

GENESEE COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2023



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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Genesee Community Charter School
Rochester, New York

Opinion

We have audited the accompanying financial statements of Genesee Community Charter School (a New York State nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Genesee Community Charter School as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Genesee Community Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have 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 the 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 that are 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 Genesee Community Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, are considered material if there is a substantial likelihood that, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Genesee Community Charter 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 Genesee Community Charter School's ability to continue as a going concern for a reasonable period of time.

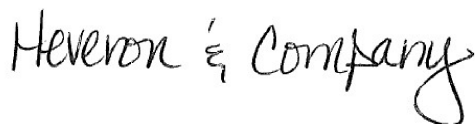
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Genesee Community Charter School's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023 on our consideration of Genesee Community Charter 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Genesee Community Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Genesee Community Charter School's internal control over financial reporting and compliance.



Heveron & Company CPAs

Rochester, New York

October 19, 2023

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 38,632	\$ 97,512
Accounts Receivable	58,936	50,142
Due from Flour City Campus	5,836	387,870
Pledges and Grants Receivable	196,383	145,741
Prepaid Expenses	<u>75,362</u>	<u>93,088</u>
Total Current Assets	<u>375,149</u>	<u>774,353</u>
<u>Fixed Assets</u>		
Leasehold Improvements and Equipment, Net	<u>302,410</u>	<u>431,613</u>
<u>Other Assets</u>		
Investments	1,024,403	959,621
Restricted Cash - Escrow Account	100,194	100,129
Right-of-Use-Assets - Operating Leases	381,109	-
Deposits	<u>3,478</u>	<u>3,478</u>
Total Other Assets	<u>1,509,184</u>	<u>1,063,228</u>
TOTAL ASSETS	<u>\$ 2,186,743</u>	<u>\$ 2,269,194</u>

LIABILITIES AND NET ASSETS

	2023	2022
<u>Current Liabilities</u>		
Accounts Payable	\$ 65,939	\$ 49,292
Accrued Payroll	276,738	284,432
Accrued Liabilities	222,309	231,927
Deferred Revenue	9,332	-
Current Portion of Operating Lease Liabilities	262,565	-
Line of Credit	-	141,417
Total Current Liabilities	836,883	707,068
<u>Long-Term Liabilities</u>		
Operating Lease Liabilities, Net of Current Portion	125,969	-
Total Long-Term Liabilities	125,969	-
Total Liabilities	962,852	707,068
<u>Net Assets</u>		
Net Assets Without Donor Restrictions:		
Undesignated	373,891	926,719
Designated by the Board	850,000	635,407
Total Net Assets Without Donor Restrictions	1,223,891	1,562,126
Total Net Assets	1,223,891	1,562,126
TOTAL LIABILITIES AND NET ASSETS	\$ 2,186,743	\$ 2,269,194

See Accompanying Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2023 and 2022

	2023	2022
<u>Revenues, Gains and Other Support:</u>		
Public School District:		
Resident Student Enrollment	\$ 2,973,988	\$ 2,933,584
Federal Grants	282,849	377,835
In Kind State Grants	17,208	15,479
Contributions	15,878	17,933
Food Service Fees	129,537	112,468
Field Study Fees	29,421	50,835
Other Income	2,926	4,614
Interest/Dividends Income	21,451	25,057
Net Investment Returns	43,406	(129,409)
Total Revenues, Gains, and Other Support	3,516,664	3,408,396
<u>Expenses:</u>		
<u>Program Services:</u>		
Regular Education	3,079,880	3,028,223
Special Education	77,607	93,872
Food Services	144,323	123,806
Total Program Services Expense	3,301,810	3,245,901
<u>Supporting Services:</u>		
Management and General	553,089	517,675
Total Expenses	3,854,899	3,763,576
Change in Net Assets	(338,235)	(355,180)
Net Assets - Beginning of Year	1,562,126	1,917,306
Net Assets - End of Year	\$ 1,223,891	\$ 1,562,126

See Accompanying Notes to Financial Statements.

