

**ROOTS PUBLIC CHARTER SCHOOL, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
*(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, 2017, 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, 2017, 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 Comparative Information*

We have previously audited the School's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, November 30, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2016, 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 21, 2017, 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 21, 2017

Washington, D.C.

**ROOTS PUBLIC CHARTER SCHOOL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**  
*(With Comparative Totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 902,440	\$ 458,917
Due from District	26,530	25,728
Contributions Receivable	-	15,100
Other Receivables	10,529	1,377
Prepaid Expenses	8,543	3,072
Investments-Certificate of Deposits	249,100	646,549
<b>Total Current Assets</b>	<u>1,197,142</u>	<u>1,150,743</u>
<b>Noncurrent Assets</b>		
Deposit	40,000	40,000
Property and Equipment, net	39,784	61,382
<b>Total Noncurrent Assets</b>	<u>79,784</u>	<u>101,382</u>
<b>Total Assets</b>	<u>\$ 1,276,926</u>	<u>\$ 1,252,125</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 13,449	\$ 17,033
Accrued Expenses	83,957	67,676
<b>Total Current Liabilities</b>	<u>97,406</u>	<u>84,709</u>
<b>Net Assets</b>		
Unrestricted	357,105	345,001
Unrestricted - Board Designated	822,415	822,415
<b>Total Net Assets</b>	<u>1,179,520</u>	<u>1,167,416</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,276,926</u>	<u>\$ 1,252,125</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, 2017**  
*(With Comparative Totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>Unrestricted Revenue and Support</b>		
Per Pupil Allotment	\$ 1,918,972	\$ 1,699,001
Federal Revenue	107,965	89,320
Local Grant Revenue	12,813	20,047
Contributions	5,765	45,244
Interest Income	2,198	2,208
Rental Income	26,304	28,629
Other Income	16,699	6,437
<b>Total Unrestricted Revenue and Support</b>	<u>2,090,716</u>	<u>1,890,886</u>
<b>Expenses</b>		
Program Services	1,322,795	1,214,801
General and Administration	755,817	694,231
<b>Total Expenses</b>	<u>2,078,612</u>	<u>1,909,032</u>
<b>Change In Net Assets</b>	12,104	(18,146)
<b>Net Assets, Beginning of Year</b>	<u>1,167,416</u>	<u>1,185,562</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,179,520</u></u>	<u><u>\$ 1,167,416</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, 2017**  
*(With Comparative Totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 12,104	\$ (18,146)
<i>Adjustment to Reconcile Change in Net Assets to</i> <i>Net Cash Provided by (Used in) Operating Activities:</i>		
Depreciation Expense	30,070	29,336
Cash Equivalent Reclassification	392,604	-
<i>(Increase) Decrease in Assets</i>		
Receivables	5,146	(4,815)
Prepaid Expenses	(5,471)	224
<i>Increase (Decrease) in Liabilities</i>		
Accounts Payable	(3,584)	5,149
Accrued Expenses	16,281	(15,673)
Deferred Revenue	-	(91,475)
<b>Total Net Cash Provided by (Used in) Operating Activities</b>	<u>447,150</u>	<u>(95,400)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(1,863)	(1,897)
Purchase of Property and Equipment	(1,764)	(1,764)
<b>Total Net Cash Used in Investing Activities</b>	<u>(3,627)</u>	<u>(3,661)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	443,523	(99,061)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>458,917</u>	<u>557,978</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 902,440</u></u>	<u><u>\$ 458,917</u></u>

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



**ROOTS PUBLIC CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 Government 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's major source of funding is an annual per pupil allotment from the District. The School also receives funding from the federal government, local grants, rental income, and student fees and activities. In fiscal year 2017, the School received federal funding as a pass-through from the District.

***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, 2017.

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, 2017, 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. The School has elected not to early implement the pronouncement.

FASB 958, “Presentation of Financial Statements of Not-for-Profit Entities”. This standard enhances disclosure amends the requirements for financial statements and notes for non-profit organizations to require the presentation of the financial statements in two classes of net assets rather than for the currently required three classes. In addition, the amendment no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early implementation of the standard is permitted. The School has elected not to early implement.

**NOTE 2 DUE FROM DISTRICT**

The School receives an annual per pupil allotment and federal and local funds as a pass-through from the District. At June 30, 2017, the amount due from the District was \$26,530.

**NOTE 3 INVESTMENTS**

The School’s investments, which are reported at fair value consists of certificate of deposits totaling \$249,100 at June 30, 2017.

