

**East Harlem Scholars Academy Charter School**

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

June 30, 2022 and 2021

# East Harlem Scholars Academy Charter School

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

June 30, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 opinions.

#### ***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, 2022 on pages 18 through 20 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 21 as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), 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 September 23, 2022 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*

September 23, 2022

## East Harlem Scholars Academy Charter School

### Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 6,068,372	\$ 6,408,732
Grants and contracts receivable	2,731,734	1,865,570
Due from East Harlem Tutorial Program	143,057	329,562
Prepaid expenses	<u>79,299</u>	<u>120,221</u>
Total Current Assets	9,022,462	8,724,085
Restricted cash	150,357	150,342
Property and equipment, net	<u>909,683</u>	<u>631,560</u>
	<u>\$ 10,082,502</u>	<u>\$ 9,505,987</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,016,760	\$ 2,097,545
Refundable advances	81,432	32,012
Deferred rent, current portion	<u>55,669</u>	<u>55,669</u>
Total Current Liabilities	2,153,861	2,185,226
Deferred rent	<u>673,765</u>	<u>618,096</u>
Total Liabilities	2,827,626	2,803,322
Net assets, without donor restrictions	<u>7,254,876</u>	<u>6,702,665</u>
	<u>\$ 10,082,502</u>	<u>\$ 9,505,987</u>

See notes to financial statements

## East Harlem Scholars Academy Charter School

### Statements of Activities

	Year Ended June 30,	
	2022	2021
<b>REVENUE AND SUPPORT</b>		
Public School District		
State and local per pupil operating revenue	\$ 24,981,088	\$ 24,437,087
Universal pre-kindergarten	941,976	899,165
Lease assistance	1,416,600	1,416,600
Government grants and contracts	4,405,107	2,334,860
Contributions	187,000	312,252
Contributions from related party	1,890,000	240,000
Other income	25,331	27,393
Total Revenue and Support	33,847,102	29,667,357
<b>EXPENSES</b>		
Program Services		
General education	21,254,044	17,946,732
Special education	6,817,508	5,764,720
Pre-kindergarten	862,364	447,075
Total Program Services	28,933,916	24,158,527
Supporting Services		
Management and general	3,460,201	2,818,537
Fundraising	900,774	889,457
Total Expenses	33,294,891	27,866,521
Gain on forgiveness of Paycheck Protection Program loan	-	2,849,695
Change in Net Assets	552,211	4,650,531
<b>NET ASSETS</b>		
Beginning of year	6,702,665	2,052,134
End of year	\$ 7,254,876	\$ 6,702,665

See notes to financial statements

## East Harlem Scholars Academy Charter School

### Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre- Kindergarten				
Personnel Services Costs								
Administrative staff personnel	57	\$ 1,896,661	\$ 548,098	\$ 103,513	\$ 2,548,272	\$ 815,639	\$ -	\$ 3,363,911
Instructional personnel	165	10,963,784	3,044,707	567,602	14,576,093	-	-	14,576,093
Total Personnel Services Costs	<u>222</u>	<u>12,860,445</u>	<u>3,592,805</u>	<u>671,115</u>	<u>17,124,365</u>	815,639	-	<u>17,940,004</u>
Fringe benefits and payroll taxes		2,169,100	606,551	121,091	2,896,742	134,846	-	3,031,588
Retirement		154,741	44,892	2,745	202,378	14,150	-	216,528
Legal services		-	-	-	-	3,607	-	3,607
Accounting and audit services		-	-	-	-	482,010	-	482,010
Other professional and consulting services		342,976	934,156	5,801	1,282,933	1,638,583	898,770	3,820,286
Building and land rent/lease		1,063,654	307,611	13,091	1,384,356	87,914	-	1,472,270
Repairs and maintenance		1,327,042	382,821	20,817	1,730,680	118,406	-	1,849,086
Insurance		114,781	31,571	1,029	147,381	19,363	-	166,744
Utilities		210,569	60,846	2,828	274,243	17,865	-	292,108
Supplies and materials		459,536	127,566	-	587,102	-	-	587,102
Equipment and furnishings		140,774	40,501	2,716	183,991	13,548	-	197,539
Staff development		392,281	107,069	-	499,350	-	-	499,350
Marketing and recruitment		76,086	20,820	-	96,906	-	-	96,906
Technology		173,794	50,046	3,142	226,982	16,316	-	243,298
Food service		551,578	161,396	-	712,974	-	-	712,974
Student services		142,304	39,846	-	182,150	-	-	182,150
Office expenses		758,695	218,523	13,502	990,720	73,813	2,004	1,066,537
Depreciation and amortization		262,348	75,602	4,487	342,437	24,141	-	366,578
Dues and memberships		26,401	7,270	-	33,671	-	-	33,671
Other expenses		26,939	7,616	-	34,555	-	-	34,555
Total Expenses		<u>\$ 21,254,044</u>	<u>\$ 6,817,508</u>	<u>\$ 862,364</u>	<u>\$ 28,933,916</u>	<u>\$ 3,460,201</u>	<u>\$ 900,774</u>	<u>\$ 33,294,891</u>

