

**EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

**Financial Statements  
as of June 30, 2010  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## TABLE OF CONTENTS JUNE 30, 2010

---

	<u>Page</u>
Independent Auditors' Report	i - ii
Statement of Financial Position	1
Statement of Activities and Change in Net Assets	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10 - 11
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	12 - 13
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs	16
Summary Schedule of Prior Audit Findings	17

## **INDEPENDENT AUDITORS' REPORT**

October 18, 2010

To the Board of Trustees of  
Eugenio Maria de Hostos Charter School:

We have audited the accompanying statement of financial position of Eugenio Maria de Hostos Charter School (a New York not-for-profit corporation) (the School) as of June 30, 2010, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the School's June 30, 2009 financial statements and in our report dated October 20, 2009, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eugenio Maria de Hostos Charter School, as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

171 Sully's Trail  
Pittsford, NY 14534  
p (585) 381-1000  
f (585) 381-3131

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

[www.bonadio.com](http://www.bonadio.com)

(Continued)

## INDEPENDENT AUDITORS' REPORT

(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

**JUNE 30, 2010**

(With Comparative Totals for 2009)

---

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 987,330	\$ 1,062,526
Grants receivable	50,912	75,973
Other receivables, net of allowance for doubtful accounts of \$5,000 in 2010 and \$2,571 in 2009	165,458	88,255
Prepaid expenses	<u>31,313</u>	<u>-</u>
Total current assets	1,235,013	1,226,754
LAND, BUILDINGS, AND EQUIPMENT, net	<u>5,065</u>	<u>192,772</u>
	<u>\$ 1,240,078</u>	<u>\$ 1,419,526</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 114,254	\$ 39,194
Accrued liabilities	168,661	160,186
Due to New York State	<u>20,167</u>	<u>69,581</u>
Total liabilities	303,082	268,961
<b>NET ASSETS</b>	<u>936,996</u>	<u>1,150,565</u>
	<u>\$ 1,240,078</u>	<u>\$ 1,419,526</u>

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
REVENUES, GAINS, AND OTHER SUPPORT:		
Public school district -		
Resident student enrollment	\$ 3,501,980	\$ 3,569,241
Students with disabilities	88,568	89,171
Federal and state grants	408,501	466,371
Cafeteria	202,399	191,292
Interest	1,950	9,808
Other	<u>3,842</u>	<u>36,075</u>
Total revenues, gains, and other support	<u>4,207,240</u>	<u>4,361,958</u>
EXPENSES:		
Program -		
Regular education	3,257,068	3,262,551
Special education	413,191	451,392
Other	<u>309,640</u>	<u>351,285</u>
Total program	3,979,899	4,065,228
Supporting services -		
Management and general	<u>440,910</u>	<u>336,014</u>
Total expenses	<u>4,420,809</u>	<u>4,401,242</u>
CHANGE IN NET ASSETS	(213,569)	(39,284)
NET ASSETS - beginning of year	<u>1,150,565</u>	<u>1,189,849</u>
NET ASSETS - end of year	<u>\$ 936,996</u>	<u>\$ 1,150,565</u>

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

(With Comparative Totals for 2009)

	Program				Supporting Services	Total	
	Regular Education	Special Education	Other Program	Total	Management and General	2010	2009
Salaries:							
Faculty and administration	\$ 1,588,264	\$ 214,913	\$ -	\$ 1,803,177	\$ 259,145	\$ 2,062,322	\$ 1,898,210
Cafeteria	-	-	79,146	79,146	-	79,146	96,206
Employee benefits and payroll taxes	512,026	69,284	25,515	606,825	83,544	690,369	640,422
Occupancy	270,710	36,631	13,490	320,831	44,170	365,001	353,000
Contract services	246,370	21,423	-	267,793	-	267,793	294,462
Textbooks and curriculum	208,265	18,110	-	226,375	-	226,375	275,918
Depreciation and amortization	143,969	19,481	7,174	170,624	23,490	194,114	197,912
Food and supplies	-	-	175,731	175,731	-	175,731	183,200
Janitorial	108,952	10,098	643	119,693	2,105	121,798	124,145
Utilities	52,358	7,085	2,609	62,052	8,543	70,595	70,487
Office expense	22,173	3,001	1,105	26,279	3,618	29,897	33,290
Accounting and audit fees	18,252	2,470	910	21,632	2,978	24,610	20,244
Insurance	15,544	2,103	775	18,422	2,536	20,958	18,216
Computer	10,965	1,484	546	12,995	1,789	14,784	52,981
Instructional supplies	10,844	1,115	177	12,136	581	12,717	14,042
Maintenance and repairs	8,266	1,119	412	9,797	1,349	11,146	26,371
Telephone	5,810	786	290	6,886	948	7,834	9,259
Staff development	5,735	499	-	6,234	1,368	7,602	39,945
Travel	5,584	486	-	6,070	1,332	7,402	5,946
Printing	811	110	40	961	132	1,093	1,504
Minor equipment purchases	150	13	-	163	36	199	14,500
Other	22,020	2,980	1,077	26,077	3,246	29,323	30,982
	<u>\$ 3,257,068</u>	<u>\$ 413,191</u>	<u>\$ 309,640</u>	<u>\$ 3,979,899</u>	<u>\$ 440,910</u>	<u>\$ 4,420,809</u>	<u>\$ 4,401,242</u>

