

East Harlem Scholars Academy Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2024 and 2023

East Harlem Scholars Academy Charter School

Financial Statements and Uniform Guidance Schedules Together With Independent Auditors' Reports

June 30, 2024 and 2023

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Independent Auditors' Report

Board of Trustees East Harlem Scholars Academy Charter School

Opinion

We have audited the accompanying financial statements of East Harlem Scholars Academy Charter School (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe 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 the 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 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 the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2024 on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 23 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 to 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 information 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 29, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 29, 2024

East Harlem Scholars Academy Charter School

Statements of Financial Position

| | June 30, | |
|--|---------------|---------------|
| | 2024 | 2023 |
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 3,200,302 | \$ 3,292,312 |
| Grants and contracts receivable | 1,816,539 | 2,307,660 |
| Due from East Harlem Tutorial Program, net | - | 182,975 |
| Prepaid expenses | 576,252 | 403,692 |
| Total Current Assets | 5,593,093 | 6,186,639 |
| Finance right-of-use asset, net | 52,654,843 | 54,040,497 |
| Operating right-of-use assets, net | - | 1,443,732 |
| Restricted cash | 150,007 | 150,014 |
| Property and equipment, net | 846,663 | 873,207 |
| | \$ 59,244,606 | \$ 62,694,089 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 1,654,635 | \$ 1,739,003 |
| Due to East Harlem Tutorial Program, net | 460,163 | - |
| Refundable advances | 290,724 | 67,721 |
| Operating lease liabilities, current portion | - | 1,447,603 |
| Total Current Liabilities | 2,405,522 | 3,254,327 |
| Finance lease liabilities | 56,102,656 | 55,780,230 |
| Total Liabilities | 58,508,178 | 59,034,557 |
| Net assets, without donor restrictions | 736,428 | 3,659,532 |
| | \$ 59,244,606 | \$ 62,694,089 |

See notes to financial statements

East Harlem Scholars Academy Charter School

Statements of Activities

| | Year Ended June 30, | |
|---|---------------------|---------------|
| | 2024 | 2023 |
| REVENUE AND SUPPORT | | |
| Public School District | | |
| State and local per pupil operating revenue | \$ 26,098,113 | \$ 23,857,818 |
| Universal pre-kindergarten | 526,932 | 515,176 |
| Lease assistance | 2,920,621 | 2,879,676 |
| Government grants and contracts | 2,302,342 | 3,660,844 |
| Contributions | 69,223 | 104,654 |
| Contributions from related party | 2,240,000 | 4,154,527 |
| Other income | 353,497 | 78,660 |
| Total Revenue and Support | 34,510,728 | 35,251,355 |
| EXPENSES | | |
| Program Services | | |
| General education | 25,097,841 | 25,769,868 |
| Special education | 6,802,949 | 7,520,250 |
| Pre-kindergarten | 783,591 | 840,859 |
| Supplemental education | 277,949 | 63,965 |
| Total Program Services | 32,962,330 | 34,194,942 |
| Supporting Services | | |
| Management and general | 3,684,183 | 3,730,495 |
| Fundraising | 787,319 | 921,262 |
| Total Expenses | 37,433,832 | 38,846,699 |
| | | |
| Change in Net Assets | (2,923,104) | (3,595,344) |
| NET ASSETS, WITHOUT DONOR RESTRICTIONS | | |
| Beginning of year | 3,659,532 | 7,254,876 |
| | | |
| End of year | \$ 736,428 | \$ 3,659,532 |

