211	-
State funding	281,080	-	148,791	-
Other income				
E-rate funding	24,000	-	50,000	-
Fundraising income	-	32,986	-	11,923
Interest income	51,084	-	31,649	-
Other income	28,984	-	9,223	-
Net assets released from restriction	83,144	(83,144)	9,088	(9,088)
Total Revenues and Other Support	<u>12,966,427</u>	<u>(50,158)</u>	<u>11,945,206</u>	<u>2,835</u>
Operating Expenses				
Program services				
Regular education	9,944,583	-	9,599,666	-
Special education	992,052	-	226,889	-
Support Services				
Management and general	2,246,644	-	2,405,031	-
Fundraising and special events	83,144	-	9,088	-
Total Expenses	<u>13,266,423</u>	<u>-</u>	<u>12,240,674</u>	<u>-</u>
Increase (Decrease) in Net Assets	(299,996)	(50,158)	(295,468)	2,835
Net Assets - beginning	<u>27,901,515</u>	<u>76,914</u>	<u>28,196,983</u>	<u>74,079</u>
Net Assets - end	<u>\$ 27,601,519</u>	<u>\$ 26,756</u>	<u>\$ 27,901,515</u>	<u>\$ 76,914</u>

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY
 CHARTER SCHOOL, INC.
 STATEMENT OF CASH FLOWS
 (WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (350,154)	\$ (292,633)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	758,269	546,805
Changes in assets and liabilities:		
Grants and contracts receivable	(408,667)	43,240
Prepaid expenses	2,820	84
Security deposits	-	(18,728)
Accounts payable and accrued expenses	(1,524,870)	(435,112)
Advance billing	145,172	(11,055)
Total adjustments	(1,027,276)	125,234
Net cash used by operating activities	(1,377,430)	(167,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(3,409,232)	(1,288,535)
NET DECREASE IN CASH	(4,786,662)	(1,455,934)
CASH AND CASH EQUIVALENTS- beginning	23,202,446	24,658,380
CASH AND CASH EQUIVALENTS- end	\$ 18,415,783	\$ 23,202,446

See accompanying notes to financial statements.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

1. ORGANIZATION SUMMARY

Roosevelt Children's Academy Charter School, Inc. (the "School") is a public elementary charter school for children located in Roosevelt, New York. 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. The School was chartered during July 2000, and the first classes were offered during the 2000-2001 school year. In fiscal year 2018, the Charter School operated classes for students in kindergarten through 8th grade.

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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (US GAAP).

BASIS OF PRESENTATION

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes on net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets 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 statement of activities.

As of June 30, 2018, the School had no permanently restricted net assets.

Permanently restricted net assets result from 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.

Temporarily restricted net assets result from 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 temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted net assets are net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the School considers all 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, accounts payable and advance billing for which carrying values approximate fair values due to the short maturities of those instruments.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Additions and improvements or betterments in excess of \$1,000 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 improvements are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss for the period is included in income.

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

	<u>(Years)</u>
School buildings	19-20
Furniture and fixtures	7
Office equipment	5
Computer equipment	3
Automobiles	5
Leasehold improvements	3-20
Software	3

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. As of June 30, 2018, there was no such loss.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Teachers also provided fund-raising services throughout the fiscal year. None of these services are recognized as contributions in the financial statements since the recognition criteria were not 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.

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.

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 ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. 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.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

- Management and general – represents expenses related to the overall administration and operation of the School that are not associated with any program services or development.

INCOME TAXES

The School is exempt from Federal, state and local income taxes under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(2) of the IRC. There was no unrelated business income for the year ended June 30, 2018.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income ("UBIT"). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2018 and 2017. There was no unrelated business income subject to taxation in 2018 and 2017.

The School has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where required. For the year ended June 30, 2018 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, 2018, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2015.

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.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES (CONTINUED)

Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NEW ACCOUNTING STANDARDS

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profits entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The ASU becomes effective for fiscal years beginning after December 31, 2017. The School is currently evaluating the impact of the adoption of ASU 2016-14.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 which deferred the effective date for the School until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendment in this update is required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School is currently evaluating the impact of the pending adoption of ASU 2014-09.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require 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 specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the School is currently evaluating the impact of the pending adoption of ASU 2016-02.