See notes to financial statements



## East Harlem Scholars Academy Charter School

### Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services				Management and General	Fundraising	Total
		General Education	Special Education	Pre- Kindergarten	Total Program Services			
Personnel Services Costs								
Administrative staff personnel	48	\$ 1,429,185	\$ 412,080	\$ 96,559	\$ 1,937,824	\$ 561,932	\$ -	\$ 2,499,756
Instructional personnel	142	10,255,198	2,829,873	221,079	13,306,150	-	-	13,306,150
Total Personnel Services Costs	<u>190</u>	<u>11,684,383</u>	<u>3,241,953</u>	<u>317,638</u>	<u>15,243,974</u>	561,932	-	15,805,906
Fringe benefits and payroll taxes		2,017,772	558,613	54,894	2,631,279	96,369	-	2,727,648
Retirement		159,906	45,515	4,350	209,771	8,311	-	218,082
Legal services		-	-	-	-	1,488	-	1,488
Accounting and audit services		-	-	-	-	487,108	-	487,108
Other professional and consulting services		167,305	779,626	4,552	951,483	1,498,048	887,481	3,337,012
Building and land rent/lease		1,059,450	319,332	28,810	1,407,592	64,678	-	1,472,270
Repairs and maintenance		620,616	181,672	16,879	819,167	34,972	-	854,139
Insurance		90,279	25,186	2,456	117,921	4,416	-	122,337
Utilities		213,198	63,189	5,798	282,185	12,435	-	294,620
Supplies and materials		153,165	44,026	-	197,191	-	-	197,191
Equipment and furnishings		169,617	46,143	701	216,461	1,573	-	218,034
Staff development		211,770	58,120	-	269,890	-	-	269,890
Marketing and recruitment		67,749	18,643	-	86,392	-	-	86,392
Technology		121,148	33,530	2,894	157,572	5,024	-	162,596
Food service		424,258	127,877	-	552,135	-	-	552,135
Student services		80,360	24,443	-	104,803	-	-	104,803
Office expenses		388,893	107,872	197	496,962	3,267	1,976	502,205
Depreciation and amortization		290,615	81,701	7,906	380,222	14,553	-	394,775
Dues and memberships		25,479	7,047	-	32,526	-	-	32,526
Other expenses		769	232	-	1,001	24,363	-	25,364
<b>Total Expenses</b>		<u>\$ 17,946,732</u>	<u>\$ 5,764,720</u>	<u>\$ 447,075</u>	<u>\$ 24,158,527</u>	<u>\$ 2,818,537</u>	<u>\$ 889,457</u>	<u>\$ 27,866,521</u>

See notes to financial statements

## East Harlem Scholars Academy Charter School

### Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 552,211	\$ 4,650,531
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	366,578	394,775
Deferred rent	55,669	55,669
Gain on forgiveness of Paycheck Protection Program loan	-	(2,849,695)
Changes in operating assets and liabilities		
Grants and contracts receivable	(866,164)	(1,110,974)
Due from East Harlem Tutorial Program	186,505	(329,562)
Prepaid expenses	40,922	230,888
Accounts payable and accrued expenses	(80,785)	406,798
Due to East Harlem Tutorial Program	-	(2,233,194)
Refundable advances	49,420	(21,476)
Net Cash from Operating Activities	304,356	(806,240)
 <b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	(644,701)	(294,336)
 Net Change in Cash and Restricted Cash	(340,345)	(1,100,576)
 <b>CASH AND RESTRICTED CASH</b>		
Beginning of year	6,559,074	7,659,650
End of year	\$ 6,218,729	\$ 6,559,074

