



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

December 21, 2023

Charter School Board
Rooted School, Inc.
Marion County, Indiana

We have reviewed the audit report of Rooted School, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Rooted School, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Rooted School, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

ROOTED SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Rooted School, Inc.

Opinion

We audited the financial statements of Rooted School, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are issued.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

DONOVAN



Indianapolis, Indiana
December 12, 2023

ROOTED SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,138,673	\$ 903,054
Grants receivable	118,106	169,623
<i>Total current assets</i>	<u>1,256,779</u>	<u>1,072,677</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	12,300	-
Vehicles	73,900	73,900
Less: accumulated depreciation	(36,851)	(20,698)
Operating lease right-of-use asset	206,792	249,527
<i>Property and equipment, net</i>	<u>256,141</u>	<u>302,729</u>
TOTAL ASSETS	<u><u>\$ 1,512,920</u></u>	<u><u>\$ 1,375,406</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of operating lease liability	\$ 46,052	\$ 39,656
Current portion of note payable	9,162	22,227
Accounts payable and accrued expenses	126,826	96,434
Refundable advances	-	386,358
<i>Total current liabilities</i>	<u>182,040</u>	<u>544,675</u>
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	160,740	209,871
Note payable, net of current portion	13,054	23,373
<i>Total liabilities</i>	<u>355,834</u>	<u>777,919</u>
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>1,157,086</u>	<u>597,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,512,920</u></u>	<u><u>\$ 1,375,406</u></u>

See independent auditors' report and accompanying notes to the financial statements

ROOTED SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE AND SUPPORT		
State education support	\$ 1,157,002	\$ 735,707
Grant revenue	1,858,890	915,033
Other income	48,878	62,361
	<u>3,064,770</u>	<u>1,713,101</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	1,781,499	1,074,816
Management and general	723,672	551,368
	<u>2,505,171</u>	<u>1,626,184</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS	559,599	86,917
NET ASSETS, BEGINNING OF YEAR	<u>597,487</u>	<u>510,570</u>
NET ASSETS, END OF YEAR	<u>\$ 1,157,086</u>	<u>\$ 597,487</u>

See independent auditors' report and accompanying notes to the financial statements

ROOTED SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 754,137	\$ 280,523	\$ 1,034,660	\$ 558,849	\$ 157,895	\$ 716,744
Professional services	286,292	186,280	472,572	94,151	183,792	277,943
Employee benefits	97,132	129,334	226,466	43,549	86,011	129,560
Transportation	192,821	-	192,821	82,560	-	82,560
Information technology	173,119	-	173,119	72,975	-	72,975
Food	114,028	-	114,028	70,745	-	70,745
Occupancy	89,577	-	89,577	85,484	-	85,484
Supplies	15,348	23,449	38,797	5,531	14,902	20,433
Advertising	-	31,816	31,816	-	45,149	45,149
Travel	4,860	22,954	27,814	4,880	29,331	34,211
Equipment	19,595	-	19,595	29,518	-	29,518
Telephone	-	17,067	17,067	-	7,872	7,872
Depreciation	16,153	-	16,153	14,198	-	14,198
Insurance	-	14,800	14,800	-	14,979	14,979
Staff development	9,920	-	9,920	6,442	-	6,442
Repairs and maintenance	8,517	-	8,517	5,934	-	5,934
Dues and subscriptions	-	7,845	7,845	-	5,577	5,577
Printing	-	7,078	7,078	-	4,807	4,807
Other	-	2,526	2,526	-	1,053	1,053
<i>Total functional expenses</i>	<u>\$ 1,781,499</u>	<u>\$ 723,672</u>	<u>\$ 2,505,171</u>	<u>\$ 1,074,816</u>	<u>\$ 551,368</u>	<u>\$ 1,626,184</u>

See independent auditors' report and accompanying notes to the financial statements

ROOTED SCHOOL, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 559,599	\$ 86,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,153	14,198
Change in certain assets and liabilities:		
Grants receivable	51,517	118,562
Accounts payable and accrued expenses	30,392	37,716
Refundable advances	<u>(386,358)</u>	<u>386,358</u>
<i>Net cash provided by operating activities</i>	271,303	643,751
INVESTING ACTIVITIES		
Purchases of property and equipment	(12,300)	(34,900)
FINANCING ACTIVITIES		
Repayment of note payable	<u>(23,384)</u>	<u>-</u>
NET CHANGE IN CASH	235,619	608,851
CASH, BEGINNING OF YEAR	<u>903,054</u>	<u>294,203</u>
CASH, END OF YEAR	<u>\$ 1,138,673</u>	<u>\$ 903,054</u>

