EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

Financial Statements as of
June 30, 2018
Together with
Independent Auditor's Reports

Bonadio & Co., LLP
Certified Public Accountants

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

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JUNE 30, 2018

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 17, 2018

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

Report on the Financial Statements
We have audited the accompanying financial statements of Eugenio Maria de Hostos Charter School (the School) (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Qualified Opinion
As more fully described in Note 9 to the financial statements, the School is not able to obtain or determine its net pension asset (liability) or the required disclosures under the New York State Teachers' Retirement System, a defined benefit pension plan, in accordance with accounting principles generally accepted in the United States of America, which require the cost of employees' pensions to be recognized over the employees' respective service periods. In addition, accounting principles generally accepted in the United States of America require an asset to be recorded when the fair value of plan assets exceeds the accumulated benefit obligation and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the School's 2017 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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 17, 2018 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, 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 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.

Bonadio & Co., LLP

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,671,718	$ 131,167
Grants and contracts receivable	514,463	474,494
Accounts receivables, net of allowance for doubtful accounts of $1,500 in 2018 and 2017	59,580	138,632
Due from Rochester City School District	3,109	67,671
Prepaid expenses	18,632	13,960
Investments	649,121	644,826
Total current assets	2,916,623	1,470,750
DESIGNATED CASH	75,000	75,000
LAND, BUILDINGS, AND EQUIPMENT, net	3,432,140	3,382,666
	$ 6,423,763	$ 4,928,416
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 53,311	$ 50,367
Accounts payable	504,785	169,421
Accrued liabilities	420,822	398,459
Deferred revenue	39,617	55,356
Total current liabilities	1,018,535	673,603
LONG-TERM DEBT, net of current portion	1,697,727	1,731,449
Total liabilities	2,716,262	2,405,052
NET ASSETS	3,707,501	2,523,364
	$ 6,423,763	$ 4,928,416

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, 2018
(With Comparative Totals for 2017)

	2018	2017
REVENUES, GAINS, AND OTHER SUPPORT:		
Public school district -		
Resident student enrollment	$ 9,394,435	$ 8,059,566
Students with disabilities	390,457	284,084
Federal and state grants	1,168,408	365,736
Federal and state food service	686,618	539,751
Interest	1,716	841
Investment income, net	4,295	10,172
Other grants	94,763	118,284
Other	96,332	59,359
Total revenues, gains, and other support	11,837,024	9,437,793
EXPENSES:		
Program -		
Regular education	8,149,275	6,402,372
Special education	933,359	731,981
Total program	9,082,634	7,134,353
Supporting services -		
Management and general	1,570,253	1,354,875
Total expenses	10,652,887	8,489,228
CHANGE IN NET ASSETS	1,184,137	948,565
NET ASSETS - beginning of year	2,523,364	1,574,799
NET ASSETS - end of year	$ 3,707,501	$ 2,523,364

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, 2018
(With Comparative Totals for 2017)

	Program Services				Supporting Services			Total	
	Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total	2018	2017
Personnel services costs:									
Administrative staff personnel	$ 109,195	$ -	$ -	$ 109,195	$ -	$ 730,394	$ 730,394	$ 839,589	$ 688,667
Instructional personnel	4,147,544	578,137	-	4,725,681	-	-	-	4,725,681	3,737,904
Non-instructional personnel	-	-	-	-	-	35,797	35,797	35,797	4,011
Total personnel services costs	4,256,739	578,137	-	4,834,876	-	766,191	766,191	5,601,067	4,430,582
Fringe benefits and payroll taxes	949,248	128,923	-	1,078,171	-	170,860	170,860	1,249,031	976,614
Retirement	304,633	43,255	-	347,888	-	13,846	13,846	361,734	360,045
Legal services	-	-	-	-	-	17,343	17,343	17,343	17,399
Accounting/audit services	-	-	-	-	-	30,435	30,435	30,435	119,405
Other purchased/professional/consulting services	642,098	87,559	-	729,657	-	81,073	81,073	810,730	510,333
Building and land rent/lease	-	-	-	-	-	-	-	-	134,696
Repairs and maintenance	152,482	20,793	-	173,275	-	19,253	19,253	192,528	177,747
Insurance	-	-	-	-	-	44,587	44,587	44,587	43,091
Utilities	106,710	6,852	-	113,562	-	50,997	50,997	164,559	179,196
Supplies/materials	189,085	14,227	-	203,312	-	-	-	203,312	103,905
Equipment/furnishings	60,962	4,125	-	65,087	-	36,879	36,879	101,966	68,866
Staff development	38,873	3,270	-	42,143	-	4,333	4,333	46,476	35,930
Marketing/recruitment	-	-	-	-	-	38,613	38,613	38,613	19,954
Technology	145,661	-	-	145,661	-	83,069	83,069	228,730	173,911
Food service	561,447	-	-	561,447	-	-	-	561,447	475,656
Student services	482,378	24,367	-	506,745	-	-	-	506,745	330,926
Office expense	31,401	-	-	31,401	-	31,401	31,401	62,802	37,526
Depreciation	173,282	21,851	-	195,133	-	3,641	3,641	198,774	88,805
Other	54,276	-	-	54,276	-	177,732	177,732	232,008	204,641
Total expenses	$ 8,149,275	$ 933,359	$ -	$ 9,082,634	$ -	$ 1,570,253	$ 1,570,253	$ 10,652,887	$ 8,489,228

