



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

HENRY JOHNSON CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Henry Johnson Charter School

Opinion

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization) (the "School"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows and functional expenses 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 Henry Johnson Charter School as of June 30, 2023 and 2022, and the changes in its net assets and its 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Henry Johnson Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Henry Johnson 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.

Auditor's 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 auditor's 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 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 Henry Johnson 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 Henry Johnson 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Henry Johnson Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of Henry Johnson 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 Henry Johnson 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 Henry Johnson Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 27, 2023

HENRY JOHNSON CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 3,467,111	\$ 2,945,929
Grants and Contracts Receivable	349,919	1,071,962
Prepaid Expenses	<u>8,336</u>	<u>15,966</u>
Total Current Assets	<u>3,825,366</u>	<u>4,033,857</u>
Other Assets		
Property and Equipment - Net	6,302,464	6,495,847
Cash - Board Designated	<u>277,147</u>	<u>276,327</u>
Total Other Assets	<u>6,579,611</u>	<u>6,772,174</u>
Total Assets	<u><u>\$ 10,404,977</u></u>	<u><u>\$ 10,806,031</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Current Portion of Long-Term Debt	\$ 136,777	\$ 129,644
Accounts Payable and Accrued Expenses	69,339	85,937
Accrued Payroll and Benefits	324,028	255,121
Compensated Absences	<u>72,353</u>	<u>89,550</u>
Total Current Liabilities	602,497	560,252
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	<u>5,046,073</u>	<u>5,179,029</u>
Total Liabilities	<u>5,648,570</u>	<u>5,739,281</u>
Net Assets		
Without Donor Restrictions		
Undesignated	4,479,260	4,790,423
Board Designated	<u>277,147</u>	<u>276,327</u>
Total Net Assets	<u>4,756,407</u>	<u>5,066,750</u>
Total Liabilities and Net Assets	<u><u>\$ 10,404,977</u></u>	<u><u>\$ 10,806,031</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Public School District		
Resident Student Enrollment	\$ 5,357,389	\$ 4,818,720
Students with Disabilities	28,041	41,879
Grants and Contracts		
Federal Grants	486,724	1,140,941
Food Service/Child Nutrition Program	<u>434,349</u>	<u>380,621</u>
Total Revenue	<u>6,306,503</u>	<u>6,382,161</u>
Expenses		
Program Services		
Regular Education	4,460,439	4,219,382
Special Education	258,009	223,413
Other Education	<u>797,491</u>	<u>678,111</u>
Total Program Services	5,515,939	5,120,906
Management and General	<u>1,168,780</u>	<u>1,038,934</u>
Total Operating Expenses	<u>6,684,719</u>	<u>6,159,840</u>
Income (Deficit) from School Operations	<u>(378,216)</u>	<u>222,321</u>
Other Revenue		
Fundraising	-	26
E-Rate Income	49,617	40,170
Interest Income	820	98
Miscellaneous Income	<u>17,436</u>	<u>4,336</u>
Total Other Revenue	<u>67,873</u>	<u>44,630</u>
Change in Net Assets	(310,343)	266,951
Net Assets, Beginning of Year	<u>5,066,750</u>	<u>4,799,799</u>
Net Assets, End of Year	<u><u>\$ 4,756,407</u></u>	<u><u>\$ 5,066,750</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (310,343)	\$ 266,951
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Amortization of Debt Issuance Costs	3,821	3,821
Depreciation	261,075	232,549
Bad Debt Expense	43,794	-
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets:		
Grants and Contracts Receivable	678,249	(301,318)
Prepaid Expenses	7,630	(7,630)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(16,598)	22,710
Accrued Payroll and Benefits	68,907	(26,775)
Compensated Absences	<u>(17,197)</u>	<u>9,780</u>
Net Cash Provided by Operating Activities	<u>719,338</u>	<u>200,088</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	<u>(67,692)</u>	<u>(287,136)</u>
Cash Flows From Financing Activities		
Repayments of Long-Term Debt	<u>(129,644)</u>	<u>(102,409)</u>
Change in Cash	522,002	(189,457)
Cash, Beginning of Year	<u>3,222,256</u>	<u>3,411,713</u>
Cash, End of Year	<u><u>\$ 3,744,258</u></u>	<u><u>\$ 3,222,256</u></u>
Supplemental Disclosure of Cash flow Information		
Cash Paid for Interest	<u><u>\$ 319,870</u></u>	<u><u>\$ 327,256</u></u>