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 (With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenue from school districts	\$ 3,513,345	\$ 3,619,771
Grant revenues	434,263	463,558
Miscellaneous sources	208,191	237,177
Payments to vendors for goods and services rendered	(1,443,632)	(1,574,347)
Payments to charter school personnel for services rendered	<u>(2,780,956)</u>	<u>(2,622,639)</u>
Net cash flow from operating activities	<u>(68,789)</u>	<u>123,520</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	<u>(6,407)</u>	<u>(46,218)</u>
Net cash flow from investing activities	<u>(6,407)</u>	<u>(46,218)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(75,196)	77,302
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,062,526</u>	<u>985,224</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 987,330</u>	<u>\$ 1,062,526</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (213,569)	\$ (39,284)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Provision for doubtful accounts	2,429	-
Depreciation and amortization	194,114	197,912
Increase (decrease) in assets:		
Grants receivable	25,061	(3,163)
Other receivables	(79,632)	(38,641)
Prepaid expenses	(31,313)	-
Increase (decrease) in liabilities:		
Accounts payable	75,060	(44,521)
Accrued liabilities	8,475	(18,364)
Due to New York State	<u>(49,414)</u>	<u>69,581</u>
Net cash flow from operating activities	<u>\$ (68,789)</u>	<u>\$ 123,520</u>

The accompanying notes are an integral part of these statements.



# **EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010**

---

### **1. THE SCHOOL**

Eugenio Maria de Hostos Charter School (the School) is an independent public school established under the provisions of the New York State Charter School Act of 1998, enacted as Article 56 of the Education Law. The School is designed to meet the cognitive and affective needs of a specific population of urban elementary students who reside in Rochester, New York. This population includes children of Latino descent and others for whom a strong academic program is most appropriate in order to prepare them to meet and exceed all New York State educational standards, as well as the New Standards of the America's Choice Design, the organizing framework for the School. The School also utilizes certain community organizations for the delivery of additional learning opportunities.

The School's initial charter was sponsored by Ibero-American Action League, Inc. (IAAL). IAAL is a New York not-for-profit corporation with a mission to foster the well-being and socio-economic development of the Latino community of Rochester, New York and the surrounding area.

In its initial year of operation, the 2000-2001 school year, the School provided educational instruction to students in kindergarten through second grade. In each of the subsequent school years, the School added the next grade level until the School had grades kindergarten through six during the 2004-2005 school year. The School received an extension of its charter in 2010 that is effective through 2015. In conjunction with this extension, the School received approval to add grades seven and eight. The School will add grade seven for the 2010-2011 school year and it is anticipated that grade eight will be added for the 2011-2012 school year.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

#### **Financial Reporting**

At June 30, 2010 and 2009, all of the School's net assets were unrestricted.

#### **Revenue Recognition**

The School records public school district revenue on a per student basis at rates established by New York State for the school district in which the student resides. Final determination of the revenue earned by the School is subject to review by New York State. Provision is made in the financial statements for anticipated adjustments that may result from such reviews. Differences between amounts provided and final settlements are included in the statement of activities and change in net assets in the year of settlement.

Grant revenue is recognized as the related costs are incurred. Amounts received in advance of incurring the related costs, if any, are reported as deferred revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Program Services**

Special education expenses represent the cost of educating students with individualized education programs or those receiving special education services in the classroom. Other program expenses primarily include the costs related to the operation of the School's cafeteria. Regular education expenses include the costs of all other educational activities.

### **Cash and Cash Equivalents**

Cash and cash equivalents include bank demand deposit and money market accounts. The bank accounts and insured money market accounts, at times, may exceed federally insured limits. Certain other money market accounts are not insured. The School has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

### **Accounts and Grants Receivable**

The School records an allowance for uncollectible accounts based on historical collection experience and a review of specific amounts outstanding. Accounts are written off against the allowance when uncollectibility becomes known.