**GENESEE COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended June 30, 2023

(With Comparative Totals For The Year Ended June 30, 2022)

	No. of Positions	Program Services			Management and General	Totals	
		Regular Education	Special Education	Food Services		2023	2022
Personnel Services Costs							
Instructional Personnel	28	\$ 1,505,819	\$ -	\$ -	\$ -	\$ 1,505,819	\$ 1,535,983
Administrative Staff Personnel	3	28,376	45,500	-	262,531	336,407	389,399
Non-Instructional Personnel	<u>3</u>	<u>83,000</u>	<u>-</u>	<u>14,178</u>	<u>-</u>	<u>97,178</u>	<u>127,429</u>
Total Salaries	34	1,617,195	45,500	14,178	262,531	1,939,404	2,052,811
Employee Benefits and Payroll Taxes		406,010	16,380	1,276	60,987	484,653	460,612
Retirement Expense		<u>127,501</u>	<u>-</u>	<u>-</u>	<u>56,008</u>	<u>183,509</u>	<u>185,363</u>
Total Personnel Services		2,150,706	61,880	15,454	379,526	2,607,566	2,698,786
Rent		261,228	8,518	2,839	11,358	283,943	207,900
Other Purchased Services		55,812	-	-	97,049	152,861	154,936
Student Services		150,693	-	-	-	150,693	112,072
Depreciation and Amortization		125,328	3,876	-	-	129,204	130,247
Food Service		-	-	124,919	-	124,919	106,270
Technology		94,854	-	-	-	94,854	26,269
Office Expense		56,314	-	-	13,921	70,235	55,369
Repairs and Maintenance		58,372	1,903	634	2,538	63,447	61,298
Staff Development		49,437	-	-	-	49,437	89,212
Insurance		43,840	1,430	477	1,906	47,653	45,090
Supplies and Materials		33,296	-	-	-	33,296	44,909
Legal		-	-	-	30,336	30,336	17,300
Accounting and Auditing Fees		-	-	-	12,425	12,425	11,950
Interest Expense		-	-	-	4,030	4,030	1,968
Total Expenses		<u>\$ 3,079,880</u>	<u>\$ 77,607</u>	<u>\$ 144,323</u>	<u>\$ 553,089</u>	<u>\$ 3,854,899</u>	<u>\$ 3,763,576</u>

See Accompanying Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities</u>		
Receipts from School Districts	\$ 2,949,107	\$ 2,899,451
Receipts from Food Service	154,956	101,755
Grants	232,207	343,155
Other Sources	53,797	75,331
Contributions	15,878	17,933
Payments for Bank for Interest	(4,030)	(1,968)
Payments to Vendors for Goods and Services Rendered	(1,055,093)	(912,141)
Payments to Charter School Personnel for Services Rendered	<u>(2,624,880)</u>	<u>(2,646,671)</u>
Net Cash Flows Provided/(Used) By Operating Activities	<u>(278,058)</u>	<u>(123,155)</u>
<u>Cash Flows From Investing Activities</u>		
(Increase)/Decrease in Other Receivables	382,034	(387,870)
Purchase of Fixed Assets	-	(5,397)
Proceeds from Sale of Investments	-	214,593
Purchase of Investments	<u>(21,374)</u>	<u>(25,039)</u>
Net Cash Flows Provided/(Used) By Investing Activities	<u>360,660</u>	<u>(203,713)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from Line of Credit	-	192,201
Payments on Line of Credit	<u>(141,417)</u>	<u>(50,784)</u>
Net Cash Flows Provided/(Used) By Financing Activities	<u>(141,417)</u>	<u>141,417</u>
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	(58,815)	(185,451)
Cash and Cash Equivalents, and Restricted Cash - Beginning of Year	<u>197,641</u>	<u>383,092</u>
Cash and Cash Equivalents, and Restricted Cash - End of Year	<u>\$ 138,826</u>	<u>\$ 197,641</u>

GENESEE COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2023 and 2022
(Continued)

	2023	2022
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ (338,235)	\$ (355,180)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	129,204	130,247
Net Investment Returns	(43,406)	129,409
(Increase)/Decrease In:		
Accounts Receivable	(8,797)	(17,417)
Pledges and Grants Receivable	(50,642)	(45,393)
Prepaid Expenses	17,726	(32,686)
Operating Lease Asset	222,589	-
Increase/(Decrease) In:		
Accounts Payable	16,647	22,892
Accrued Payroll	(7,694)	1,529
Accrued Liabilities	(9,618)	48,619
Deferred Revenue	9,332	(5,175)
Operating Lease Liability	(215,164)	-
Net Cash Flows Provided/(Used) By Operating Activities	\$ (278,058)	\$ (123,155)

See Accompanying Notes to Financial Statements.