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, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenue from school districts	$ 9,928,506	$ 8,324,746
Grant revenues	1,894,081	470,803
Miscellaneous sources	102,343	70,372
Payments to charter school personnel for services rendered	(4,812,513)	(3,845,987)
Payments to vendors for goods and services rendered	(5,270,583)	(4,637,396)
Net cash flow from operating activities	1,841,834	382,538
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,360,000
Repayment of long-term debt	(48,739)	(38,151)
Net cash flow from financing activities	(48,739)	1,321,849
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,295)	(565)
Purchases of land, buildings, and equipment	(248,249)	(2,420,856)
Net cash flow from investing activities	(252,544)	(2,421,421)
CHANGE IN CASH	1,540,551	(717,034)
CASH - beginning of year	131,167	848,201
CASH - end of year	$ 1,671,718	$ 131,167
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,184,137	$ 948,565
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Gain on investments, net	-	(9,607)
Depreciation	198,774	88,805
Loan acquisition costs	-	(82,743)
Amortization of loan acquisition costs	17,962	17,962
(Increase) decrease in assets:		
Grants receivable	(39,969)	(135,135)
Other receivables	79,052	(359,113)
Due from Rochester City School District	64,562	(18,904)
Prepaid expenses	(4,672)	(13,835)
Increase (decrease) in liabilities:		
Accounts payable	335,364	(17,479)
Accrued liabilities	22,363	22,742
Deferred revenue	(15,739)	(58,720)
Net cash flow from operating activities	$ 1,841,834	$ 382,538

The accompanying notes are an integral part of these statements.

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'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.

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. The School also utilizes certain community organizations for the delivery of additional learning opportunities.

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 was effective through 2015. In conjunction with this extension, the School received approval to add grades seven and eight. The School added grade seven for the 2010-2011 school year and added grade eight in the 2011-2012 school year.

In June 2015, the School received a renewal of its charter for an additional five years through 2020. This extension provided the School with the authority to increase student levels for its existing grades and to provide instruction through grade twelve. Under the terms of the charter, the School added grade nine in the 2016-2017 school year and grade ten in the 2017-2018 school year and will add an additional grade in each year through the 2019-2020 school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

With the exception of recording the funded status of a pension plan that the School's employees participate in, the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Financial Reporting

At June 30, 2018 and 2017, 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 from the Rochester City School District (RCSD) is subject to review by RCSD. 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 statements of activities and change in net assets in the year of settlement.

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. 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. 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.

Grants and Other Receivables
Grant revenue and public school district revenue is recognized as the related costs are incurred. Amounts received in advance of incurring the related costs are reported as deferred revenue.

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.

Designated Cash
In accordance with New York State Department of Education (NYSED) regulations, the School is required to maintain funds to pay for expenses associated with the potential termination of the School or non-renewal of the School's charter. The School had designated funds totaling $75,000 at June 30, 2018 and 2017 to satisfy this requirement.

Investments
Investments are recorded at fair value, based on quoted market prices.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the School.

Fair Value
Generally accepted accounting standards establish a framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair market value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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

The methods described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Land, Buildings, 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 $5,000 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 3 to 39½ 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.

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, 2017, 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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform with the current year presentation.