SUBSEQUENT EVENTS

The School's management has performed subsequent event procedures through October 29, 2018, which is the date the financial statements were available to be issued and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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, 2018 the School's uninsured cash balances totaled \$17,618,377. The School's management monitors the balances in excess of the FDIC coverage to limit any exposure to loss due to credit risk on cash and cash equivalents. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk on its cash and cash equivalent accounts.

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES

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

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

4. PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT AGENCIES
(CONTINUED)

Federal food subsidies, and Title I and II 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>2018</u>	<u>2017</u>
NYSED (pupil enrollment)	\$11,974,863	\$ 11,262,426
Federal Government	523,272	434,029
New York State	<u>281,080</u>	<u>206,938</u>
	\$12,779,215	\$ 11,903,393

The amounts are based upon actual amounts received as well as estimates by management. Management believes these estimates are based upon the best information available at this time. However, actual amounts received, as determined by the State, could vary based on changes in the factors used to calculate the amounts owed.

5. ADVANCE BILLING

The School invoices the State in June for the first two months of the following fiscal year. At June 30, 2018 and 2017 advance billing totaled \$2,037,590 and \$1,892,418, respectively.

	<u>2018</u>	<u>2017</u>
Balance at the beginning of year	\$ 1,892,418	\$ 1,903,473
Additions:		
Advance billing received	2,037,590	1,892,418
Reductions:		
Advance billing earned	<u>1,892,418</u>	<u>1,903,473</u>
Balance at end of year	\$ <u>2,037,590</u>	\$ <u>1,892,418</u>

6. PROPERTY AND EQUIPMENT

At June 30, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 170,919	\$ 170,919
School buildings	9,581,492	5,036,385
Modular space and related costs	440,835	440,835
Buildings and leasehold improvements	2,816,868	2,284,292
Furniture and fixtures	342,899	307,783
Computer equipment	1,664,858	1,324,253
Office equipment	64,978	60,303

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

6. PROPERTY AND EQUIPMENT (CONTINUED)

	2018	2017
Software	144,969	141,607
Automobiles	204,598	96,632
Equipment	153,381	153,381
	15,585,797	10,016,390
Less: Accumulated depreciation and amortization	6,340,567	5,582,417
	9,245,230	4,433,973
Construction in progress	58,453	2,218,747
Total	\$ <u>9,303,683</u>	\$ <u>6,652,720</u>

Depreciation and amortization expense for the year ended June 30, 2018 and 2017 was \$758,269 and \$546,806.

7. CREDIT AGREEMENT

The School has a \$1,500,000 variable revolving line of credit which was unused at June 30, 2018. The line of credit is available until December 31, 2018 with an interest rate equal to the London Interbank Offered Rate ("LIBOR") Daily Floating Rate plus 2.8 percentage points. If borrowings are made on the line of credit, the School will pay interest only payments through December 31, 2018 when the outstanding balance plus any accrued and unpaid interest will be due.

8. 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 Statement of Activities was \$146,249 for the year ended June 30, 2018. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All Plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

8. 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. 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>2018</u>
Projected benefit obligation at June 30	\$ (955,106)
Pension Plan assets at fair value at June 30	\$ <u>1,169,517</u>
Funded status	\$ <u><u>214,411</u></u>
Accumulated benefit obligation at June 30	\$ (955,106)
Employer contributions	\$ 687,290
Participant contributions	\$ -
Benefits paid	\$ -

Amounts recognized in the Statement of Financial Position at June 30, 2018 consist of:

Excess pension plan contribution (noncurrent asset)	\$ <u>214,411</u>
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Amounts recognized in the Statement of Activities for the year ended June 30, 2018 consist of:

Pension expense	\$ <u>472,879</u>
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ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

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 un-adjusted 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.

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 nee 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, 2018:

Cash and cash equivalent 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.