See notes to financial statements

# East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2022 and 2021

## 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”) 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 two renewals to the Corporation’s charter. The Corporation’s charter expires on July 31, 2023. 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 in fiscal 2022 it served pre-kindergarten through eleventh 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 proposes to begin the twelfth grade instruction with the 2022-23 school year. Scholars provided education to approximately 36 students in Universal Pre-Kindergarten and 785 students in kindergarten through eleventh grades during the 2021-2022 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 will expand each year until it serves 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 24 students in Universal Pre-Kindergarten and 451 students in kindergarten through eighth grades during the 2021-2022 academic year.

Scholars and Scholars II are referred to collectively as the “School”.

## East Harlem Scholars Academy Charter School

### Notes to Financial Statements

June 30, 2022 and 2021

#### 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, 2022 and 2021.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements  
June 30, 2022 and 2021

### 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:

	2022	2021
Cash	\$ 6,068,372	\$ 6,408,732
Restricted cash	150,357	150,342
	<u>\$ 6,218,729</u>	<u>\$ 6,559,074</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, 2022 and 2021.

#### ***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.

#### ***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.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2022 and 2021

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

#### ***Revenue Recognition (continued)***

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 by function 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.

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.

#### ***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, 2022 and 2021 was \$96,906 and \$86,392.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2022 and 2021

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

#### ***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, 2019.

#### ***Deferred Rent***

The School records its rent in accordance with U.S. GAAP, whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentive, is reflected in deferred rent in the accompanying statements of financial position.

#### ***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 September 23, 2022.

### 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, 2022 and 2021, approximately \$5,969,000 and \$6,309,000 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 81% and 82% of total revenue for the years ended June 30, 2022 and 2021. The School is dependent upon this level of funding in order to continue its operations.

### 4. Grants and Accounts Receivable

At June 30, 2022 and 2021, 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.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements  
June 30, 2022 and 2021

### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Computers and other equipment	\$ 1,483,599	\$ 1,203,529
Furniture and fixtures	1,331,426	1,135,780
Leasehold improvements	<u>472,101</u>	<u>303,116</u>
	3,287,126	2,642,425
Accumulated depreciation and amortization	<u>(2,377,443)</u>	<u>(2,010,865)</u>
	<u>\$ 909,683</u>	<u>\$ 631,560</u>

### 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>2022</u>	<u>2021</u>
Cash	\$ 6,068,372	\$ 6,408,732
Grants and contracts receivable	2,731,734	1,865,570
Due from East Harlem Tutorial Program	<u>143,057</u>	<u>329,562</u>
	<u>\$ 8,943,163</u>	<u>\$ 8,603,864</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, 2022 and 2021, 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, 2022 and 2021 was \$3,341,783 and \$2,930,484. The total amount of expenses under this agreement for the years ended June 30, 2022 and 2021 was \$3,341,783 and \$2,930,484, which is included in other professional and consulting services on the accompanying statements of functional expenses.



## East Harlem Scholars Academy Charter School

Notes to Financial Statements  
June 30, 2022 and 2021

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

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, 2022 and 2021 was \$2,702,997 and \$1,562,705, which is included in various expense accounts on the accompanying statements of functional expenses.

During the year ended June 30, 2021, the School prepaid rent to East Harlem Center, LLC (“EHC”), a wholly owned subsidiary of EHTP. At June 30, 2021, this prepayment totaled \$118,050 and is included in prepaid expenses on the accompanying statement of financial position.

On November 5, 2021, the School and EHC 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 12). 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).

During the years ended June 30, 2022 and 2021, grants from EHTP amounted to \$1,890,000 and \$240,000, which is included in contributions from related party on the accompanying statements of activities. At June 30, 2022 and 2021, grants receivable from EHTP amounted to \$13,543 and \$44,732, and are netted with due to/from East Harlem Tutorial Program on the accompanying statements of financial position. Net balance due from EHTP at June 30, 2022 and 2021 totaled \$143,057 and \$329,562.