See notes to financial statements

East Harlem Scholars Academy Charter School

Statement of Functional Expenses Year Ended June 30, 2024

| | No. of Positions | Program Services | | | | Total Program Services | Management and General | Fundraising | Total |
|--|---------------------|----------------------|----------------------|----------------------|---------------------------|---------------------------|---------------------------|-------------------|----------------------|
| | | General Education | Special Education | Pre- Kindergarten | Supplemental Education | | | | |
| Personnel Services Costs | | | | | | | | | |
| Administrative staff personnel | 52 | \$ 3,199,099 | \$ 823,448 | \$ 106,824 | \$ - | \$ 4,129,371 | \$ 774,542 | \$ - | \$ 4,903,913 |
| Instructional personnel | 145 | 10,776,068 | 2,969,238 | 356,339 | - | 14,101,645 | - | - | 14,101,645 |
| Total Personnel Services Costs | <u>197</u> | <u>13,975,167</u> | <u>3,792,686</u> | <u>463,163</u> | <u>-</u> | <u>18,231,016</u> | <u>774,542</u> | <u>-</u> | <u>19,005,558</u> |
| Fringe benefits and payroll taxes | | 3,016,162 | 826,601 | 102,775 | - | 3,945,538 | 121,967 | - | 4,067,505 |
| Retirement | | 122,263 | 26,610 | 4,690 | - | 153,563 | 15,187 | - | 168,750 |
| Legal services | | - | - | - | - | - | 16,340 | - | 16,340 |
| Accounting and audit services | | - | - | - | - | - | 540,270 | - | 540,270 |
| Other professional and consulting services | | 1,148,265 | 429,485 | 20,208 | - | 1,597,958 | 1,473,810 | 780,763 | 3,852,531 |
| Building and land rent/lease | | 3,297,969 | 822,675 | 130,371 | - | 4,251,015 | 520,564 | - | 4,771,579 |
| Repairs and maintenance | | 607,006 | 134,939 | 23,392 | - | 765,337 | 78,389 | - | 843,726 |
| Insurance | | 150,332 | 37,486 | 4,055 | - | 191,873 | 16,191 | - | 208,064 |
| Utilities | | 202,746 | 48,810 | 7,950 | - | 259,506 | 30,137 | - | 289,643 |
| Supplies and materials | | 379,056 | 105,732 | - | - | 484,788 | - | - | 484,788 |
| Equipment and furnishings | | 251,936 | 52,098 | 9,566 | - | 313,600 | 28,403 | - | 342,003 |
| Staff development | | 493,483 | 137,755 | - | - | 631,238 | - | - | 631,238 |
| Marketing and recruitment | | 137,374 | 38,221 | - | - | 175,595 | - | - | 175,595 |
| Technology | | 64,438 | 13,734 | 2,461 | - | 80,633 | 7,697 | - | 88,330 |
| Food service | | 446,701 | 129,863 | - | - | 576,564 | - | - | 576,564 |
| Student services | | 356,441 | 102,339 | - | 277,949 | 736,729 | - | - | 736,729 |
| Office expenses | | 143,487 | 30,740 | 5,487 | - | 179,714 | 27,140 | 6,556 | 213,410 |
| Depreciation and amortization | | 244,013 | 56,168 | 9,473 | - | 309,654 | 33,546 | - | 343,200 |
| Dues and memberships | | 34,772 | 9,686 | - | - | 44,458 | - | - | 44,458 |
| Other expenses | | 26,230 | 7,321 | - | - | 33,551 | - | - | 33,551 |
| Total Expenses | | <u>\$ 25,097,841</u> | <u>\$ 6,802,949</u> | <u>\$ 783,591</u> | <u>\$ 277,949</u> | <u>\$ 32,962,330</u> | <u>\$ 3,684,183</u> | <u>\$ 787,319</u> | <u>\$ 37,433,832</u> |

See notes to financial statements

East Harlem Scholars Academy Charter School

Statement of Functional Expenses Year Ended June 30, 2023

| | No. of Positions | Program Services | | | | Total Program Services | Management and General | Fundraising | Total |
|--|---------------------|----------------------|----------------------|----------------------|---------------------------|---------------------------|---------------------------|-------------------|----------------------|
| | | General Education | Special Education | Pre- Kindergarten | Supplemental Education | | | | |
| Personnel Services Costs | | | | | | | | | |
| Administrative staff personnel | 47 | \$ 2,155,753 | \$ 611,975 | \$ 69,996 | \$ - | \$ 2,837,724 | \$ 860,947 | \$ - | \$ 3,698,671 |
| Instructional personnel | 172 | 11,773,980 | 3,350,080 | 394,332 | - | 15,518,392 | - | - | 15,518,392 |
| Total Personnel Services Costs | <u>219</u> | <u>13,929,733</u> | <u>3,962,055</u> | <u>464,328</u> | <u>-</u> | <u>18,356,116</u> | <u>860,947</u> | <u>-</u> | <u>19,217,063</u> |
| Fringe benefits and payroll taxes | | 2,627,825 | 748,803 | 89,417 | - | 3,466,045 | 165,947 | - | 3,631,992 |
| Retirement | | 103,639 | 29,319 | 3,421 | - | 136,379 | 6,390 | - | 142,769 |
| Legal services | | - | - | - | - | - | 16,550 | - | 16,550 |
| Accounting and audit services | | - | - | - | - | - | 519,630 | - | 519,630 |
| Other professional and consulting services | | 1,256,453 | 516,651 | 22,634 | - | 1,795,738 | 1,680,131 | 910,991 | 4,386,860 |
| Building and land rent/lease | | 2,843,129 | 826,752 | 133,119 | - | 3,803,000 | 234,075 | - | 4,037,075 |
| Repairs and maintenance | | 1,664,557 | 478,912 | 68,977 | - | 2,212,446 | 123,627 | - | 2,336,073 |
| Insurance | | 118,987 | 33,649 | 4,095 | - | 156,731 | 7,200 | - | 163,931 |
| Utilities | | 214,463 | 62,070 | 9,528 | - | 286,061 | 16,889 | - | 302,950 |
| Supplies and materials | | 420,220 | 121,409 | - | - | 541,629 | - | - | 541,629 |
| Equipment and furnishings | | 227,503 | 64,590 | 7,913 | - | 300,006 | 14,631 | - | 314,637 |
| Staff development | | 485,829 | 138,801 | - | - | 624,630 | - | - | 624,630 |
| Marketing and recruitment | | 21,630 | 6,088 | - | - | 27,718 | - | - | 27,718 |
| Technology | | 158,619 | 45,111 | 5,654 | - | 209,384 | 10,405 | - | 219,789 |
| Food service | | 381,371 | 111,491 | - | - | 492,862 | - | - | 492,862 |
| Student services | | 319,476 | 92,473 | - | 63,965 | 475,914 | - | - | 475,914 |
| Office expenses | | 599,112 | 169,621 | 20,015 | - | 788,748 | 52,699 | 10,271 | 851,718 |
| Depreciation and amortization | | 308,299 | 88,120 | 11,758 | - | 408,177 | 21,374 | - | 429,551 |
| Dues and memberships | | 36,023 | 10,156 | - | - | 46,179 | - | - | 46,179 |
| Other expenses | | 53,000 | 14,179 | - | - | 67,179 | - | - | 67,179 |
| Total Expenses | | <u>\$ 25,769,868</u> | <u>\$ 7,520,250</u> | <u>\$ 840,859</u> | <u>\$ 63,965</u> | <u>\$ 34,194,942</u> | <u>\$ 3,730,495</u> | <u>\$ 921,262</u> | <u>\$ 38,846,699</u> |