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

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, 2018:

<u>Asset Class</u>	<u>Assets at Fair Value</u>	
	<u>Total</u>	<u>Level 1</u>
Cash	\$ <u>1,169,286</u>	\$ <u>1,169,286</u>
	\$ <u>1,169,286</u>	\$ <u>1,169,286</u>

The School expects to contribute approximately \$513,000 to the Pension Plan in 2019.

No plan assets are expected to be returned to the School during 2019.

The following benefits are expected to be paid:

2019	\$ -
2020	\$ 25,414
2021	\$ 12,332
2022	\$ -
Years 2023 – 2027	\$ 74,904

9. LEASES

OPERATING LEASES

On June 30, 2016, the School entered into a new four-year non-cancelable lease agreement with its existing landlord and agreed to occupy additional space. The agreement expires June 30, 2020 and provides for base rent plus utility costs and property insurance costs. The lease provides for four renewal options of five years each at a two percent increase in rental payments over the prior year.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2018 for each of the next two years and in the aggregate are:

ROOSEVELT CHILDREN'S ACADEMY CHARTER SCHOOL, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

9. LEASES (CONTINUED)

OPERATING LEASES (CONTINUED)

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 379,303
2020	<u>386,889</u>
Total minimum future rental payments	\$ <u>766,192</u>

Rental expense was \$456,963 and \$453,369 for the years ended June 30, 2018 and 2017, respectively.

10. REVENUE CONCENTRATIONS

The School receives substantially all of its support and revenue from the New York State Department of Education. If such support was modified, reduced or eliminated the School's finances could be materially adversely affected.

11. CONTINGENCIES

NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

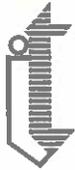
Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the School's financial statements. Accordingly,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

LITIGATION

The School continues to be a defendant in several employment related lawsuits and arbitration matters. The School has defended itself vigorously in these matters. Management believes 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.

ROOSEVELT CHILDREN'S ACADEMY
CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

EXPENSES	Program Services			Support Services		Total	
	Regular Education	Special Education	Total	Management and General	Fundraising	2018	2017
Salaries and wages	\$ 4,299,128	\$ 616,217	\$ 4,915,345	\$ 1,559,377	\$ -	\$ 6,474,722	\$ 6,160,284
Payroll tax expenses and fringe benefits	1,436,975	205,969	1,642,944	521,219	-	2,164,163	2,332,400
Total Personnel Service Costs	5,736,103	822,186	6,558,289	2,080,596	-	8,638,885	8,492,684
Consultants - education	588,271	24,511	612,782	-	-	612,782	406,772
Food purchases	449,193	18,716	467,909	-	-	467,909	372,747
Insurance expense	137,046	6,232	143,278	12,525	-	155,803	234,509
Supplies and materials	310,642	13,655	324,297	17,068	-	341,365	296,565
Textbooks	71,807	2,992	74,799	-	-	74,799	110,532
Telephone	43,381	1,808	45,189	16,714	-	61,903	50,999
Occupancy	416,750	17,365	434,115	22,848	-	456,963	453,369
Field trips	174,812	-	174,812	-	83,144	257,956	155,882
Staff development	408,785	17,033	425,818	-	-	425,818	126,484
Equipment - rentals	37,018	1,542	38,560	4,284	-	42,844	67,596
Professional fees	106,757	4,448	111,205	12,356	-	123,561	202,152
Repairs and maintenance	245,543	10,793	256,336	13,491	-	269,827	288,687
Travel	4,606	192	4,798	-	-	4,798	1,179
Board of trustees	-	-	-	7,549	-	7,549	5,896
Utilities	182,305	7,596	189,901	9,995	-	199,896	161,289
Depreciation and amortization	691,542	28,814	720,356	37,913	-	758,269	546,806
Postage	11,412	476	11,888	1,321	-	13,209	16,788
Advertising	14,586	608	15,194	1,688	-	16,882	34,619
Administrative fees	71,666	2,986	74,652	8,295	-	82,947	79,919
Student Testing & Incentives	156,353	6,515	162,868	-	-	162,868	92,988
Other	86,005	3,584	89,589	-	-	89,589	42,212
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2018	\$ 9,944,583	\$ 992,052	\$ 10,936,635	\$ 2,246,644	\$ 83,144	\$ 13,266,422	
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2017	\$ 9,599,666	\$ 226,889	\$ 9,826,555	\$ 2,405,031	\$ 9,088		\$ 12,240,674



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

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

We have audited, in accordance with the auditing 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 Roosevelt Children's Academy Charter School, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Israeloff, Teattner & Co. P.C.

