

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022

(With Comparative Totals For 2021)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harbor Science and Arts Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Harbor Science and Arts Charter 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Harbor Science and Arts Charter School as of June 30, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harbor Science and Arts Charter School and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harbor Science and Arts Charter School's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Harbor Science and Arts Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harbor Science and Arts Charter School's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Harbor Science and Arts Charter School's June 30, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 on our consideration of Harbor Science and Arts Charter 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 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 control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harbor Science and Arts Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 27, 2022

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals For 2021)

<u>ASSETS</u>	June 30,	
	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 501,211	\$ 1,195,432
Grants and other receivables	593,615	198,088
Prepaid expenses	<u>139,113</u>	<u>76,625</u>
TOTAL CURRENT ASSETS	1,233,939	1,470,145
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and fixtures	76,898	72,881
Computers and software	249,955	201,681
Leasehold improvements	<u>381,916</u>	<u>353,769</u>
	708,769	628,331
Less accumulated depreciation and amortization	<u>417,822</u>	<u>365,724</u>
	290,947	262,607
 <u>OTHER ASSETS</u>		
Cash in escrow	75,000	75,000
Security deposit	<u>30,000</u>	<u>30,000</u>
	105,000	105,000
TOTAL ASSETS	<u>\$ 1,629,886</u>	<u>\$ 1,837,752</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 95,984	\$ 96,219
Accrued payroll and benefits	374,993	285,934
Current portion of notes payable	<u>1,095</u>	<u>848</u>
TOTAL CURRENT LIABILITIES	472,072	383,001
 <u>NON-CURRENT LIABILITIES</u>		
Deferred lease liability	89,658	104,601
Notes payable	<u>156,652</u>	<u>696,382</u>
OTHER LIABILITIES	<u>246,310</u>	<u>800,983</u>
TOTAL LIABILITIES	718,382	1,183,984
 <u>NET ASSETS - Without donor restrictions</u>	<u>911,504</u>	<u>653,768</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,629,886</u>	<u>\$ 1,837,752</u>

The accompanying notes are an integral part of the financial statements.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue, gains, and other support:		
Public school district		
Resident student enrollment	\$ 3,168,777	\$ 3,503,528
Students with disabilities	708,533	523,672
Grants and contracts		
State and local	4,679	680
State contributions of nonfinancial assets	12,928	19,812
Federal - Title and IDEA	163,864	141,355
Federal - Other	473,830	87,442
Food service/Child nutrition program	<u>236,666</u>	<u>24,798</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	4,769,277	4,301,287
Expenses:		
Program services:		
Regular education	2,898,175	2,133,241
Special education	<u>1,562,028</u>	<u>1,479,123</u>
TOTAL PROGRAM SERVICES	4,460,203	3,612,364
Management and general	<u>622,123</u>	<u>542,886</u>
TOTAL OPERATING EXPENSES	<u>5,082,326</u>	<u>4,155,250</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(313,049)	146,037
Support and other revenue:		
Contributions:		
Other	21,641	9,199
Fundraising	1,364	2,242
Paycheck Protection Program loan forgiveness	537,906	-
Other revenue	<u>9,874</u>	<u>-</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>570,785</u>	<u>11,441</u>
CHANGE IN NET ASSETS	257,736	157,478
Net assets at beginning of year	<u>653,768</u>	<u>496,290</u>
NET ASSETS AT END OF YEAR	<u>\$ 911,504</u>	<u>\$ 653,768</u>

