

ROOTS PUBLIC CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
(Together With Independent Auditor's Report)

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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Roots Public Charter School, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Roots Public Charter School, Inc. (the School), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility

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 audit. We conducted our audit 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 misstatements.

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 entity'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 the School as of June 30, 2016, 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.

Other Matters

Report on Supplementary Information

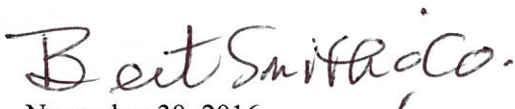
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying data included in the supplemental schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statement 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.

Report on Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, November 30, 2015. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2015, is consistent in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



November 30, 2016
Washington, D.C.

ROOTS PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 458,917	\$ 557,978
Due from District Government	25,728	36,110
Contributions Receivable	15,100	-
Other Receivables	1,377	1,280
Prepaid Expenses	3,072	3,296
Investments-Certificate of Deposits	646,549	644,652
Total Current Assets	<u>1,150,743</u>	<u>1,243,316</u>
Noncurrent Assets		
Deposit	40,000	40,000
Property and Equipment, net	61,382	88,954
Total Noncurrent Assets	<u>101,382</u>	<u>128,954</u>
Total Assets	<u><u>\$ 1,252,125</u></u>	<u><u>\$ 1,372,270</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 17,033	\$ 11,884
Accrued Expenses	67,676	83,349
Deferred Revenue	-	91,475
Total Current Liabilities	<u>84,709</u>	<u>186,708</u>
Net Assets		
Unrestricted	345,001	363,147
Unrestricted - Board Designated	822,415	822,415
Total Net Assets	<u>1,167,416</u>	<u>1,185,562</u>
Total Liabilities and Net Assets	<u><u>\$ 1,251,125</u></u>	<u><u>\$ 1,372,270</u></u>

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

ROOTS PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue		
Per Pupil Allotment	\$ 1,699,001	\$ 1,591,749
Federal Revenue	89,320	84,562
Local Grant Revenue	20,047	-
Contributions	45,244	21,772
Interest Income	2,208	2,279
Rental Income	28,629	27,804
Other Income	6,437	14,941
Total Unrestricted Revenue	<u>1,890,886</u>	<u>1,743,107</u>
Expenses		
Program Services	1,214,801	1,146,079
General and Administration	694,231	697,868
Total Expenses	<u>1,909,032</u>	<u>1,843,947</u>
Change In Net Assets	(18,146)	(100,840)
Net Assets, Beginning of Year	<u>1,185,562</u>	<u>1,286,402</u>
Net Assets, End of Year	<u><u>\$ 1,167,416</u></u>	<u><u>\$ 1,185,562</u></u>

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

ROOTS PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (18,146)	\$ (100,840)
<i>Adjustment to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>		
Depreciation Expense	29,336	32,117
<i>(Increase) Decrease in Assets</i>		
Receivables	(4,815)	(7,181)
Prepaid Expenses	224	9,453
<i>(Increase) Decrease in Liabilities</i>		
Accounts Payable	5,149	(7,023)
Accrued Expenses	(15,673)	21,160
Deferred Revenue	(91,475)	(27,175)
Total Net Cash Used in Operating Activities	<u>(95,400)</u>	<u>(79,489)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(1,897)	(1,860)
Purchase of Property and Equipment	(1,764)	(7,630)
Total Net Cash Used in Investing Activities	<u>(3,661)</u>	<u>(9,490)</u>
Net Decrease in Cash and Cash Equivalents	(99,061)	(88,979)
Cash and Cash Equivalents, Beginning of Year	<u>557,978</u>	<u>646,957</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 458,917</u></u>	<u><u>\$ 557,978</u></u>

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

ROOTS PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Roots Public Charter School, Inc. (the School), a not-for-profit community based charter school, was incorporated in March 1999 under the laws of the District of Columbia (District). Its primary mission is to offer a culturally relevant, African-centered and academically stimulating curriculum to young children. The School provides young pupils with a strong African-centered learning environment, guides pupils towards academic excellence, exemplary character and social responsibility and also encourages success leading to self-reliance and contributions to society economically, socially and politically. The School's curriculum, "African-Centered Interdisciplinary Multi-Level Hands-on Science" is structured for pre-primary to fifth grade and is aligned with The International Math and Science Standards (TIMSS) and Academic Content Standards of the District of Columbia.