See notes to financial statements

East Harlem Scholars Academy Charter School

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|----------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (2,923,104) | \$ (3,595,344) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 343,200 | 429,551 |
| Amortization of operating right-of-use asset | 1,443,732 | 1,400,131 |
| Amortization of finance right-of-use asset | 1,385,654 | 1,195,716 |
| Changes in operating assets and liabilities | | |
| Grants and contracts receivable | 491,121 | 424,074 |
| Due from East Harlem Tutorial Program | 182,975 | (39,918) |
| Prepaid expenses | (172,560) | (324,393) |
| Operating lease liabilities | (1,447,603) | (1,396,260) |
| Accounts payable and accrued expenses | (84,368) | (277,757) |
| Due to East Harlem Tutorial Program | 460,163 | - |
| Refundable advances | 223,003 | (13,711) |
| Net Cash from Operating Activities | (97,787) | (2,197,911) |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Purchases of property and equipment | (316,656) | (393,075) |
| CASH FLOWS FROM FINANCING ACTIVITY | | |
| Principal payments on finance lease liability | 322,426 | (185,417) |
| Net Change in Cash and Restricted Cash | (92,017) | (2,776,403) |
| CASH AND RESTRICTED CASH | | |
| Beginning of year | 3,442,326 | 6,218,729 |
| End of year | \$ 3,350,309 | \$ 3,442,326 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | \$ 1,902,550 | \$ 1,350,355 |
| Finance right-of-use assets obtained in exchange for a finance lease liability | - | 30,929,973 |
| Operating right-of-use assets obtained in exchange for an operating lease liability | - | 2,843,863 |

See notes to financial statements

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

1. Organization and Tax Status

The Corporation

Founded upon the 53-year legacy of East Harlem Tutorial Program (“EHTP”), East Harlem Scholars Academy Charter School (the “Corporation” or the “School”) is a not-for-profit education corporation originally formed by the Board of Regents of the University of the State of New York (the “Board of Regents”) on December 14, 2010 by the granting of a Provisional Charter (the education corporation-equivalent of a certificate of incorporation) to operate one (1) (and as of January 1, 2013 two (2)) public charter schools. The Board of Regents has since issued three renewals to the Corporation’s charter. The Corporation’s charter expires on July 31, 2028. The mission of the schools is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities, and to realize their best possible selves. The Corporation does this by challenging their students, teachers, and families to examine issues of racism and identity and model the learning and dialogue needed to ensure a more equitable future for young people of color. Through this commitment, the Corporation prepares their scholars to effect change, challenge the status quo, thrive in the world around them, and thoughtfully contribute to the national fight for racial equity.

The Schools

East Harlem Scholars Academy Charter School (“Scholars”) - also the name of the first school for which the Corporation received a charter to operate – is situated in East Harlem in the borough of Manhattan, New York City. Scholars opened in the fall of 2011 with kindergarten and first grade and added a grade each year so that as of fiscal 2023 it served pre-kindergarten through twelfth grade. In 2016 Scholars received a full five year term renewal which authorizes the school to add a grade each year until it serves kindergarten through eighth grade. In fiscal 2017 Scholars added one section of Universal Pre-Kindergarten. In May 2018, Scholars received permission to add high school grades ninth – twelfth. Scholars provided education to approximately 33 students in Universal Pre-Kindergarten and 828 students in kindergarten through twelfth grades during the 2023-2024 academic year.

East Harlem Scholars Academy Charter School II (“Scholars II”) is the second public charter school for which the Corporation received a charter to operate. It opened in the fall of 2013 with kindergarten and first grade and expanded each year until it served students through fifth grade. In winter of fiscal 2018, Scholars II received a full five year term renewal which authorizes the school to add a grade each year until it serves kindergarten through eighth grade. In fiscal 2016 Scholars II added two sections of Universal Pre-Kindergarten, and in fiscal 2017 Scholars added a third section of Universal Pre-Kindergarten. In fiscal 2020, the third section of UPK at Scholars II was transferred to Scholars. Scholars II provided education to approximately 17 students in Universal Pre-Kindergarten and 391 students in kindergarten through eighth grades during the 2023-2024 academic year.