**NOTE 4 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, 2017 is as follows:

	<u>Level 1</u>	<u>Level 2</u>
<b>Assets:</b>		
Cash Equivalents	\$ 149,978	\$ -
Certificate of Deposits	-	249,100
Total	<u>\$ 149,978</u>	<u>\$ 249,100</u>

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

**NOTE 5      PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

Leasehold Improvements	\$	188,589
Equipment		62,239
Furniture and Fixtures		60,655
Total Fixed Assets		<u>311,483</u>
Less: Accumulated Depreciation		<u>(271,699)</u>
Net Fixed Assets	\$	<u>39,784</u>

Depreciation expense during the fiscal year June 30, 2017 was \$30,070.

**NOTE 6      BOARD DESIGNATED NET ASSETS**

The Board of Directors has established a reserve fund for the future operations of the School. At June 30, 2017, the balance in the reserve fund was \$822,415.

**NOTE 7      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	\$1,550,340
Facilities	368,632
	<u>\$1,918,972</u>

**NOTE 8      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. The minimum lease payments for the subsequent fiscal year on the leases is \$308,440.

Total payments made by the School under these agreements for the year ended June 30, 2017 amounted to \$332,688.

***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, 2017 was \$69,959.

***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 various lease matters. The School paid \$24,000 to the Chairman. Another Board member maintained the School's website and was paid \$2,750. A relative of an employee was also paid \$3,200 for conducting yoga classes.

**NOTE 9      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 2017, the School contributed \$6,000 towards its retirement plan.

**NOTE 10      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 11      SUBSEQUENT EVENTS**

The School has evaluated any subsequent events through November 21, 2017, 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, 2017**  
*(With Comparative Totals for 2016)*

	<b>Educational Programs</b>	<b>General and Administration</b>	<b>2017</b>	<b>2016</b>
<b>Personnel Costs</b>				
Salaries	\$ 534,496	\$ 497,144	\$ 1,031,640	\$ 887,239
Employee Benefits	41,313	39,345	80,658	83,921
Payroll Taxes	40,893	38,945	79,838	78,109
Professional Development	7,072	6,735	13,807	12,091
Educational Scholarship	-	-	-	-
<b>Total Personnel Costs</b>	<b>623,774</b>	<b>582,169</b>	<b>1,205,943</b>	<b>1,061,360</b>
<b>Direct Student Costs</b>				
Supplies and Materials	46,800	-	46,800	27,021
Contracted Instructional Services	41,576	-	41,576	35,053
Student Assessment Materials	6,534	-	6,534	8,548
Student Activities	42,577	-	42,577	47,523
Food Service	120,941	-	120,941	110,530
Special Education	25,616	-	25,616	21,062
Summer School Tuition and Fees	69,959	-	69,959	71,726
NBCDI and Other Grant Costs	15,867	-	15,867	12,754
Other Student Costs	252	-	252	-
<b>Total Direct Student Costs</b>	<b>370,122</b>	<b>-</b>	<b>370,122</b>	<b>334,217</b>
<b>Occupancy Expenses</b>				
Rent	284,460	50,199	334,659	322,072
Maintenance and Repairs	29,441	5,196	34,637	35,107
Janitorial Supplies	2,255	398	2,653	1,953
Utilities	560	99	659	21,466
Depreciation Expense-Leasehold Improvements	8,631	1,523	10,154	13,142
Building Insurance	3,552	627	4,179	2,679
<b>Total Occupancy Expenses</b>	<b>328,899</b>	<b>58,042</b>	<b>386,941</b>	<b>396,419</b>
<b>Office Expenses</b>				
Equipment Repairs and Maintenance	-	3,980	3,980	1,893
Office Supplies and Materials	-	22,231	22,231	22,933
Printing and Copying	-	1,074	1,074	2,820
Communication Costs	-	4,785	4,785	5,767
Dues and Subscriptions	-	2,281	2,281	2,329
Advertising and Recruitment	-	1,628	1,628	4,990
Postage and Delivery	-	872	872	593
Other Office Expenses	-	-	-	171
<b>Total Office Expenses</b>	<b>-</b>	<b>36,851</b>	<b>36,851</b>	<b>41,496</b>
<b>General Expenses</b>				
Administrative Fees	-	19,896	19,896	18,889
Insurance	-	3,191	3,191	5,596
Legal and Accounting	-	34,750	34,750	34,861
Depreciation Expense	-	19,916	19,916	16,194
Other General Expenses	-	1,002	1,002	-
<b>Total General Expenses</b>	<b>-</b>	<b>78,755</b>	<b>78,755</b>	<b>75,540</b>
<b>Total Expenses</b>	<b>\$ 1,322,795</b>	<b>\$ 755,817</b>	<b>\$ 2,078,612</b>	<b>\$ 1,909,032</b>





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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, 2017 and related statements of activities and changes in net assets and cash flows for the year ended June 30, 2017 and the related notes to the financial statements and have issued, our report thereon dated November 21, 2017.

**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 21, 2017  
Washington, D.C.