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 and EHC. 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 EHTP and EHC have no economic interest in the School 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 12). 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, 2022 and 2021, the School incurred \$571 and \$0 in overtime related costs.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements  
June 30, 2022 and 2021

### 9. 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.

### 10. 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 \$216,528 and \$218,082 to the plan for the years ended June 30, 2022 and 2021.

### 11. Paycheck Protection Program Loan Payable

On April 8, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$2,849,695 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered expenses.

On June 11, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$2,849,695 is included in the accompanying 2021 statement of activities as gain on forgiveness of Paycheck Protection Program Loan.

### 12. 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 has a term of 30 years commencing on September 1, 2016.

## East Harlem Scholars Academy Charter School

Notes to Financial Statements  
June 30, 2022 and 2021

### 12. Commitments (*continued*)

Future minimum rental payments to be paid under this lease are as follows:

2023	\$ 1,416,600
2024	1,416,600
2025	1,465,500
2026	1,465,500
2027	1,465,500
Thereafter	<u>29,079,568</u>
	<u>\$ 36,309,268</u>

Rent expense for each of the years ended June 30, 2022 and 2021 was \$1,472,270.

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:

2023	\$ 24,600
2024	24,600
2025	25,500
2026	25,500
2027	25,500
Thereafter	<u>503,568</u>
	<u>\$ 629,268</u>

Rental income under this sublease for each of the years ended June 30, 2022 and 2021 was \$24,600, which is included in other income on the accompanying statements of activities.

### 13. Risks and Uncertainties

The School's operations and financial performance may be affected by the COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

\* \* \* \* \*

**East Harlem Scholars Academy Charter School**

Supplementary Information

June 30, 2022

## East Harlem Scholars Academy Charter School

### Schedule of Activities by School Year Ended June 30, 2022

	East Harlem Scholars Academy Charter School	East Harlem Scholars Academy Charter School II	Total
<b>REVENUE AND SUPPORT</b>			
Public School District			
State and local per pupil operating revenue	\$ 16,084,968	\$ 8,896,120	\$ 24,981,088
Universal pre-kindergarten	591,192	350,784	941,976
Lease assistance	1,416,600	-	1,416,600
Government grants and contracts	3,049,006	1,356,101	4,405,107
Contributions	107,000	80,000	187,000
Contributions from related party	1,890,000	-	1,890,000
Other income	<u>24,896</u>	<u>435</u>	<u>25,331</u>
Total Revenue and Support	<u>23,163,662</u>	<u>10,683,440</u>	<u>33,847,102</u>
<b>EXPENSES</b>			
Program Services			
General education	14,250,163	7,003,881	21,254,044
Special education	4,708,009	2,109,499	6,817,508
Pre-kindergarten	<u>687,089</u>	<u>175,275</u>	<u>862,364</u>
Total Program Services	19,645,261	9,288,655	28,933,916
Supporting Services			
Management and general	2,313,390	1,146,811	3,460,201
Fundraising	<u>582,863</u>	<u>317,911</u>	<u>900,774</u>
Total Expenses	<u>22,541,514</u>	<u>10,753,377</u>	<u>33,294,891</u>
Change in Net Assets	622,148	(69,937)	552,211
<b>NET ASSETS</b>			
Beginning of year	<u>3,929,809</u>	<u>2,772,856</u>	<u>6,702,665</u>
End of year	<u>\$ 4,551,957</u>	<u>\$ 2,702,919</u>	<u>\$ 7,254,876</u>