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

1. Organization and Tax Status (*continued*)

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due to unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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. The School had no net assets with donor restrictions at June 30, 2024 and 2023.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (*continued*)

Restricted Cash

Under the provisions of its charter, the School established a reserve fund of \$150,000 to cover debts in the event of the School's dissolution.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows as of June 30:

| | 2024 | 2023 |
|-----------------|---------------------|---------------------|
| Cash | \$ 3,200,302 | \$ 3,292,312 |
| Restricted cash | 150,007 | 150,014 |
| | <u>\$ 3,350,309</u> | <u>\$ 3,442,326</u> |

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$3,500 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized during the years ended June 30, 2024 and 2023.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (*continued*)

Revenue Recognition

Revenue from the state and local governments resulting from the School's charter status, and based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's Board of Trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Functional Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses, such as personnel services costs, fringe benefits and payroll taxes, other professional and consulting services, and building and land rent and lease have been allocated among program and supporting services classifications based upon periodic time and expense studies and other bases as determined by management of the School to be appropriate. Expenses are classified according to the functional categories for which they are incurred, as follows:

General Education Program Services – represents expenses directly associated with general education.

Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.

Pre-Kindergarten Program Services – represents expenses directly associated with Pre-Kindergarten programs.

Supplemental Education Program Services – represents expenses directly associated with after-school and summer school programs.

Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any education services or fundraising.

Fundraising – represents expenses related to efforts to raise additional funds for the School.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (*continued*)

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2024 and 2023 was \$175,595 and \$27,718.

Accounting For Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examination by applicable taxing authorities for periods prior to June 30, 2021.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance lease ROU assets and lease liabilities in the statements of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating and finance lease ROU assets includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the School will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School applies the short-term lease exemption to all of its classes of underlying assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 29, 2024.

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

3. Concentration of Credit Risk and Revenue

The School's financial instruments that are potentially exposed to concentration of credit risk consist of cash. The School places its cash with quality financial institutions in the United States. At times, cash balances may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. The School routinely assesses the financial strength of its cash. The School has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk. At June 30, 2024 and 2023, approximately \$3,095,000 and \$3,322,000 was maintained with an institution in excess of FDIC limits.

The School receives a majority of its revenues from the New York City Department of Education ("NYCDOE"). The NYCDOE provides general operating support to the School based upon the location and the number of students enrolled. Support from per pupil general education, special education, lease assistance, and Universal Pre-Kindergarten provided to the School was 84% and 77% of total revenue for the years ended June 30, 2024 and 2023. The School is dependent upon this level of funding in order to continue its operations.

4. Grants and Accounts Receivable

At June 30, 2024 and 2023, grants and contracts receivable primarily consist of federal, state, city entitlements and grants and are deemed to be fully collectible by management. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

5. Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>2024</u> | <u>2023</u> |
|--|--------------------|--------------------|
| Computers and other equipment | \$ 1,801,758 | \$ 1,626,381 |
| Furniture and fixtures | 1,573,922 | 1,488,719 |
| Leasehold improvements | 600,177 | 544,101 |
| Vehicles | 21,000 | 21,000 |
| | <u>3,996,857</u> | <u>3,680,201</u> |
| Accumulated depreciation and amortization | <u>(3,150,194)</u> | <u>(2,806,994)</u> |
| | <u>\$ 846,663</u> | <u>\$ 873,207</u> |

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Cash | \$ 3,200,302 | \$ 3,292,312 |
| Grants and contracts receivable | 1,816,539 | 2,307,660 |
| Due from East Harlem Tutorial Program, net | - | 182,975 |
| | <u>\$ 5,016,841</u> | <u>\$ 5,782,947</u> |

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments until it is required for operational use. The School will continue to rely on funding received from the NYCDOE to cover its future operating costs (see Note 3).

7. Related Party Transactions (not disclosed elsewhere)

The School's bylaws stipulate that at least 51% and no more than 60% of its Trustees may also be members of the board of EHTP, thus resulting in common control. Under a cost sharing agreement with EHTP, approved by a supermajority of the board, EHTP provides the School with administrative support. During the years ended June 30, 2024 and 2023, shared operating costs were allocated to the School based on a flat fee of 12% of per pupil and special education revenues projected in the budget for the relevant fiscal year. The total budgeted amount of the cost sharing agreement for the years ended June 30, 2024 and 2023 was \$3,123,050 and \$3,643,963. The total amount of expenses under this agreement for the years ended June 30, 2024 and 2023 was \$3,123,050 and \$3,643,963, which is included in other professional and consulting services on the accompanying statements of functional expenses.

In addition, EHTP pays certain expenses on behalf of the School which are subsequently reimbursed. The total amount of these reimbursed expenses for the years ended June 30, 2024 and 2023 was \$1,428,115 and \$2,139,098, which is included in various expense accounts on the accompanying statements of functional expenses.

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2024 and 2023

7. Related Party Transactions (not disclosed elsewhere) (continued)

On November 5, 2021, the School and East Harlem Center, LLC (“EHC”), a wholly owned subsidiary of EHTP, entered into a Mortgage and Security Agreement with BankUnited in the amount of \$12,000,000 for the property located at 2050 Second Avenue, New York, NY (the “Premises”) (see Note 9). EHC received the principal balance of the mortgage loan payable and is responsible for the principal and interest payments. The mortgage loan payable matures on December 15, 2036. Pursuant to the terms of the Mortgage and Security Agreement, the School and EHC pledged as collateral the Premises, all improvements, chattels, intangibles, leases, subleases, and agreements relating to the Premises, and all revenues arising from, or related to, the per pupil charter funding from New York State, New York City, or any federal, state, city or local entity or agency, for the School and any other schools occupying the Premises (excluding State Operating Aid, Disability Aid and any other aid that cannot be legally pledged).

