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January 25, 2022

Charter School Board  
Rooted School, Inc.  
5750 E 30th St.  
Indianapolis, IN 46218

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, 2020 to June 30, 2021. 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, 2021 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 Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**ROOTED SCHOOL, INC.**

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report

For the Year Ended June 30, 2021



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# Donovan CPAs

## *Independent Auditors' Report*

The Board of Directors  
Rooted School, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rooted School, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year 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.

### **Auditors' 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. 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 auditors' 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 auditors consider 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rooted School, Inc. as of June 30, 2021, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent initial "D".

Indianapolis, Indiana  
December 10, 2021

**ROOTED SCHOOL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 294,203
Grants receivable	<u>288,185</u>
<i>Total current assets</i>	<u>582,388</u>

**PROPERTY AND EQUIPMENT**

Vehicles	39,000
Less: accumulated depreciation	<u>(6,500)</u>
<i>Property and equipment, net</i>	<u>32,500</u>

**TOTAL ASSETS**

\$ 614,888

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 58,718
Paycheck Protection Program note payable	<u>45,600</u>
<i>Total current liabilities</i>	104,318

**NET ASSETS, WITHOUT DONOR RESTRICTIONS**

510,570

**TOTAL LIABILITIES AND NET ASSETS**

\$ 614,888

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

**ROOTED SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2021**

<b>REVENUE AND SUPPORT</b>	
State education support	\$ 450,644
Grant revenue	1,155,113
Other income	<u>37,652</u>
<i>Total revenue and support</i>	<u>1,643,409</u>
 <b>EXPENSES</b>	
Program services	801,093
Management and general	<u>434,275</u>
<i>Total expenses</i>	<u>1,235,368</u>
 <b>CHANGE IN NET ASSETS</b>	 408,041
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>102,529</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u><u>\$ 510,570</u></u>

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

**ROOTED SCHOOL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 361,586	\$ 198,848	\$ 560,434
Employee benefits	25,512	79,035	104,547
Professional services	102,259	-	102,259
Information technology	88,511	-	88,511
Occupancy	86,333	-	86,333
Staff development	2,982	45,141	48,123
Food	39,063	-	39,063
Transportation	38,503	-	38,503
Advertising	-	37,772	37,772
Repairs and maintenance	32,376	-	32,376
Supplies	3,854	26,426	30,280
Insurance	-	24,219	24,219
Equipment	12,126	-	12,126
Printing	-	9,079	9,079
Depreciation	6,500	-	6,500
Travel	1,488	4,937	6,425
Telephone	-	5,808	5,808
Dues and subscriptions	-	2,612	2,612
Other	-	398	398
	<hr/>	<hr/>	<hr/>
<i>Total functional expenses</i>	<u>\$ 801,093</u>	<u>\$ 434,275</u>	<u>\$ 1,235,368</u>

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

**ROOTED SCHOOL, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

<b>OPERATING ACTIVITIES</b>	
Change in net assets	\$ 408,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,500
Change in certain assets and liabilities:	
Grants receivable	(205,759)
Accounts payable and accrued expenses	5,201
Refundable advance	<u>(150,000)</u>
<i>Net cash provided by operating activities</i>	63,983
<b>INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(39,000)
<b>FINANCING ACTIVITIES</b>	
Proceeds from Paycheck Protection Program note payable	<u>45,600</u>
<b>NET CHANGE IN CASH</b>	70,583
<b>CASH, BEGINNING OF YEAR</b>	<u>223,620</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 294,203</u></u>

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

**ROOTED SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**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. The School commenced operations as a public charter school on July 1, 2020 under Indiana Code 20-24 and is sponsored by the Office of Education Innovation ("OEI") of the Mayor of the City of Indianapolis. The School served approximately 60 students in the ninth grade during the 2020-2021 school year. The School will serve ninth and tenth grades during the 2021-2022 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 that are 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, 2021, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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, 2021, 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 is 5 years.

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that 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 year ended June 30, 2021, 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 Year Ended June 30, 2021**

**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 be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is 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 has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2017 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 10, 2021, 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 Standard – Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are 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 has applied the provisions of this ASU to the June 30, 2021 financial statements. There was no material impact on the financial statements.

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 obligation.

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 statement of activities and change in net assets.

**ROOTED SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 3 - PRIOR PERIOD FINANCIAL ACTIVITY**

Prior to the year ended June 30, 2021, (the School’s first year of operations), the School received grants and other funds in anticipation of opening the School. The School’s statement of financial position as of June 30, 2020 was as follows:

Cash	\$	223,620
Grants receivable		<u>82,427</u>
<i>Total assets</i>	\$	<u><u>306,047</u></u>
Accounts payable and accrued expenses	\$	53,518
Refundable advance		<u>150,000</u>
<i>Total liabilities</i>		203,518
Net assets, without donor restrictions		<u>102,529</u>
<i>Total liabilities and net assets</i>	\$	<u><u>306,047</u></u>

**NOTE 4 - PAYCHECK PROTECTION PROGRAM 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. The proceeds from the PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. 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 was set to mature on July 10, 2025 and bear an interest at a rate of 1.00%.

The School has determined the PPP note payable represents a financial liability and has accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*. Accordingly, the note payable is included as a current liability as of June 30, 2021. Subsequent to June 30, 2021, the School has paid back the note in full.

**ROOTED SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 5 - LEASE**

The School leases its facility from an unrelated party through June 30, 2027. For the year ended June 30, 2021, rent payments and expense totaled \$55,750.

Minimum lease obligations for the facility space are as follows for the years ending June 30:

2022	\$	60,000
2023		60,000
2024		60,000
2025		60,000
2026		60,000
Thereafter		60,000

**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 Plan ("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. For the year ended June 30, 2021, the School contributed 5.5% of defined compensation to each employee's retirement plan account of choice. Retirement plan expense was \$769 for the year ended June 30, 2021.

**NOTE 7 - COMMITMENT**

The School operates under a charter granted by OEI. 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 management fees were paid during the year ended June 30, 2021.

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, 2021, this account has been established, and is included in the balance of cash presented on the statement of financial position.

**ROOTED SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**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, 2021, and at times during the year, cash balances exceeded the FDIC insured limit.

**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 \$552,388 as of June 30, 2021, 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 the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has 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, 2021**

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*.