The School also provides excellence in language arts, mathematics, social studies, science, music, physical education and exposure to computer skills, foreign languages of French, Spanish and Kiswahili and provides the fifth grade pupils with experiences in woodworking, cooking and sewing and prepares its fifth grade pupils to attend any of the best middle schools in the District.

The School is primarily funded from the District of Columbia Charter School Funds.

Basis of Accounting: The accompanying financial statements of the School have been prepared on the accrual basis of accounting.

Basis of Presentation: The School reports information regarding its financial position and activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

- *Unrestricted Net Assets* - net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the School and/or the passage of time. The School did not have any temporarily restricted net assets at June 30, 2016.

Revenues are reported as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the same reporting period, the School reports the contributions as unrestricted.

Revenue Recognition: The School records revenue when earned. Amounts received that have not been earned are recorded as deferred revenue.

Cash Equivalents: The School considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Property and Equipment: The School capitalizes all property and equipment with a unit cost in excess of \$300. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation expense is recorded using the straight-line method over the fixed assets estimated useful lives. Leasehold improvements are depreciated over the lease term.

The estimated useful lives are as follows:

Equipment	3-5 years
Furniture and Fixtures	5 years

Income Taxes: The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2016, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Investments: Investments are reported at fair value. Investment income is recognized as revenue and reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless it is temporarily or permanently restricted.

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 certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Accounting Pronouncement to be Adopted: Financial Accounting Standards Board (FASB) issued Topic 842, “Lease.” Under the pronouncement, lessees with an operating lease will be required to recognize (a) a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position and (b) single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight line basis. The pronouncement is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early implementation of the standard is permitted. However, the School has elected not to implement the pronouncement for this fiscal year.

Reclassifications: Certain amounts from 2015 have been reclassified to conform to the 2016 financial statement presentation.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains its cash in three financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the School did not have any uninsured cash.

NOTE 3 DUE FROM DISTRICT GOVERNMENT

The School receives an annual per pupil allotment and federal and local funds as a pass-through from the District. At June 30, 2016, the amount due from the District was \$25,728.

NOTE 4 INVESTMENTS

The School's investments, which are reported at fair value consists of certificate of deposits totaling \$646,549 at June 30, 2016.

NOTE 5 FAIR VALUE MEASUREMENTS

In accordance with ASC No. 820-10, the School's assets and liabilities are reported at fair value. ASC No. 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels.

Level 1 Quoted market prices for identical assets or liabilities in active markets.

Level 2 Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which significant inputs and significant value drivers are observable in active markets either directly or indirectly.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

The fair value of the School's assets and liabilities measured on a recurring basis at June 30, 2016 is as follows:

	<u>Level 1</u>	<u>Level 2</u>
Assets:		
Cash Equivalents	\$ 109,882	\$ -
Certificate of Deposits	-	646,549
Total	<u>\$ 109,882</u>	<u>\$ 646,549</u>

Certificate of Deposits are valued based on original cost plus accrued interest.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Leasehold Improvements	\$ 183,987
Equipment	62,239
Furniture and Fixtures	<u>56,855</u>
Total Fixed Assets	303,081
Less: Accumulated Depreciation	<u>(241,699)</u>
Net Fixed Assets	<u>\$ 61,832</u>

Depreciation expense during the fiscal year June 30, 2016 was \$29,336.

NOTE 7 BOARD DESIGNATED NET ASSETS

The Board of Directors has established a reserve fund for the future operations of the School. At June 30, 2016, the balance in the reserve fund was \$822,415.

NOTE 8 PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 90% of the School's total revenue.

The per pupil allotment consist of the following for the fiscal year ended:

Education	\$1,370,981
Facilities	<u>328,020</u>
	<u><u>\$1,699,001</u></u>

NOTE 9 RELATED PARTY TRANSACTIONS***Operating Lease***

The School is a party to a lease agreement for its main school building (located at 15 Kennedy Street, NW, Washington, D.C.) with 15 Kennedy Street Associates, LP whose principal partner is also the principal at the School. The School also leases additional space for its pre-primary section as a sub-tenant from another entity (Roots Activity Learning Center) owned by the principal of the School. Both leases expire in May 2018.

Total payments made by the School under these agreements for the year ended June 30, 2016 amounted to \$322,072. In the opinion of the School's management, both agreements were negotiated at amounts that do not exceed current market rates.