On December 15, 2022, EHC and East Harlem HS LLC (“EHS”), a wholly owned subsidiary of EHTP, closed on a \$71.22 million revenue bond transaction issued through Build NYC Resource Corporation (the “Bond”). A portion of the tax-exempt bonds were issued to refinance the BankUnited Mortgage and Security Agreement. The Bond is due on June 1, 2062.

During the years ended June 30, 2024 and 2023, grants from EHTP amounted to \$2,244,809 and \$4,154,527, which is included in contributions from related party on the accompanying statements of activities. At June 30, 2024 and 2023, grants receivable from EHTP amounted to \$12,658 and \$0, and are included within due from/to East Harlem Tutorial Program on the accompanying statements of financial position. Net balance due to EHTP at June 30, 2024 totaled \$460,163. Net balance due from EHTP at June 30, 2023 totaled \$182,975.

The accompanying financial statements reflect only the activities and net assets of the School. Management has applied U.S. GAAP standards in assessing the need to consolidate the financial statements of the School with those of EHTP. Under these standards, consolidation should occur if both an economic interest in the School and control by a majority of common board members exist. Management has determined that the School has no economic interest in EHTP and consolidation is precluded.

8. Agreement with School Facility

Scholars had an agreement through the school year 2015-2016 with the New York City Department of Education for space at the Jackie Robinson Educational Complex (the “Complex”), a New York City public school located at 1573 Madison Avenue, New York, New York. Beginning September 1, 2011, Scholars occupies a facility located at 2040-2050 Second Avenue, New York, NY (see Note 9). Scholars II has an agreement to be permanently co-located at the Complex. The fair value of the rent has not been included in the accompanying financial statements. The School will be responsible for any overtime-related costs for services provided beyond the regular operating hours. For the years ended June 30, 2024 and 2023, the School incurred \$7,579 and \$3,437 in overtime related costs.

East Harlem Scholars Academy Charter School

Notes to Financial Statements June 30, 2024 and 2023

9. Commitments

During the fiscal year ended June 30, 2015, an agreement to lease the land and buildings located at 2040-2050 Second Avenue, New York, NY, was executed between Scholars and EHC. In connection with this agreement, at June 30, 2016, the School made a contribution to EHC toward the cost of the new building in the amount of \$200,000 to be amortized over the life of the lease. The lease had a term of 30 years commencing on September 1, 2016. The School determined the lease to be a finance lease on July 1, 2022. On December 15, 2022, the lease was amended to terminate on June 30, 2062.

Effective July 1, 2022, the School entered into an operating license agreement with El Museo del Barrio for gymnasium and office space at 1230-37 Fifth Avenue for a term of two years terminating on June 30, 2024. Effective July 1, 2022, the School entered into an operating sublease agreement with El Museo del Barrio for classroom space at 1 East 104th Street for a term of two years terminating on June 30, 2024. The School moved into new space at 342-346 East 104th Street, New York, NY in August 2024.

Right of use assets consist of the following at June 30:

| | <u>2024</u> | <u>2023</u> |
|--------------------------|----------------------|----------------------|
| | <u>Finance Lease</u> | <u>Finance Lease</u> |
| Right-of-use asset | \$ 55,236,213 | \$ 55,236,213 |
| Accumulated amortization | (2,581,370) | (1,195,716) |
| | <u>\$ 52,654,843</u> | <u>\$ 54,040,497</u> |

| | <u>2024</u> | <u>2023</u> |
|--------------------------|-------------------------|-------------------------|
| | <u>Operating Leases</u> | <u>Operating Leases</u> |
| Right-of-use asset | \$ 2,843,863 | \$ 2,843,863 |
| Accumulated amortization | (2,843,863) | (1,400,131) |
| | <u>\$ -</u> | <u>\$ 1,443,732</u> |

Weighted average remaining lease term (years)

| | <u>2024</u> | <u>2023</u> |
|------------------|-------------|-------------|
| Finance lease | 38 years | 39 years |
| Operating leases | N/A | 1 year |

Weighted average discount rate

| | <u>2024</u> | <u>2023</u> |
|------------------|-------------|-------------|
| Finance lease | 3.41% | 3.41% |
| Operating leases | N/A | 3.07% |

East Harlem Scholars Academy Charter School

Notes to Financial Statements June 30, 2024 and 2023

9. Commitments *(continued)*

Future minimum finance lease payments are as follows for years ending June 30:

| | |
|--|----------------------|
| 2025 | \$ 1,627,524 |
| 2026 | 1,676,352 |
| 2027 | 1,726,644 |
| 2028 | 1,778,448 |
| 2029 | 1,831,800 |
| Thereafter | <u>103,918,068</u> |
| Total minimum lease payments | 112,558,836 |
| Present value discount | <u>(56,456,180)</u> |
| Present value of finance lease liabilities | <u>\$ 56,102,656</u> |

Components of lease cost are as follows for the years ended June 30, 2024 and 2023 and are included in building and land rent/lease expense within the accompanying statements of functional expenses:

| | <u>2024</u> | <u>2023</u> |
|---------------------------|---------------------|---------------------|
| Finance amortization cost | \$ 1,385,654 | \$ 1,195,715 |
| Finance interest cost | 1,902,550 | 1,350,355 |
| Operating lease cost | 1,464,163 | 1,464,163 |
| Variable lease cost | <u>19,212</u> | <u>26,842</u> |
| | <u>\$ 4,771,579</u> | <u>\$ 4,037,075</u> |

Cash paid for amounts included in the measurement of operating lease liabilities for the years ended June 30, 2024 and 2023, amounted to \$1,468,032 and \$1,460,294.