### **Property and Equipment**

Property and equipment is stated at cost or fair value at the date of donation. It is the School's policy to capitalize all additions greater than \$1,000 with a useful life in excess of one year. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Leasehold improvements are amortized over the shorter of the assets' estimated useful lives or the remaining lease term.

### **Donated Services**

Volunteers have donated significant amounts of time in support of the School's activities. However, the value of these services is not reflected in the accompanying financial statements, as they do not meet the criteria for recognition as set forth under generally accepted accounting principles.

### **Income Taxes**

The School is exempt from income taxes as a corporation qualified under Section 501(c)(3) of the Internal Revenue Code. The School has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109, Accounting for Income Taxes* (FIN 48). FIN 48 is now known as Accounting Standards Codification (ASC) Section 740. This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. ASC Section 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The School adopted the provisions of ASC Section 740 on July 1, 2009 and there was no impact on the School's financial statements. At the date of adoption and as of June 30, 2010, the School does not have a liability for unrecognized tax benefits. The School files informational tax returns in the U.S. federal jurisdiction. The School is no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2006.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 3. NET ASSETS

The School's Board of Trustees has designated certain unrestricted net assets as follows at June 30:

	<u>2010</u>	<u>2009</u>
Program and curriculum enhancement	\$ 220,000	\$ 220,000
Facility development	150,000	150,000
Property additions	62,713	62,713
Library	<u>25,000</u>	<u>25,000</u>
	<u>\$ 457,713</u>	<u>\$ 457,713</u>

## 4. CONCENTRATIONS

### Revenue

The School's primary source of funding is obtained from the New York State Department of Education and is reported as public school district revenue in the accompanying statement of activities and change in net assets. This funding is received on a per pupil basis and was approximately 85% and 84% of the School's total revenue for the years ended June 30, 2010 and 2009, respectively.

### Grants Receivable

At June 30, 2010 and 2009, 100% of grants receivable were from the New York State Department of Education.

## 5. PUBLIC SCHOOL DISTRICT REVENUE

At June 30, 2010, the School has a recorded liability of \$20,167 related to the final reconciliation of the 2009-2010 school year that will be recouped by New York State during the year ending June 30, 2011. During year-ended June 30, 2010 New York State recouped the \$69,581 that was related to the final reconciliation of the public school district revenue for the 2008-2009 school year.

## 6. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 558,086	\$ 553,464
Computers	203,097	201,311
Equipment	<u>182,382</u>	<u>182,382</u>
	943,565	937,157
Less: Accumulated depreciation and amortization	<u>(938,500)</u>	<u>(744,385)</u>
	<u>\$ 5,065</u>	<u>\$ 192,772</u>

## 7. RETIREMENT PLANS

### **New York State Teachers' Retirement System**

The School participates in the New York State Teachers' Retirement System (the System). Eligible full-time employees automatically begin participation upon hire. The School made contributions for eligible full-time employees at rates of 6.19% and 7.63% of compensation for the years ended June 30, 2010 and 2009, respectively. Contributions are used by the System to purchase fully vested individual retirement annuity contracts. The School recognized pension expense for required contributions to the System of \$101,250 and \$103,402 during the years ended June 30, 2010 and 2009, respectively.

### **Retirement Savings Plan**

The School sponsors a tax sheltered annuity 403(b) retirement plan (the Plan) for all salaried, full-time employees who are not participants in the New York State Teachers' Retirement System. These employees are eligible to participate upon hiring and are immediately vested in the School's contributions. The School makes contributions of 4.5% of the employees' annual salary. The School's contributions to the Plan for the years ended June 30, 2010 and 2009 were \$23,346 and \$18,138 respectively.

## 8. AFFILIATE TRANSACTIONS

### **Lease**

The School leased certain of its school facilities with Ibero-American Development Corporation (Development) through August 2010. Development is related to IAAL through common management and Board of Directors' members. The terms of the agreement allowed the School to rent the facility at a monthly rate of \$22,500. Rent expense recognized under the terms of this agreement was \$270,000 for both of the years ended June 30, 2010 and 2009, respectively.

## 8. AFFILIATE TRANSACTIONS (Continued)

Effective September 2010, the School entered into a new lease agreement with Development for the same facilities. The terms of this agreement allow the School to rent the facility at a monthly rate of \$23,850 through August 2015.

Future minimum payments under the terms of these agreements are as follows for the years ending June 30:

2011	\$ 283,500
2012	286,200
2013	286,200
2014	286,200
2015	<u>47,700</u>
	<u>\$ 1,189,800</u>

### Extended Day Program

IAAL provides certain personnel services to the School for the School's Extended Day Program. The cost to the School of the services provided during the years ended June 30, 2010 and 2009 was \$273,036 and \$294,493, respectively.