See independent auditors' report and accompanying notes to the financial statements

ROOTED SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rooted School, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana and operates a public charter established under Indiana Code 20-24. The School's mission is to provide its students personal pathways to financial freedom and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The School served approximately 135 students in the seventh, ninth, tenth and eleventh grades during the 2022-2023 school year and approximately 90 students in the ninth and tenth grades only during the 2021-2022 school year. The School is serving grades seventh through twelfth during the 2023-2024 school year.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions - which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions - which represent resources restricted by donors for specific time or purpose.

As of June 30, 2023 and 2022, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. As of June 30, 2023 and 2022, there were no cash equivalents.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and small equipment purchases are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life for vehicles and furniture and equipment is 5 years.

Taxes on Income – The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2023 and 2022, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

ROOTED SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2019 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 12, 2023, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - REVENUE RECOGNITION

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A significant portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs is considered satisfaction of the performance obligations.

The School also receives contributions and grants from private organizations and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue – Revenue is disaggregated on the statements of activities and change in net assets.

NOTE 3 - REFUNDABLE ADVANCES

The School receives grants, some of which must be spent in accordance with submitted budgets with any funds not expended for the designated purposes returned. Accordingly, the revenue is recognized as approved expenditures are incurred. The School had refundable grant advances in excess of expenditures of \$386,358 at June 30, 2022. There were no refundable advances at June 30 2023.

ROOTED SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 4 - NOTE PAYABLE

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. On July 10, 2020, the School was granted a loan from CRF USA, in the amount of \$45,600, pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on July 10, 2025 and bears an interest rate of 1.00%. The School began repaying the note in July 2022.

Principal maturities of the note payable are as follows for the years ending June 30:

2024	\$	9,162
2025		9,254
2026		<u>3,800</u>
	\$	<u>22,216</u>

NOTE 5 - LEASE

The School leases its facility from an unrelated party. The School determined the lease falls under ASU 2016-02 and as such recorded an asset and liability presented on the statements of financial position as an operating lease right-of-use asset and operating lease liability. The lease requires payments over the life of the lease of \$5,000 per month. Rent expense under this lease was \$60,000 for each of the years ended June 30, 2023 and 2022. This standard was adopted retrospectively to the prior period presented. This retrospective adoption had no impact on the prior reported net assets or change in net assets.

Future minimum payments under the non-cancellable operating lease are as follows for the years ending June 30:

2024	\$	60,000
2025		60,000
2026		60,000
2027		<u>60,000</u>
		240,000
Less: imputed interest at 7.5%		<u>(33,208)</u>
Total operating lease liability		206,792
Less: current portion		<u>(46,052)</u>
Long-term portion	\$	<u>160,740</u>

ROOTED SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 6 - RETIREMENT PLANS

The School maintains a defined contribution Section 403(b) retirement plan covering substantially all employees. The plan allows employees to make salary deferral contributions and provides that the School will make contributions at its discretion. Alternatively, an employee may participate in the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan sponsored by the State of Indiana and administered by the Indiana Public Retirement System Board. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2022 (the latest year reported), TRF was approximately 92% funded. For the years ended June 30, 2023 and 2022, the School contributed 5.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$5,200 and \$5,000 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - COMMITMENT

As the sponsoring organization, OEI exercises certain oversight responsibilities. Beginning with the 2023-2024 school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No authorizer oversight were paid during the years ended June 30, 2023 and 2022.

The charter agreement requires the School to establish an escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2023 and 2022, this account has been established and is included in the balance of cash presented on the statements of financial position.

NOTE 8 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Bank deposits are maintained at JPMorgan Chase Bank, N.A. and are insured up to the FDIC insurance limit. As of June 30, 2023 and 2022, and at times during the years, cash balances exceeded the FDIC insured limit.

ROOTED SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 9 - LIQUIDITY

Financial assets held by the School include cash and grants receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$1,226,779 and \$1,042,677 as of June 30, 2023 and 2022, respectively, which includes all financial assets except the \$30,000 escrow account (Note 7).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 - FUNCTIONAL EXPENSE REPORTING

The costs of providing educational activities are summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

ROOTED SCHOOL, INC.
OTHER REPORT
For the Year Ended June 30, 2023

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Rooted School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.