In addition, Scholars entered into an agreement with EHTP to sublease a portion of its space located at 2040-2050 Second Avenue, New York, NY. The lease has a term of 30 years commencing on September 1, 2016. Future minimum rental payments to be received under this lease are as follows:

| | |
|------------|-------------------|
| 2025 | \$ 25,500 |
| 2026 | 25,500 |
| 2027 | 25,500 |
| 2028 | 25,500 |
| 2029 | 25,500 |
| Thereafter | <u>452,568</u> |
| | <u>\$ 580,068</u> |

Rental income under this sublease for each of the years ended June 30, 2024 and 2023 was \$24,600, which is included in other income on the accompanying statements of activities.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2024 and 2023

9. Commitments *(continued)*

On August 30, 2018, an agreement to lease the land and buildings located at 342-346 East 104th Street, New York, NY, was executed between the School and EHS. On December 15, 2022, the lease was amended for rent payments to commence on the earlier of the date that the School takes possession of the premises and September 1, 2024, and to terminate on June 30, 2062. The School took possession of the premises on August 21, 2024. The future minimum lease payments due under this lease for the years ending June 30 are as follows:

| | | |
|------------|----|---------------------------|
| 2025 | \$ | 2,469,351 |
| 2026 | | 2,890,263 |
| 2027 | | 3,334,207 |
| 2028 | | 3,679,536 |
| 2029 | | 3,789,922 |
| Thereafter | | <u>215,002,942</u> |
| Total | \$ | <u><u>231,166,221</u></u> |

10. Contingencies

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks and is self-insured for other risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request a return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

11. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. The School elects to make contributions to the plan on a discretionary basis. The School contributed \$168,752 and \$142,768 to the plan for the years ended June 30, 2024 and 2023.

* * * * *

East Harlem Scholars Academy Charter School

Supplementary Information

June 30, 2024

East Harlem Scholars Academy Charter School

Schedule of Activities by School Year Ended June 30, 2024

| | <u>East Harlem Scholars Academy Charter School</u> | <u>East Harlem Scholars Academy Charter School II</u> | <u>Total</u> |
|---|--|---|-------------------|
| REVENUE AND SUPPORT | | | |
| Public School District | | | |
| State and local per pupil operating revenue | \$ 17,806,038 | \$ 8,292,075 | \$ 26,098,113 |
| Universal pre-kindergarten | 361,284 | 165,648 | 526,932 |
| Lease assistance | 2,920,621 | - | 2,920,621 |
| Government grants and contracts | 1,691,390 | 610,952 | 2,302,342 |
| Contributions | 46,342 | 22,881 | 69,223 |
| Contributions from related party | 2,240,000 | - | 2,240,000 |
| Other income | <u>218,183</u> | <u>135,314</u> | <u>353,497</u> |
| Total Revenue and Support | <u>25,283,858</u> | <u>9,226,870</u> | <u>34,510,728</u> |
| EXPENSES | | | |
| Program Services | | | |
| General education | 17,896,441 | 7,201,400 | 25,097,841 |
| Special education | 5,129,066 | 1,673,883 | 6,802,949 |
| Pre-kindergarten | 648,665 | 134,926 | 783,591 |
| Supplemental education | <u>216,416</u> | <u>61,533</u> | <u>277,949</u> |
| Total Program Services | 23,890,588 | 9,071,742 | 32,962,330 |
| Supporting Services | | | |
| Management and general | 2,831,657 | 852,526 | 3,684,183 |
| Fundraising | <u>541,488</u> | <u>245,831</u> | <u>787,319</u> |
| Total Expenses | <u>27,263,733</u> | <u>10,170,099</u> | <u>37,433,832</u> |
| | | | |
| Change in Net Assets | (1,979,875) | (943,229) | (2,923,104) |
| NET ASSETS, WITHOUT DONOR RESTRICTIONS | | | |
| Beginning of year | <u>3,015,839</u> | <u>643,693</u> | <u>3,659,532</u> |
| | | | |
| End of year | <u>\$ 1,035,964</u> | <u>\$ (299,536)</u> | <u>\$ 736,428</u> |