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Genesee Community Charter School (the School) is a nonprofit organization that was formed to provide a rich educational experience that values intellectual rigor, respect for diversity, and community responsibility. The School's local history-based and globally-connected programs immerse the children in investigation and discovery, extensively using the cultural and natural resources of the Rochester, NY community. The School focuses on nurturing the children's natural abilities to be reflective questioners, articulate communicators, critical thinkers, and skilled problem solvers, enabling them to reach exemplary standards. The School's revenue is predominantly Resident Student Enrollment fees from the Rochester City School District and a few other surrounding school districts. The School also receives federal and state grants, contributions, and other income.

The main programs of the School are as follows:

REGULAR EDUCATION: The School curriculum is organized around six historical time periods - Prehistory, First Peoples of the Americas/Explorers, Settlement and Colonial Life, Village to City, City Grows, and Today and Tomorrow. The School integrates Math, Science, Social Studies, Language Arts, Art, Music, and Physical Education to provide a rich and challenging curriculum, while keeping in alignment with the New York State Learning Standards.

SPECIAL EDUCATION: The School is open to all children and does not discriminate on the basis of ethnicity, national origin, gender, disability, or any other grounds that would be unlawful or deny the civil rights of any individual. In accordance with the Individuals with Disabilities Education Act, the Rehabilitation Act, Section 504, and the Americans with Disabilities Act, the School provides a free and appropriate education, in the least restrictive environment to students with disabilities. The primary service delivery for students with special needs is inclusion. For students requiring supplemental services, the School contracts with local individuals or agencies to provide the required services outlined in the student's Individual Education Plan or 504 Plan.

FOOD SERVICES: The School believes that healthy meals are an important part of a child's day. Breakfast and lunch are delivered and served "family style" every day, as the School does not have a cafeteria or kitchen facilities. The children eat and socialize with each other, parents, and teachers in their classrooms. All meals meet the required New York State Child Nutrition Standards, and the School subscribes to the New York State free and reduced priced meal program.

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, the School reports information regarding its financial position and activities according to the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets. See Note 2 for more information.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

There were no net assets with donor restrictions at June 30, 2023 and 2022.

Deferred Revenue

Deferred revenue represents funds received related to the next school year.

**GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023
(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Contributions

The School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributions that are expected to be received in future years are recorded at their present value. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Revenue and Revenue Recognition

A portion of the School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The School recognizes revenue derived from tuition and food service. Tuition income is recognized during the school year based on enrollment. Food service revenue is recognized when earned at the time of service.

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenue and expenses. Actual results could differ from those estimates.

Accounts, Pledges, and Grants Receivable

Accounts, pledges, and grants receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible after collection efforts have been completed are written off. In addition, if necessary, management provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2023 and 2022.

Reclassifications

Certain account balances as of June 30, 2022 have been reclassified to conform with the presentation as of June 30, 2023.

GENESEE COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Determining Fair Value of Financial Assets and Liabilities

Accounting principles generally accepted in the United States of America established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation method are unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation method include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation method are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

GENESEE COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, and management and general categories. An immaterial amount of fund raising costs for the years ended June 30, 2023 and 2022 are included in management and general expenses.

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, allocation on a reasonable basis that is consistently applied is required. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses, which are allocated on the basis of estimates of time and effort for each category.

In-kind Contributions

Contributed nonfinancial assets may include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Contributed goods and services are recorded at fair value at the date of donation. The School does not sell donated gifts-in-kind. See Note 9 for contributions of such goods or services received during the years ended December 31, 2023 and 2022.