The following represents minimum lease payments under the rental agreements:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 323,205
2018	<u>308,440</u>
	<u><u>\$ 631,645</u></u>

Summer School Program

Roots Activity Learning Center provides the operation and administration of the Summer School Program for first through fifth grade students for nine weeks from 7am to 6pm. The costs for the operation and administration of the Summer School Program are paid to the organization, in which the principal has an interest. The amount paid for the year ended June 30, 2016 was \$71,726.

Contracted Services

Certain members of the School's Board of Directors also provide contracted services to the school. The Chairman is the School's legal counsel representing the school on legal matters and trains the staff in child abuse and child neglect issues. The School paid \$23,610 to the Chairman.

Contributions

The School received a \$31,000 pledge from one of the Partners of the 15th Kennedy Street Associates, LP. The School received \$15,900 during the fiscal year and \$15,100 after the fiscal year.

NOTE 10 RETIREMENT PLAN

The School has a Simplified Employee Pension (SEP) Plan that covers eligible employees. The School contributes to the employees' retirement based on the years of service. Three years of services is \$20 per month; five years of service is \$40 per month; and eight years of service is \$60 per month. In Fiscal Year 2016, the School contributed \$6,480 towards its retirement plan.

NOTE 11 CONTINGENCIES

The School asserts that there have been no material claims, suits, or complaints filed nor any pending against the organization. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization if disposed of unfavorably.

NOTE 12 SUBSEQUENT EVENTS

The School has evaluated any subsequent events through November 30, 2016, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

ROOTS PUBLIC CHARTER SCHOOL, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	Educational Programs	General and Administration	2016	2015
Personnel Costs				
Salaries	\$ 454,444	\$ 432,795	\$ 887,239	\$ 838,203
Employee Benefits	42,984	40,937	83,921	75,540
Payroll Taxes	40,007	38,102	78,109	65,835
Professional Development	6,193	5,898	12,091	16,333
Educational Scholarship	-	-	-	5,000
Total Personnel Costs	543,628	517,732	1,061,360	1,000,911
Direct Student Costs				
Supplies and Materials	27,021	-	27,021	36,480
Contracted Instructional Services	35,053	-	35,053	39,276
Student Assessment Materials	8,548	-	8,548	9,393
Student Activities	47,523	-	47,523	30,584
Food Service	110,530	-	110,530	95,110
Special Education	21,062	-	21,062	23,899
Summer School Tuition and Fees	71,726	-	71,726	71,191
NBCDI and Other Grant Costs	12,754	-	12,754	4,077
Other Student Costs	-	-	-	339
Total Direct Student Costs	334,217	-	334,217	310,349
Occupancy Expenses				
Rent	273,761	48,311	322,072	309,270
Maintenance and Repairs	29,841	5,266	35,107	41,786
Janitorial Supplies	1,660	293	1,953	1,221
Utilities	18,246	3,220	21,466	22,726
Depreciation Expense-Leasehold Improvements	11,171	1,971	13,142	13,057
Building Insurance	2,277	402	2,679	2,620
Total Occupancy Expenses	336,956	59,463	396,419	390,680
Office Expenses				
Equipment Repairs and Maintenance	-	1,893	1,893	1,836
Office Supplies and Materials	-	22,933	22,933	13,660
Printing and Copying	-	2,820	2,820	2,854
Communication Costs	-	5,767	5,767	4,895
Dues and Subscriptions	-	2,329	2,329	1,369
Advertising and Recruitment	-	4,990	4,990	30,453
Postage and Delivery	-	593	593	772
Other Office Expenses	-	171	171	264
Total Office Expenses	-	41,496	41,496	56,103
General Expenses				
Administrative Fees	-	18,889	18,889	16,803
Insurance	-	5,596	5,596	6,425
Legal and Accounting	-	34,861	34,861	23,201
Depreciation Expense	-	16,194	16,194	19,060
Other General Expenses	-	-	-	20,415
Total General Expenses	-	75,540	75,540	85,904
Total Expenses	\$ 1,214,801	\$ 694,231	\$ 1,909,032	\$ 1,843,947

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**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 Directors
Roots Public Charter School, Inc.
Washington, D.C.

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 the Roots Public Charter School, Inc. (the School), which comprised the statement of financial position as of June 30, 2016 and related statements of activities and changes in net assets and cash flows for the year ended June 30, 2016 and the related notes to the financial statements and have issued, our report thereon dated November 30, 2016.

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 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 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 laws, 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 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.

A handwritten signature in dark ink that reads "Bert Smith & Co." with a stylized flourish at the end.

November 30, 2016
Washington, D.C.