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Functional Expenses East Harlem Scholars Academy School Year Ended June 30, 2024

| | No. of Positions | Program Services | | | | Total Program Services | Management and General | Fundraising | Total |
|---|---------------------|----------------------|----------------------|----------------------|---------------------------|---------------------------|---------------------------|-------------------|----------------------|
| | | General Education | Special Education | Pre- Kindergarten | Supplemental Education | | | | |
| Personnel Services Costs | | | | | | | | | |
| Administrative staff personnel | 34 | \$ 2,071,518 | \$ 636,032 | \$ 70,102 | \$ - | \$ 2,777,652 | \$ 601,329 | \$ - | \$ 3,378,981 |
| Instructional personnel | 98 | 6,823,495 | 1,984,423 | 296,845 | - | 9,104,763 | - | - | 9,104,763 |
| Total Personnel Services Costs | 132 | 8,895,013 | 2,620,455 | 366,947 | - | 11,882,415 | 601,329 | - | 12,483,744 |
| Fringe benefits and payroll taxes | | 2,045,853 | 602,705 | 84,398 | - | 2,732,956 | 91,609 | - | 2,824,565 |
| Retirement | | 84,427 | 21,060 | 3,337 | - | 108,824 | 13,326 | - | 122,150 |
| Legal services | | - | - | - | - | - | 16,340 | - | 16,340 |
| Accounting and audit services | | - | - | - | - | - | 361,638 | - | 361,638 |
| Other professional and consulting services | | 821,118 | 312,141 | 15,528 | - | 1,148,787 | 1,025,701 | 535,389 | 2,709,877 |
| Building and land rent/lease | | 3,297,969 | 822,675 | 130,371 | - | 4,251,015 | 520,564 | - | 4,771,579 |
| Repairs and maintenance | | 446,650 | 111,416 | 17,656 | - | 575,722 | 70,501 | - | 646,223 |
| Insurance | | 102,579 | 25,588 | 4,055 | - | 132,222 | 16,191 | - | 148,413 |
| Utilities | | 185,575 | 46,291 | 7,336 | - | 239,202 | 29,292 | - | 268,494 |
| Supplies and materials | | 270,909 | 78,786 | - | - | 349,695 | - | - | 349,695 |
| Equipment and furnishings | | 147,348 | 36,756 | 5,825 | - | 189,929 | 23,258 | - | 213,187 |
| Staff development | | 355,214 | 103,304 | - | - | 458,518 | - | - | 458,518 |
| Marketing and recruitment | | 95,843 | 27,873 | - | - | 123,716 | - | - | 123,716 |
| Technology | | 41,668 | 10,394 | 1,647 | - | 53,709 | 6,577 | - | 60,286 |
| Food service | | 445,561 | 129,579 | - | - | 575,140 | - | - | 575,140 |
| Student services | | 324,721 | 94,436 | - | 216,416 | 635,573 | - | - | 635,573 |
| Office expenses | | 94,316 | 23,527 | 3,728 | - | 121,571 | 24,035 | 6,099 | 151,705 |
| Depreciation and amortization | | 198,264 | 49,457 | 7,837 | - | 255,558 | 31,296 | - | 286,854 |
| Dues and memberships | | 24,534 | 7,135 | - | - | 31,669 | - | - | 31,669 |
| Other expenses | | 18,879 | 5,488 | - | - | 24,367 | - | - | 24,367 |
| Total Expenses East Harlem Scholars Academy Charter School | | \$ 17,896,441 | \$ 5,129,066 | \$ 648,665 | \$ 216,416 | \$ 23,890,588 | \$ 2,831,657 | \$ 541,488 | \$ 27,263,733 |

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Functional Expenses East Harlem Scholars Academy School II Year Ended June 30, 2024