Fixed Assets

Leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization. The School capitalizes property and equipment with a cost of over \$5,000 and an estimated life of three or more years. The cost and accumulated depreciation of property items sold or retired are eliminated from the accounts. Minor expenditures for maintenance, repairs, and renewals are expensed. Donated assets are recorded at their estimated fair market value at the time of donation.

Fixed assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Leasehold Improvements	\$ 2,020,999	\$ 2,020,999
Equipment	362,025	362,025
Less: Accumulated Depreciation and Amortization	<u>(2,080,614)</u>	<u>(1,951,411)</u>
Leasehold Improvements and Equipment, Net	<u>\$ 302,410</u>	<u>\$ 431,613</u>

GENESEE COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(Continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Fixed Assets (Continued)

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of assets. The ranges of estimated useful lives used in computing depreciation are as follows:

	<u>Years</u>
Leasehold Improvements	7-12
Equipment	3-10

Depreciation and amortization expense amounted to \$129,204 and \$130,247 for the years ended June 30, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The main difference between the guidance in ASU 2020-07 and previous GAAP is the disclosure of a disaggregation of the amount of contributed nonfinancial assets, qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the period, the School's policy about monetizing rather than utilizing the assets, a description of any donor-imposed restrictions associated with the assets, a description of the valuation techniques used, and the principal market used to arrive at a fair value measurement. During the year ended June 30, 2022 the School adopted ASU 2020-07 for its contributed nonfinancial assets. This adoption was applied on a retrospective basis.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and makes certain changes to the accounting for lease expenses. The main difference between the guidance in ASU 2016-02 and current GAAP is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. During the year ended June 30, 2023 the School adopted ASU 2016-02 for its leasing arrangements, along with the practical expedient, which allows modifications of contracts to be applied at the time of adoption. As a result of implementing ASU No. 2016-02, the School recognized right-of-use assets and lease liabilities totaling \$603,699 in its statements of financial position.

**GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023
(Continued)**

NOTE 2 - BOARD-DESIGNATED NET ASSETS

As of June 30, 2023 and 2022, the board-designated net assets included \$100,000 to be held in an escrow account in case of a future dissolution as required by the New York State Department of Education.

In addition, as of June 30, 2023 and 2022, the board-designated net assets included \$750,000 and \$535,407 to assist with a new charter school that will be a replication of their existing school, respectively.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The School regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

At June 30, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$ 38,632	\$ 97,512
Accounts receivable	58,936	50,142
Other receivables	5,836	387,870
Pledges and grants receivable	196,383	145,741
	\$ 299,787	\$ 681,265

Resident Student Enrollment fees are received throughout the school year to provide additional funds for general expenditures. The School also has a line of credit of \$200,000 available if needed.

NOTE 4 - LINE OF CREDIT

The School has a line of credit with a maximum authorization of \$200,000. Advances against this line bears interest at a rate of 1.5% above the current bank prime rate. There was nothing outstanding at June 30, 2023 and \$141,417 outstanding at June 30, 2022.

**GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

(Continued)

NOTE 5 - CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

For the purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and in banks, which at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

The School maintains cash in an escrow account in accordance with the terms of their charter agreement. The escrow is restricted to fund legal and other costs related to the dissolution of the School.

Cash and cash equivalents, and restricted cash consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Checking	\$ 25,824	\$ 86,827
Money Market	<u>12,808</u>	<u>10,685</u>
Total Cash and Cash Equivalents	38,632	97,512
Restricted Cash - Escrow	<u>100,194</u>	<u>100,129</u>
Total Cash and Cash Equivalents, and Restricted Cash	<u>\$ 138,826</u>	<u>\$ 197,641</u>

NOTE 6 - INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value. Unrealized gains or losses on securities result from differences between the cost and fair market value of securities on a specified valuation date.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying financial statements.