## 9. COMMITMENTS

### Facility Lease

The School leased for additional school facilities with an unrelated organization for the period August 2007 through September 2010. Rent expense recognized under the terms of this agreement was \$95,000 and \$83,000 for the years ended June 30, 2010 and 2009, respectively.

Effective October 2010, the School entered into a new lease agreement with Development for the same facilities. The terms of this agreement allow the School to rent the facility at an increased monthly rate of \$10,000 through August 2015.

Future minimum payments under the terms of these agreements are as follows for the years ending June 30:

2011	\$ 100,000
2012	120,000
2013	120,000
2014	120,000
2015	<u>20,000</u>
	<u>\$ 480,000</u>

## 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 18, 2010, which is the date the financial statements were available to be issued.

**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**

October 18, 2010

To the Board of Trustees of  
Eugenio Maria de Hostos Charter School:

We have audited the financial statements of Eugenio Maria de Hostos Charter School (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated October, 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

171 Sully's Trail  
Pittsford, NY 14534  
p (585) 381-1000  
f (585) 381-3131

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

www.bonadio.com

(Continued)

**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***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 2010.

This report is intended solely for the information and use of management, the Board of Trustees, and others within Eugenio Maria de Hostos Charter School and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

October 18, 2010

To the Board of Trustees of  
Eugenio Maria de Hostos Charter School:

**Compliance**

We have audited Eugenio Maria de Hostos Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2010. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the 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, 2010.

171 Sully's Trail  
Pittsford, NY 14534  
p (585) 381-1000  
f (585) 381-3131

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

www.bonadio.com

(Continued)



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

(Continued)

**Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, and others within Eugenio Maria de Hostos Charter School and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

---

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Passed through the New York State Education Department -			
Reading First State Grants	84.357	0243090183	\$ 35,129
Title I Grants to Local Educational Agencies	84.010	0021094055	238,740
Improving Teacher Quality State Grants	84.367	0147094055	23,928
Title I Grants to Local Educational Agencies, Recovery Act	84.389A	5021104055	94,896
Safe and Drug - Free Schools and Communities - State Grants	84.186	0180094055	3,161
Education Technology State Grants	84.318	0292094055	2,317
U.S. Department of Agriculture:			
Passed through the New York State Education Department -			
National School Lunch Program	10.555	N/A	124,061
School Breakfast Program	10.553	N/A	<u>69,432</u>
			<u>\$ 591,664</u>

## **EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010**

---

#### **1. GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Eugenio Maria de Hostos Charter School. The schedule includes expenditures of federal awards received directly from federal agencies, as well as federal awards passed through other organizations.

#### **2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States.

Amounts included in the accompanying schedule of expenditures of federal awards are actual expenditures for the year ended June 30, 2010. Differences between amounts included in the accompanying schedule of expenditures of federal awards and amounts reported to funding agencies for these programs result from report timing.

## **EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010**

---

#### **A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Eugenio Maria de Hostos Charter School (the School).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the School expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs of the School.
7. The programs tested as major programs were:
  - CFDA No. 84.389A - Title I Grants to Local Educational Agencies, Recovery Act
  - CFDA No. 84.010 - Title I Grants to Local Educational Agencies
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The School was determined not to be a low-risk auditee.

#### **B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

#### **C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.

## **EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010**

---

#### **Finding 2009-01 - PUBLIC SCHOOL DISTRICT REVENUE**

**Condition:** Accurate enrollment data was not provided timely to the Rochester City School District (RCSD) for per pupil reimbursement. As a result, the School received overpayments of tuition revenue throughout the year.

**Recommendation:** We recommended that the School develop and implement a more effective method to ensure accurate enrollment reporting to RCSD. In addition, the School should reconcile their tuition payments to monthly enrollment statistics to determine the accuracy of their payments. If the amount due to the School is different than the amount paid by RCSD, the School should record the difference as either a receivable or payable.

**Current Status:** The school has implemented procedures that will help ensure that the RCSD has accurate enrollment statistics. The School's Finance department now reconciles all tuition payments to current enrollment statistics and has recorded the appropriate payable at year end.

#### **Finding 2009-02: NET ASSETS**

**Condition:** Prior year audit adjustments had not been properly posted to the general ledger. As a result, the beginning of the year net asset balance was not in agreement with the prior year's ending net asset balance.

**Recommendation:** We recommended that any audit adjustments be properly posted to the School's general ledger to help ensure the accuracy of the School's financial reporting process.

**Current Status:** During the current year audit we noted that all prior year audit adjustments were recorded properly.