| | No. of Positions | Program Services | | | | Total Program Services | Management and General | Fundraising | Total |
|---|---------------------|----------------------|----------------------|----------------------|---------------------------|---------------------------|---------------------------|-------------------|----------------------|
| | | General Education | Special Education | Pre- Kindergarten | Supplemental Education | | | | |
| Personnel Services Costs | | | | | | | | | |
| Administrative staff personnel | 18 | \$ 1,127,581 | \$ 187,416 | \$ 36,722 | \$ - | \$ 1,351,719 | \$ 173,213 | \$ - | \$ 1,524,932 |
| Instructional personnel | 47 | 3,952,573 | 984,815 | 59,494 | - | 4,996,882 | - | - | 4,996,882 |
| Total Personnel Services Costs | <u>65</u> | 5,080,154 | 1,172,231 | 96,216 | - | 6,348,601 | 173,213 | - | 6,521,814 |
| Fringe benefits and payroll taxes | | 970,309 | 223,896 | 18,377 | - | 1,212,582 | 30,358 | - | 1,242,940 |
| Retirement | | 37,836 | 5,550 | 1,353 | - | 44,739 | 1,861 | - | 46,600 |
| Accounting and audit services | | - | - | - | - | - | 178,632 | - | 178,632 |
| Other professional and consulting services | | 327,147 | 117,344 | 4,680 | - | 449,171 | 448,109 | 245,374 | 1,142,654 |
| Repairs and maintenance | | 160,356 | 23,523 | 5,736 | - | 189,615 | 7,888 | - | 197,503 |
| Insurance | | 47,753 | 11,898 | - | - | 59,651 | - | - | 59,651 |
| Utilities | | 17,171 | 2,519 | 614 | - | 20,304 | 845 | - | 21,149 |
| Supplies and materials | | 108,147 | 26,946 | - | - | 135,093 | - | - | 135,093 |
| Equipment and furnishings | | 104,588 | 15,342 | 3,741 | - | 123,671 | 5,145 | - | 128,816 |
| Staff development | | 138,269 | 34,451 | - | - | 172,720 | - | - | 172,720 |
| Marketing and recruitment | | 41,531 | 10,348 | - | - | 51,879 | - | - | 51,879 |
| Technology | | 22,770 | 3,340 | 814 | - | 26,924 | 1,120 | - | 28,044 |
| Food service | | 1,140 | 284 | - | - | 1,424 | - | - | 1,424 |
| Student services | | 31,720 | 7,903 | - | 61,533 | 101,156 | - | - | 101,156 |
| Office expenses | | 49,171 | 7,213 | 1,759 | - | 58,143 | 3,105 | 457 | 61,705 |
| Depreciation and amortization | | 45,749 | 6,711 | 1,636 | - | 54,096 | 2,250 | - | 56,346 |
| Dues and memberships | | 10,238 | 2,551 | - | - | 12,789 | - | - | 12,789 |
| Other expenses | | 7,351 | 1,833 | - | - | 9,184 | - | - | 9,184 |
| | | | | | | | | | |
| Total Expenses East Harlem Scholars Academy Charter School II | | 7,201,400 | 1,673,883 | 134,926 | 61,533 | 9,071,742 | 852,526 | 245,831 | 10,170,099 |
| | | | | | | | | | |
| Total Expenses East Harlem Scholars Academy Charter School | | <u>17,896,441</u> | <u>5,129,066</u> | <u>648,665</u> | <u>216,416</u> | <u>23,890,588</u> | <u>2,831,657</u> | <u>541,488</u> | <u>27,263,733</u> |
| | | | | | | | | | |
| Total Expenses | | <u>\$ 25,097,841</u> | <u>\$ 6,802,949</u> | <u>\$ 783,591</u> | <u>\$ 277,949</u> | <u>\$ 32,962,330</u> | <u>\$ 3,684,183</u> | <u>\$ 787,319</u> | <u>\$ 37,433,832</u> |

See independent auditors' report

East Harlem Scholars Academy Charter School

Uniform Guidance
Schedules and Reports

June 30, 2024

East Harlem Scholars Academy Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|--|---|--|------------------------------|----------------------------------|
| <u>U.S. Department of Education</u> | | | | |
| Pass-through New York State Education Department | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-24-4840 | \$ - | \$ 275,518 |
| Title I Grants to Local Educational Agencies | 84.010 | 0021-24-4980 | - | 160,384 |
| | | | - | 435,902 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | 0147-24-4840 | - | 33,155 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | 0147-24-4980 | - | 20,314 |
| | | | - | 53,469 |
| Student Support and Academic Enrichment Grant | 84.424 | 0204-24-4840 | - | 22,703 |
| Student Support and Academic Enrichment Grant | 84.424 | 0204-24-4980 | - | 12,418 |
| | | | - | 35,121 |
| English Language Acquisition State Grants | 84.365 | 0293-24-4840 | - | 29,977 |
| COVID-19 Education Stabilization Fund/Elementary and Emergency Relief Fund ARP | 84.425U | 5880-21-4840 | - | 398,396 |
| COVID-19 Education Stabilization Fund/Elementary and Emergency Relief Fund ARP | 84.425U | 5880-21-4980 | - | 244,373 |
| COVID-19 Education Stabilization Fund/Elementary and Emergency Relief Fund ARP HCY II | 84.425W | 5218-21-4840 | - | 15,375 |
| COVID-19 Education Stabilization Fund/Elementary and Emergency Relief Fund ARP HCY II | 84.425W | 5218-21-4980 | - | 15,042 |
| | | | - | 673,186 |
| Total Pass-through New York State Education Department | | | - | 1,227,655 |
| The Expansion and Replication of the East Harlem Scholars Academic Model Charter Schools | 84.282M | | - | 128,186 |
| Total U.S. Department of Education | | | - | 1,355,841 |
| <u>U.S. Department of Agriculture</u> | | | | |
| Pass-through New York State Education Department | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| School Breakfast Program | 10.553 | Not available | - | 119,146 |
| National School Lunch Program | 10.555 | Not available | - | 356,695 |
| Total Child Nutrition Cluster | | | - | 475,841 |
| Total U.S. Department of Agriculture | | | - | 475,841 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 1,831,682 |

See independent auditors' report and notes to schedule of expenditures of federal awards

East Harlem Scholars Academy Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of East Harlem Scholars Academy Charter School (the "School"), under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

**Board of Trustees
East Harlem Scholars Academy 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 East Harlem Scholars Academy Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2024.

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

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**Board of Trustees
East Harlem Scholars Academy Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Harlem Scholars Academy Charter School's (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 programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditors' results section of 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, 2024.

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 Auditors' 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.

Auditors' 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 material noncompliance resulting from fraud is higher than for that 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 the 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 considered 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 Auditors' 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 defined 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2024

East Harlem Scholars Academy Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported
Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported
Type of auditors' report issued on compliance for major federal programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

| <u>Federal Assistance Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---|--|
| 84.425U | COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP |
| 84.425W | COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2024.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.