3. NET ASSETS

The School's Board of Trustees has designated certain unrestricted net assets for the following purposes at June 30:

	2018	2017
Campus development	$ 1,000,000	$ 745,000
Renewal transformation	500,000	-
	$ 1,500,000	$ 745,000

4. CONCENTRATIONS

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 statements of activities and change in net assets. This funding is received on a per pupil basis and was approximately 83% and 88% of the School's total revenue for the years ended June 30, 2018 and 2017, respectively.

5. INVESTMENTS

Composition
Investments consisted of money market funds at June 30, 2018 and 2017.

Net Investment Income
Net investment income consisted of the following for the years ended June 30:

	2018	2017
Interest and dividends	$ 4,295	$ 565
Unrealized gains, net	-	9,607
	$ 4,295	$ 10,172

Fair Value
The School's investments are measured at fair value on a recurring basis at June 30, 2018 utilizing the following input levels:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 649,121	$ -	$ -	$ 649,121

The School's investments are measured at fair value on a recurring basis at June 30, 2017 utilizing the following input levels:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 644,826	$ -	$ -	$ 644,826

6. LAND, BUILDINGS, AND EQUIPMENT

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

	2018	2017
Land	$ 237,000	$ 237,000
Buildings and improvements	3,477,662	2,384,870
Leasehold improvements	564,286	564,286
Computers	276,534	276,534
Equipment	206,685	201,122
Construction-in-process	92,344	942,663
	4,854,511	4,606,475
Less: Accumulated depreciation and amortization	(1,422,371)	(1,223,809)
	$ 3,432,140	$ 3,382,666

Depreciation expense was $198,774 and $88,805 for the years ended June 30, 2018 and 2017, respectively.

7. LONG-TERM DEBT

Composition
Long-term debt consisted of the following at June 30:

	2018	2017
Mortgage payable to a bank requiring monthly payments of $4,316, including interest at 5.37%, through 2022, collateralized by the related building.	$ 500,360	$ 524,196
Mortgage payable to a bank requiring monthly payments of $8,834, including interest at 6.00%, through 2041, collateralized by the related building.	1,319,519	1,344,423
	1,819,879	1,868,619
Less: Current portion	(53,311)	(50,367)
Less: Unamortized debt issuance costs	(68,841)	(86,803)
	$ 1,697,727	$ 1,731,449

Principal Repayments
Principal repayments under the terms of these agreements are as follows for the years ending June 30:

2019	$ 53,311
2020	54,403
2021	57,957
2022	32,273
2023	1,263,903
Thereafter	358,032
	$ 1,819,879

7. LONG-TERM DEBT (Continued)

Interest
Interest paid under the terms of these agreements was approximately $109,100 and $98,100 in 2018 and 2017, respectively, and is included in other expenses in the accompanying financial statements. Amortization of the debt issuance costs was $17,962 during the years ended June 30, 2018 and 2017, and is included in other expenses in the accompanying financial statements.

Debt Issuance Costs
Estimated future amortization expense of debt issuance costs is as follows for the years ended June 30:

2019	$ 17,962
2020	17,962
2021	17,962
2022	14,956
	$ 68,842

Covenant Compliance
The School's financing arrangements contain various document submission and restrictive financial covenants. The School was in compliance with these covenants at June 30, 2018 and 2017.

8. LINE OF CREDIT

The School has line of credit agreement with a bank that provides for borrowings up to $200,000 that is renewable on an annual basis. Amounts borrowed bear interest at the prime rate (6.50% at June 30, 2018) plus 1.5% and are collateralized by a general lien on substantially all of the School's assets. There were no amounts outstanding at June 30, 2018 and 2017.

There was no interest paid on the line of credit during the years ended June 30, 2018 and 2017.

9. RETIREMENT PLANS

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 salaries. The School recognized expense for contributions to the Plan of $74,002 and $25,475 during the years ended June 30, 2018 and 2017, respectively.

9. RETIREMENT PLANS (Continued)

New York State Teachers' Retirement System

The School participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. Accounting principles generally accepted in the United States of America require the School to record its funded status in the plan and to make certain disclosures related to the plan, its assets, and the components and expense and the funded status at year-end. TRS performs an actuarial calculation of the funded status for the prior year on an annual basis. Therefore, at June 30, 2018 the only available information for the plan is as of June 30, 2017. The School has determined based on the period of time that has elapsed, and the potential significant change in the funded status year over year, that it is not useful to record the prior year funded status in the current year and that it is impracticable to obtain an actuarial valuation as of June 30, 2018.