A summary of investments at market value at June 30, is as follows:

	<u>2023</u>	<u>2022</u>
Mutual Funds - Equities	\$ 450,918	\$ 391,642
Mutual Funds - Bonds	<u>573,485</u>	<u>567,979</u>
Total	<u>\$ 1,024,403</u>	<u>\$ 959,621</u>

Mutual fund investments are based on Level 1 inputs in the hierarchy as described in Note 1. There were no changes in the valuation techniques during the year.

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(Continued)

NOTE 7 - LEASES

The School determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The School does not report ROU assets and lease liabilities for its immaterial or short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The School evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the School's right to use underlying assets for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The School has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The School's operating leases consist of a real estate lease for school operations through August 2024 and an equipment lease for a copier through April 2028.

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

<u>Weighted Average Remaining Lease Term</u>	
Operating leases	2.5 years
<u>Weighted Average Discount Rate</u>	
Operating leases	3.2%

Future maturities of lease liabilities are presented in the following table, for the years ending June 30:

2024	\$ 276,164
2025	35,665
2026	35,665
2027	35,665
2028	<u>29,721</u>
Total Lease Payments	412,880
Less Present Value Discount	<u>(24,346)</u>
Total Lease Obligations	<u><u>\$ 388,534</u></u>

GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(Continued)

NOTE 7 - LEASES (Continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense included in program services expenses	\$ 229,457
Operating lease expense included in management and general expenses	<u>9,561</u>
Total operating lease costs	<u><u>\$ 239,018</u></u>

Supplemental Disclosures of Non-Cash Investing and Financing Activities

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 231,594
Lease assets obtained in exchange for lease obligations:	
Operating leases	\$ 603,699

NOTE 8 - PENSION EXPENSE

The School participates in the New York State Teachers' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2023 and 2022 were 10.29% and 9.80%, respectively.

**GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023
(Continued)**

NOTE 9 - PENSION EXPENSE (Continued)

The retirement contribution expense totaled \$183,509 and \$186,358 for the years ended June 30, 2023 and 2022, respectively.

The School also has a 403(b) annuity retirement plan for its employees. After one year of service, employees at least 21 years of age that work a minimum of 1,000 hours annually, may contribute a portion of their taxable salary not to exceed the statutory limits each year. Eligible employees may also receive discretionary amounts the School contributes. The Board of Trustees voted not to make a discretionary contribution for the years ended June 30, 2023 and 2022.

NOTE 9 - SPECIAL EDUCATION AND OTHER SERVICES

The majority of special education services required by students of the School are provided by the Rochester City School District. The Rochester City School District also provided transportation. The School was unable to determine a value for these services, thus, these financial statements do not reflect revenue or expenses associated with those services.

Occasionally, the School does need to offer special education services that are not provided through the Rochester City School District. The School uses contracted services at these times; the revenue and expense for these services have been included in the financial statements.

The School also receives State Aid in the form of textbooks, computer hardware, computer software, and library materials through the Rochester City School District. The total aid received for the years ended June 30, 2023 and 2022 was \$17,208 and \$15,479, respectively.

NOTE 10 - DONATED SERVICES AND GOODS

The School receives donated services that do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended June 30, 2023 and 2022, approximately 95 and 160 families provided 1,975 and 4,925 hours of service, respectively. There were also 14 board members who donated 365 hours during the years ended June 30, 2023 and 2022. Volunteers help with many tasks at the School such as serving meals, chaperoning field studies, preparing classroom materials, and serving on the board.

**GENESEE COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

(Continued)

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 19, 2023, which is the date the statements were available for issuance.

GENESEE COMMUNITY CHARTER SCHOOL

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023



**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**

Independent Auditors' Report

To the Board of Trustees
Genesee Community Charter School
Rochester, New York

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 Genesee Community Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Genesee Community Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Genesee Community Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Genesee Community Charter 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.



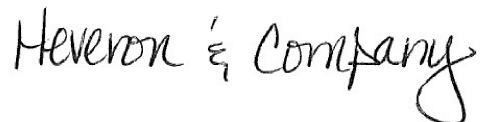
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee Community Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. 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 cursive script that reads "Heveron & Company".

Heveron & Company CPAs

Rochester, New York

October 19, 2023