Garden City, NY
October 29, 2018

Roosevelt Children's Academy Charter School

201 Debevoise Avenue, Roosevelt, NY 11575
105 Pleasant Avenue, Roosevelt, NY 11575
200 West Centennial, Roosevelt, NY 11575
Phone: (516) 442-2148 ext: 8206 Fax: (516) 223-3989
www.rcacs.org

Philip Leconte
Chief Operations Officer / CFO

October 29, 2018

Israeloff, Trattner & Co., P.C.
1225 Franklin Avenue, Suite 200
Garden City, NY 11530

This representation letter is provided in connection with your audit of the financial statements of Roosevelt Children's Academy Charter School, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, 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).

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 29, 2018, 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 August 8, 2018, including our responsibility for*

the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) 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.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with presentation of the financial statements and related notes and tax return preparation. We acknowledge our responsibility as it relates to those non-attest/non-audit services, including that we assume all management responsibilities: oversee the services by designating an individual, preferably within senior management, who possess suitable skill, knowledge, or experience; evaluate

the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Information Provided

- 13) 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, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) 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.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Organization 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.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, grantors, regulators, or others.

- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the identity of the School's related parties and all the related-party relationships and transactions of which we are aware.
- 21) The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) There were no instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) There were no instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) There were no instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) The School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the School's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

27) We acknowledge our responsibility for presenting the Statement of Functional Expenses in accordance with U.S. GAAP, and we believe the Statement of Functional Expenses,, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Statement of Functional Expenses 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 supplementary information.

28) The defined benefit pension plan of the School is over funded by \$214,411 as of June 30, 2018 based on actuarial study performed by a third party engaged by the School. Such over funded balance is reflected as part of non-current assets on the statement of financial position.

Signature: 
Title: COO/CFO



SINGLE AUDIT REPORT EXEMPTION FORM (Part 1 of 2)

This form must be completed and submitted if your agency is not required to have an audit of federal programs in accordance with OMB's Uniform Grant Guidance (2 CFR). If the form is not submitted upon request, your agency may be subject to withholding of funding for federal programs.

Agency Information:

<i>Agency Name and Address</i> Roosevelt Children's Academy Charter School 201 Debevoise Avenue Roosevelt, NY 11575		<i>FEIN(s)</i> 13-4119998	<i>Fiscal Year End Date</i> 6/30/2018
<i>Agency Representative</i> Philip LeConte		<i>Title</i> Chief Financial Officer / C.O.O	
<i>Telephone</i> 516-442-2148	<i>Fax</i> 516-223-6473	<i>Email</i> PhilipLeconte@AOL.com	

Certification:

For the fiscal year indicated above, the agency did not incur expenditures of \$750,000 or more for all federal programs and is not required to have an audit of federal programs in accordance with OMB's Uniform Grant Guidance.

<i>Agency Representative's Signature</i> 	<i>Date</i> 10/30/18
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Independent Auditor Information:

<i>Firm Name and Address</i> Israeloff, Trattner & Co., CPA's P.C. 1225 Franklin Avenue, Suite 200, Garden City, NY 11530		
<i>CPA Name</i> Patrick Yaghdjian		<i>New York State License Number</i> 075166
<i>Telephone</i> 516-214-1403	<i>Fax</i> 516-240-3310	<i>Email</i> yaghdjian@israeloff.com

The agency must fill in the information above and sign the certification. The form should be uploaded on the SED Survey tool.