The School made contributions for eligible full-time employees at rates of 9.80% and 11.72% of compensation for the years ended June 30, 2018 and 2017, 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 $287,731 and $326,791 during the years ended June 30, 2018 and 2017, respectively.

The following information is meant to provide additional information on TRS, as well as provide information on the plan as of June 30, 2017. This information has been derived from the New York State Teachers' Retirement System reporting as of June 30, 2017, the most current date for which an actuarial report is available.

The School's net pension asset as of June 30, 2017 was $129,614. Had the School's net pension asset been recorded at June 30, 2017, the following line items would have been impacted accordingly:

	As reported	Net pension asset	As reported with the net pension asset at June 30, 2017
Other assets	$ -	$ 129,614	$ 129,614
Total assets	$ 4,928,416	$ 129,614	$ 5,058,030
Net assets	$ 2,523,364	$ 129,614	$ 2,652,978

The total pension asset as of the measurement date was determined using an actuarial valuation as noted in the table below, with updated procedures used to roll forward the total pension asset to the measurement date. The actuarial valuation used the following assumptions reported by TRS to the School as follows:

Measurement date	June 30, 2017
Actuarial valuation date	June 30, 2016
Interest rate	7.25%
Discount rate	7.25%
Long term rate of return on pension plan investments	7.25%
Salary scale	1.90% - 4.72%
Decrement tables	July 1, 2009 – June 30, 2014
System's experience inflation rate	2.50%

10. AFFILIATE TRANSACTIONS

Facility Lease

The School leased certain school facilities from Ibero-American Development Corporation (Development) through March 2017. Development is a subsidiary of IAAL and has common management and Board of Directors' members. Under the terms of the agreement with Development, the School rented the facility at a monthly rate of $14,625 from September 2015 through June 2016 and at a monthly rate of $15,064 through March 2017. Rent expense recognized under the terms of this agreement was $134,696 for the year ended June 30, 2017.

Advertising

The School ran advertisements on Poder 97.1, a radio station owned by IAAL. Advertising expense recognized for these advertisements was $9,424 and $20,216 for the years ended June 30, 2018 and 2017, respectively.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 17, 2018, which is the date the financial statements were available to be issued.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 17, 2018

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

We have audited, 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, the financial statements of Eugenio Maria de Hostos Charter School (the School) (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated October 17, 2018, which was qualified due to the School not being able to obtain its net pension asset (liability) at June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

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) to determine the 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 may exist that have not been identified.

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

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

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 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*.

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.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

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

October 17, 2018

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

Report on Compliance for Each Major Federal Program
We have audited Eugenio Maria de Hostos Charter School's (the School) (a New York not-for-profit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program
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, 2018.

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f (585) 381-3131

www.bonadio.com

(Continued)

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

Report on Internal Control over Compliance
Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Bonadio & Co., LLP

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Contract Numbers	Federal CFDA Number	Total
U.S. Department of Education:			
Passed through New York State Department of Education -			
Twenty-First Century Community Learning Centers	C-403008	84.287	$ 633,535
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
Passed through New York State Department of Education -			
School Breakfast Program	N/A	10.553	186,642
National School Lunch Program	N/A	10.555	440,131
			626,773
			$ 1,260,308

The accompanying notes are an integral part of this schedule.

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Eugenio Maria de Hostos Charter School (the School) under programs of the federal government for the year ended June 30, 2018 and has been prepared in accordance with accounting principles generally accepted in the United States of America. 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 School's operations, it is not intended to, and does not, present the financial position, change in net assets, or cash flows of the School.

2. INDIRECT COST RATE

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

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The Independent Auditor's Report expresses a qualified opinion on whether the financial statements of Eugenio Maria de Hostos Charter School (the School) are presented in accordance with accounting principles generally accepted in the United States of America.

2. No significant deficiencies or material weaknesses related to the audit of the School's financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies or material weaknesses related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The independent auditor's report on compliance for the School's major federal award programs expresses an unmodified opinion on all major federal programs.

6. There were no audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance.

7. The programs tested as a major program were:

   Child Nutrition Cluster:

   - CFDA No. 10.553 - School Breakfast Program
   - CFDA No. 10.555 - National School Lunch Program

8. The threshold for distinguishing between Types A and B programs was $750,000.

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 PROGRAMS

None.