HENRY JOHNSON CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 172,767	\$ -	\$ -	\$ 172,767	\$ 691,069	\$ 863,836
Instructional Personnel	2,381,623	120,267	-	2,501,890	-	2,501,890
Non-Instructional Personnel	-	-	196,157	196,157	-	196,157
Total Salaries	2,554,390	120,267	196,157	2,870,814	691,069	3,561,883
Fringe Benefits and Payroll Taxes	612,422	28,834	-	641,256	165,685	806,941
Retirement	48,419	2,280	-	50,699	13,100	63,799
Legal Services	860	40	-	900	233	1,133
Accounting and Audit Services	17,683	833	-	18,516	4,784	23,300
Other Purchased, Professional and Consulting Services	169,946	56,002	-	225,948	58,380	284,328
Repairs and Maintenance	226,293	10,654	24,974	261,921	36,247	298,168
Insurance	58,674	2,763	6,475	67,912	9,399	77,311
Utilities	51,405	2,420	5,673	59,498	8,234	67,732
Supplies and Materials	44,020	2,073	-	46,093	34,074	80,167
Staff Development	28,952	1,363	-	30,315	-	30,315
Marketing and Recruitment	20,404	961	-	21,365	5,520	26,885
Technology	24,852	1,170	-	26,022	6,724	32,746
Food Service	-	-	200,811	200,811	-	200,811
Student Services	85,925	4,046	359,080	449,051	-	449,051
Office Expense	39,153	1,843	4,321	45,317	6,272	51,589
Depreciation	198,141	9,329	-	207,470	53,605	261,075
Interest Expense	245,663	11,566	-	257,229	66,462	323,691
Bad Debt Expense	33,237	1,565	-	34,802	8,992	43,794
Total Expenses	<u>\$ 4,460,439</u>	<u>\$ 258,009</u>	<u>\$ 797,491</u>	<u>\$ 5,515,939</u>	<u>\$ 1,168,780</u>	<u>\$ 6,684,719</u>

HENRY JOHNSON CHARTER SCHOOL**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services				Supporting Services	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 156,006	\$ -	\$ -	\$ 156,006	\$ 624,022	\$ 780,028
Instructional Personnel	2,317,683	111,899	-	2,429,582	-	2,429,582
Non-Instructional Personnel	-	-	195,789	195,789	-	195,789
Total Salaries	2,473,689	111,899	195,789	2,781,377	624,022	3,405,399
Fringe Benefits and Payroll Taxes	594,768	26,905	-	621,673	150,038	771,711
Retirement	51,992	2,352	-	54,344	13,116	67,460
Legal Services	174	8	-	182	44	226
Accounting and Audit Services	13,749	622	-	14,371	3,469	17,840
Other Purchased, Professional and Consulting Services	68,733	35,654	-	104,387	25,194	129,581
Repairs and Maintenance	208,232	9,420	19,739	237,391	32,791	270,182
Insurance	54,854	2,481	5,200	62,535	8,637	71,172
Utilities	52,499	2,375	4,977	59,851	8,267	68,118
Supplies and Materials	35,983	1,628	-	37,611	30,957	68,568
Staff Development	22,999	1,040	-	24,039	-	24,039
Marketing and Recruitment	16,921	765	-	17,686	4,268	21,954
Technology	97,456	4,409	-	101,865	24,585	126,450
Food Service	-	-	173,760	173,760	-	173,760
Student Services	67,766	3,065	276,260	347,091	-	347,091
Office Expense	25,174	1,139	2,386	28,699	3,964	32,663
Depreciation	179,228	8,108	-	187,336	45,213	232,549
Interest Expense	255,165	11,543	-	266,708	64,369	331,077
Total Expenses	<u>\$ 4,219,382</u>	<u>\$ 223,413</u>	<u>\$ 678,111</u>	<u>\$ 5,120,906</u>	<u>\$ 1,038,934</u>	<u>\$ 6,159,840</u>

1. ORGANIZATION AND PURPOSE

Organization

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York. The School began providing educational services in the fall of 2007 for K-1 grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reached grades K-4. The School’s charter renewal has been granted through June 30, 2025. As of June 30, 2023, the School had an enrollment of 345 students in K to 4th grades.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies and Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

A substantial portion of the School’s revenue and related receivables is derived from its billing to Albany City School District. State law requires Districts to reimburse the School on a per capita basis. These revenues are recognized ratably over the related school year during which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants, contributions and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The School reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. The School reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized in accordance with a five-step model as follows:

- Identify the contract with the customer
- Identify the performance obligation(s) in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation(s) in the contract
- Recognize revenue when earned or as performance obligation(s) are satisfied

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets at June 30, 2023 and 2022.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third party payors for the School's contracts related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for the School's contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities at June 30, 2023 and 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Directly identifiable expenses are charged to the programs and supporting services benefitted. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Administrative expenses include those expenses not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Grants and Contracts Receivable

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Conditional and Unconditional Promises to Give

At June 30, 2023 and 2022, the School had not received any conditional or unconditional promises to give.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$1,000 (individually) or \$2,500 (aggregated), are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the School and changes therein are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2023 and 2022 were \$26,885 and \$21,954, respectively, and reported in the Statement of Functional Expenses as marketing and recruitment.

Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as a school that is not a private foundation under Section 509(a).

Donated Services

The School received donated services from unpaid volunteers who assisted in fund raising, office administration and program activities. For the services donated, the criteria for recognition in these financial statements of such volunteer effort was not met and, therefore, no revenue and expense has been reflected in these financial statements. Management has estimated that volunteers have provided approximately 100 hours in assisting the School in each of the years ended June 30, 2023 and 2022, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The ASC requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable input to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants.

Accounting for Uncertainty in Income Taxes

The School follows the ASC, *Accounting for Income Taxes*, and their current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The School has not recognized any benefits from uncertain tax positions in 2023 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2023.

Forms 990 and state income tax returns (if applicable) filed by the School are subject to examination by taxing authorities up to three years after the extended due date of each return. Forms 990 and state income tax filings for the School are no longer subject to examination for the year ended June 30, 2018 and prior.

New Accounting Pronouncement

ASU No. 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-to-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. Management has determined any impact of this pronouncement to be immaterial, therefore, no amounts have been recorded.

Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 27, 2023, the date the financial statements were available to be issued. No such events or transactions were identified by management.

3. BOARD DESIGNATED CASH

The School has internally designated cash in the amount of \$277,147 and \$276,327 as of June 30, 2023 and 2022, respectively. The intended purpose of this designation is to provide for capital projects and unforeseen operating costs within the next operating cycle and is comprised of the following:

	<u>2023</u>	<u>2022</u>
Dissolution Escrow (1)	\$ 75,391	\$ 75,168
Capital Reserve Fund	<u>201,756</u>	<u>201,159</u>
	<u><u>\$ 277,147</u></u>	<u><u>\$ 276,327</u></u>

(1) As required in the School's Charter Agreement.

4. GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2023 and 2022, grants and contracts receivable were comprised of the following:

	<u>2023</u>	<u>2022</u>
School District Tuition	\$ 3,968	\$ 24,783
Grants Receivable	<u>345,951</u>	<u>1,047,179</u>
	<u><u>\$ 349,919</u></u>	<u><u>\$ 1,071,962</u></u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 6,983,442	\$ 6,983,442
Building Improvements	143,330	143,330
Land	483,000	483,000
Land Improvements	15,684	15,683
Equipment	587,669	531,494
Furniture and Fixtures	<u>252,753</u>	<u>241,237</u>
Total at Cost	8,465,878	8,398,186
Less: Accumulated Depreciation	<u>(2,163,414)</u>	<u>(1,902,339)</u>
	<u><u>\$ 6,302,464</u></u>	<u><u>\$ 6,495,847</u></u>

Depreciation expense was \$261,075 and \$232,549 for the years ended June 30, 2023 and 2022, respectively.

6. LONG-TERM DEBT

Long-term debt is comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Mortgage loan payable to Local Initiatives Support Corporation ("LISC"), in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building.	\$ 5,259,271	\$ 5,388,915
Less: unamortized debt issuance costs, net	(76,421)	(80,242)
Less: current portion	<u>(136,777)</u>	<u>(129,644)</u>
Long-term debt, net of current portion and unamortized debt issuance costs	<u><u>\$ 5,046,073</u></u>	<u><u>\$ 5,179,029</u></u>

The School is required to maintain debt covenants by the lender of the mortgage. As of June 30, 2022 (most recent information available), the School was in compliance with all applicable covenants.

6. LONG-TERM DEBT (CONTINUED)

Unamortized debt issuance costs as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Transaction and Financing Costs - Twenty-Eight Year Amortization	\$ 108,900	\$ 108,900
Less: Accumulated Amortization	<u>(32,479)</u>	<u>(28,658)</u>
Unamortized Debt Issuance Costs, Net	<u>\$ 76,421</u>	<u>\$ 80,242</u>

Estimated debt maturities at June 30 over the next five (5) years and thereafter are as follows:

2024	\$ 136,777
2025	146,076
2026	142,861
2027	164,651
2028	174,048
Thereafter	<u>4,494,858</u>
	<u>\$ 5,259,271</u>

7. RETIREMENT PLAN

The School has adopted a SIMPLE IRA retirement plan that substantially all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation to any employee who contributes to the plan. As of January 1, 2022 the School switched from a Simple IRA to a 403(b) plan. The new plan has a 3 year vesting period with a matching contribution of up to 5% of the employee's gross compensation. The School's retirement plan expense for the years ended June 30, 2023 and 2022 was \$63,799 and \$67,460, respectively.

8. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 87% and 91% of total revenue and support for the years ended June 30, 2023 and 2022, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These changes, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The School has \$3,817,030 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of unrestricted cash of \$3,467,111 and grants and contracts receivable of \$349,919. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,115,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**ADDITIONAL REPORTS REQUIRED
BY *GOVERNMENT AUDITING STANDARDS*
AND *THE UNIFORM GUIDANCE***

**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**

To the Board of Trustees
Henry Johnson Charter School

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 Henry Johnson Charter School (a nonprofit organization) (the "School"), 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 27, 2023.

Report on 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) 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 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 School'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 or significant deficiencies may exist that were not identified.

Report on 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 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 27, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Henry Johnson Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Henry Johnson Charter School (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal program for the year ended June 30, 2023. The School's major federal program is identified in the summary of auditor's results section on the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance, relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 27, 2023

HENRY JOHNSON CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Assistance Listing/ CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>				
<u>US Department of Agriculture</u>				
Passed Through NYS Education Department				
Child Nutrition Cluster				
National School Breakfast Program	10.553	N/A	\$ -	\$ 134,915
National School Lunch Program	10.555	N/A	-	237,451
National School Snack Program	10.555	N/A	-	53,978
Total Child Nutrition Cluster			-	426,344
Pandemic EBT Administrative Costs	10.649	N/A	-	628
Total US Department of Agriculture Passed Through NYS Education Department			-	426,972
<u>US Department of Education</u>				
Passed Through NYS Education Department				
ESEA Title I, Basic Grant	84.010A	0021-23-4369	-	147,997
Title II A, Improving Teacher Quality	84.367A	0147-23-4369	-	16,746
Title IV, Student Support and Enrichment	84.424A	0204-23-4369	-	12,131
Charter Schools (COVID-19)	84.282	N/A	-	49,500
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)(COVID-19)	84.425U	5880-21-4369	-	259,675
Total US Department of Education Passed Through NYS Education Department			-	486,049
<u>US Federal Communications Commission</u>				
<u>Direct:</u>				
Emergency Connectivity Fund Under the American Rescue Plan Act (COVID-19)	32.009	N/A	-	29,400
Total Federal Awards Expended			\$ -	\$ 942,421

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal award programs of Henry Johnson Charter School. All federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included in the schedule. The information is presented in accordance with the requirements of the Uniform Guidance.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to Henry Johnson Charter School's financial statements.

2. SCOPE OF THE AUDIT PURSUANT TO THE UNIFORM GUIDANCE

Henry Johnson Charter Schools is a tax-exempt organization. All federal grant operations of Henry Johnson Charter School are included in the scope of the Single Audit.

3. INDIRECT COST RATE

Henry Johnson Charter School did not elect to use the 10% de minimis indirect cost rate.

4. SUBRECIPIENTS

Henry Johnson Charter School did not have any subrecipients.

5. LOANS AND LOAN GUARANTEES

Henry Johnson Charter School did not receive any federal assistance in the form of loans or loan guarantees.

HENRY JOHNSON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)

84.010A

84.425U

Name of Federal Program or Clusters

ESEA Title I, Basic Grant

American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)(COVID-19)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

No findings or matters were reported.

Section III - Federal Award Findings and Questioned Costs

No findings or matters were reported.

Section IV - Resolution of Prior Year Audit Findings

No findings or matters were reported.

HENRY JOHNSON CHARTER SCHOOL
30 WATERVLIET AVENUE EXTENSION
ALBANY, NEW YORK 12206

October 27, 2023

Cusack & Company CPA's LLC
7 Airport Park Blvd.
Latham, New York 12110

This representation letter is provided in connection with your audit of the financial statements of Henry Johnson Charter School, which comprise the statements 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 disclosures (collectively "the financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter, see Schedule 1. Additionally, we are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts, see Schedule 2 attached.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 18) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 19) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 20) We are not aware of any pending or threatened litigations, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 21) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.
- 22) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 24) Henry Johnson Charter School are exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organizations' tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 25) As part of your audit, you assisted with preparation of information returns, the financial statements and disclosures and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those tax services, financial statements and disclosures and schedule of expenditures of federal awards.
- 26) With respect to federal award programs:
 - a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), relating to preparation of the schedule of expenditures of federal awards.

- b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Section 23, Subpart C, *Cost Sharing or Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, if applicable.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

- x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- 27. We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 28. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

A handwritten signature in dark ink, appearing to read "Smith", written over a horizontal line.

Signature