See independent auditors' report

## East Harlem Scholars Academy Charter School

### Schedule of Functional Expenses East Harlem Scholars Academy School Year Ended June 30, 2022

	No. of Positions	Program Services			Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre- Kindergarten				
Personnel Services Costs								
Administrative staff personnel	35	\$ 1,127,851	\$ 330,912	\$ 77,052	\$ 1,535,815	\$ 557,412	\$ -	\$ 2,093,227
Instructional personnel	106	6,798,978	1,994,820	464,489	9,258,287	-	-	9,258,287
Total Personnel Services Costs	<u>141</u>	<u>7,926,829</u>	<u>2,325,732</u>	<u>541,541</u>	<u>10,794,102</u>	<u>557,412</u>	<u>-</u>	<u>11,351,514</u>
Fringe benefits and payroll taxes		1,379,222	404,862	100,440	1,884,524	95,975	-	1,980,499
Retirement		114,191	33,306	1,586	149,083	9,516	-	158,599
Legal services		-	-	-	-	1,649	-	1,649
Accounting and audit services		-	-	-	-	302,816	-	302,816
Other professional and consulting services		261,572	617,499	3,219	882,290	1,065,486	581,689	2,529,465
Building and land rent/lease		1,063,654	307,611	13,091	1,384,356	87,914	-	1,472,270
Repairs and maintenance		1,051,319	304,043	12,939	1,368,301	86,895	-	1,455,196
Insurance		83,584	24,173	1,029	108,786	15,016	-	123,802
Utilities		196,022	56,690	2,412	255,124	16,202	-	271,326
Supplies and materials		320,367	93,996	-	414,363	-	-	414,363
Equipment and furnishings		80,321	23,229	989	104,539	6,639	-	111,178
Staff development		238,463	69,965	-	308,428	-	-	308,428
Marketing and recruitment		47,274	13,870	-	61,144	-	-	61,144
Technology		112,109	32,422	1,380	145,911	9,266	-	155,177
Food service		543,211	159,378	-	702,589	-	-	702,589
Student services		105,792	31,039	-	136,831	-	-	136,831
Office expenses		502,641	145,365	6,186	654,192	43,305	1,174	698,671
Depreciation and amortization		184,983	53,498	2,277	240,758	15,299	-	256,057
Dues and memberships		17,281	5,070	-	22,351	-	-	22,351
Other expenses		<u>21,328</u>	<u>6,261</u>	<u>-</u>	<u>27,589</u>	<u>-</u>	<u>-</u>	<u>27,589</u>
 Total Expenses East Harlem Scholars Academy Charter School		 <u>\$ 14,250,163</u>	 <u>\$ 4,708,009</u>	 <u>\$ 687,089</u>	 <u>\$ 19,645,261</u>	 <u>\$ 2,313,390</u>	 <u>\$ 582,863</u>	 <u>\$ 22,541,514</u>

See independent auditors' report

## East Harlem Scholars Academy Charter School

### Schedule of Functional Expenses East Harlem Scholars Academy School II Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Fundraising	Total	
		General Education	Special Education	Pre- Kindergarten				Total Program Services
Personnel Services Costs								
Administrative staff personnel	22	\$ 768,810	\$ 217,186	\$ 26,461	\$ 1,012,457	\$ 258,227	\$ -	\$ 1,270,684
Instructional personnel	59	4,164,806	1,049,887	103,113	5,317,806	-	-	5,317,806
Total Personnel Services Costs	<u>81</u>	4,933,616	1,267,073	129,574	6,330,263	258,227	-	6,588,490
Fringe benefits and payroll taxes		789,878	201,689	20,651	1,012,218	38,871	-	1,051,089
Retirement		40,550	11,586	1,159	53,295	4,634	-	57,929
Legal services		-	-	-	-	1,958	-	1,958
Accounting and audit services		-	-	-	-	179,194	-	179,194
Other professional and consulting services		81,404	316,657	2,582	400,643	573,097	317,081	1,290,821
Repairs and maintenance		275,723	78,778	7,878	362,379	31,511	-	393,890
Insurance		31,197	7,398	-	38,595	4,347	-	42,942
Utilities		14,547	4,156	416	19,119	1,663	-	20,782
Supplies and materials		139,169	33,570	-	172,739	-	-	172,739
Equipment and furnishings		60,453	17,272	1,727	79,452	6,909	-	86,361
Staff development		153,818	37,104	-	190,922	-	-	190,922
Marketing and recruitment		28,812	6,950	-	35,762	-	-	35,762
Technology		61,685	17,624	1,762	81,071	7,050	-	88,121
Food service		8,367	2,018	-	10,385	-	-	10,385
Student services		36,512	8,807	-	45,319	-	-	45,319
Office expenses		256,054	73,158	7,316	336,528	30,508	830	367,866
Depreciation and amortization		77,365	22,104	2,210	101,679	8,842	-	110,521
Dues and memberships		9,120	2,200	-	11,320	-	-	11,320
Other expenses		5,611	1,355	-	6,966	-	-	6,966
Total Expenses East Harlem Scholars Academy Charter School II		7,003,881	2,109,499	175,275	9,288,655	1,146,811	317,911	10,753,377
Total Expenses East Harlem Scholars Academy Charter School		<u>14,250,163</u>	<u>4,708,009</u>	<u>687,089</u>	<u>19,645,261</u>	<u>2,313,390</u>	<u>582,863</u>	<u>22,541,514</u>
Total Expenses		<u>\$21,254,044</u>	<u>\$ 6,817,508</u>	<u>\$ 862,364</u>	<u>\$ 28,933,916</u>	<u>\$ 3,460,201</u>	<u>\$ 900,774</u>	<u>\$33,294,891</u>

See independent auditors' report

**East Harlem Scholars Academy Charter School**

Uniform Guidance Schedules and Reports

June 30, 2022



**East Harlem Scholars Academy Charter School**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

<b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<u>U.S. Department of Education</u>				
Pass-through New York State Education Department				
Title I Grants to Local Educational Agencies	84.010	021-22-4840	\$ -	\$ 249,727
Title I Grants to Local Educational Agencies	84.010	021-22-4980	-	169,004
			<u>-</u>	<u>418,731</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147-22-4840	-	34,299
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147-22-4980	-	21,737
			<u>-</u>	<u>56,036</u>
Student Support and Academic Enrichment Grant	84.424	0204-22-4840	-	18,633
Student Support and Academic Enrichment Grant	84.424	0204-22-4980	-	13,299
			<u>-</u>	<u>31,932</u>
Higher Education Institutional Aid	84.031	0293-22-4840	-	24,624
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-22-4840	-	819,246
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-22-4940	-	590,925
			<u>-</u>	<u>1,410,171</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4840	-	613,707
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4980	-	443,002
			<u>-</u>	<u>1,056,709</u>
Total Pass-through New York State Education Department			<u>-</u>	<u>2,998,203</u>
The Expansion and Replication of the East Harlem Scholars Academic Model Charter Schools	84.282M		-	275,288
Total U.S. Department of Education			<u>-</u>	<u>3,273,491</u>
<u>U.S. Department of Agriculture</u>				
Pass-through New York State Education Department				
Child Nutrition Cluster:				
School Breakfast Program	10.553	310400860995	-	223,593
National School Lunch Program	10.555	310400860995	-	527,854
Total Child Nutrition Cluster			<u>-</u>	<u>751,447</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>751,447</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 4,024,938</u>

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, 2022

### **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, 2022. 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. Pass-through entity identifying numbers are presented where available.

### **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"), which comprise the statement of financial position as of June 30, 2022, 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 September 23, 2022.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

September 23, 2022

**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, 2022. 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, 2022.

***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 judgement 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*

September 23, 2022

**East Harlem Scholars Academy Charter School**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

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 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 Numbers</u>	<u>Name of Federal Programs or Clusters</u>
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II
84.425U	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP
10.553	Child Nutrition Cluster/School Breakfast Program
10.555	Child Nutrition Cluster/National School Lunch Program

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, 2022.



**East Harlem Scholars Academy Charter School**

Schedule of Findings and Questioned Costs (*continued*)  
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

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

Section IV - Prior Year's Findings

There were no prior year audit findings.

**East Harlem Scholars Academy Charter  
School**

Auditors' Communication on Internal Control

June 30, 2022

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

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of East Harlem Scholars Academy Charter School (the "School") as of and for the year ending June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, 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 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have an other observation and recommendation that is an opportunity for strengthening internal control and/or operating efficiency, presented in Addendum A to this letter.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Department of Education of the City of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 23, 2022

## **Addendum A**

### **Other Observation and Recommendation for Strengthening Internal Control and/or Operating Efficiency**

#### **1. Maintenance of Student Files (*Repeat Finding*)**

During our test of 25 student files, we noted three student files did not contain the parent/guardian student ethnic identification form and home language identification form.

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized periodically to insure that information is complete and updated for each student file. Management should follow up to obtain the missing information for student files. All current and new student files should be annually reviewed by the School to ensure that adequate follow-up with the student's parent or guardian can be made to obtain missing student records.

\* \* \* \* \*