The accompanying notes are an integral part of the financial statements.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	No. of positions June 30, 2022	Year ended June 30,					
		2022					2021
		Program Services			Supporting Services Management and general	Total	Total
		Regular Education	Special Education	Sub-total			
Salaries and staff:							
Administrative staff personnel	5	\$ 316,773	\$ 125,679	\$ 442,452	\$ 276,752	\$ 719,204	\$ 821,656
Instructional personnel	29	1,367,949	807,935	2,175,884	-	2,175,884	1,651,304
Non-instructional personnel	5	111,470	49,592	161,062	6,327	167,389	154,907
TOTAL SALARIES AND STAFF	39	1,796,192	983,206	2,779,398	283,079	3,062,477	2,627,867
Fringe benefits & payroll taxes		390,586	215,864	606,450	64,731	671,181	577,987
Retirement		(231)	(128)	(359)	2,391	2,032	2,324
Legal Services				-	-	-	21,220
Accounting / audit services		-	-	-	174,359	174,359	23,750
Other purchased / professional / consulting services		74,536	33,161	107,697	14,241	121,938	49,231
Building and land rent / lease / facility finance interest		238,428	131,771	370,199	39,513	409,712	408,222
Repairs and maintenance		30,834	17,041	47,875	5,110	52,985	59,569
Insurance		24,008	13,268	37,276	3,979	41,255	38,274
Utilities		36,826	20,353	57,179	6,103	63,282	43,992
Supplies / materials		48,880	21,747	70,627	-	70,627	57,307
Equipment rental		12,304	6,789	19,093	2,121	21,214	33,940
Staff development		12,982	6,134	19,116	884	20,000	12,746
Marketing / recruitment		9,378	5,183	14,561	1,554	16,115	4,657
Technology		16,458	9,096	25,554	2,727	28,281	45,545
Food service		138,512	61,623	200,135	-	200,135	31,693
Student services		8,447	3,758	12,205	-	12,205	3,017
Office expense		17,017	9,388	26,405	2,933	29,338	13,127
Depreciation and amortization		40,263	22,252	62,515	6,673	69,188	56,264
Other		2,755	1,522	4,277	11,725	16,002	44,518
		<u>\$ 2,898,175</u>	<u>\$ 1,562,028</u>	<u>\$ 4,460,203</u>	<u>\$ 622,123</u>	<u>\$ 5,082,326</u>	<u>\$ 4,155,250</u>

The accompanying notes are an integral part of the financial statements.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 257,736	\$ 157,478
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	69,188	56,264
Forgiveness of Paycheck Protection Program loan	(537,906)	-
Interest expense included in notes payable	8,297	9,324
Forgiveness of accrued interest expense included in notes payable	(9,874)	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(395,527)	(31,802)
Prepaid expenses	(62,488)	10,606
Accounts payable	(235)	40,308
Accrued payroll and benefits	89,059	115,938
Deferred lease liability	<u>(14,943)</u>	<u>(14,935)</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(596,693)	343,181
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(97,528)</u>	<u>(41,415)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(97,528)	(41,415)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on notes payable	<u>-</u>	<u>150,000</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>-</u>	<u>150,000</u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(694,221)	451,766
Cash and restricted cash at beginning of year	<u>1,270,432</u>	<u>818,666</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 576,211</u>	<u>\$ 1,270,432</u>

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2022
(With Comparative Totals For 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 501,211	\$ 1,195,432
Cash in escrow	<u>75,000</u>	<u>75,000</u>
	<u>\$ 576,211</u>	<u>\$ 1,270,432</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Forgiveness of Paycheck Protection Program loan	\$ (537,906)	\$ -
Interest expense included in notes payable	<u>\$ 8,297</u>	<u>\$ 9,324</u>
Forgiveness of accrued interest expense included in notes payable	<u>\$ (9,874)</u>	<u>\$ -</u>
<u>NON-CASH OPERATING ACTIVITIES</u>		
Contributions of nonfinancial assets	<u>\$ 12,928</u>	<u>\$ 19,812</u>

The accompanying notes are an integral part of the financial statements.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Harbor Science and Arts Charter School (the “Charter School”), is an education corporation operating as a charter school in New York, New York. The Charter school opened in 2000 with a charter granted by the Board of Regents of the University of the State of New York. On March 17, 2022, the Board of Regents of the University of the State of New York granted the Charter School a full-term charter, subject to certain conditions, valid for a term of five years through July 31, 2027 and renewable upon expiration.

The Charter School’s mission is to provide students with a high-quality education through a rigorous academic program that infuses character building, physical wellness and the arts. Students will graduate with the skills and knowledge necessary to succeed in higher learning institutions and have the capability to make a positive contribution to society.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School did not have net assets with donor restrictions at June 30, 2022 and 2021.

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2022	2021	2020
Grants and other receivables	\$ 19,387	\$ 49,459	\$ 69,483

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. There were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying statement of financial position at June 30, 2022 and 2021. The Charter School received cost-reimbursement grants of approximately \$517,600 and \$15,100 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at that institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the Charter School. The amount in escrow was \$75,000 at June 30, 2022 and 2021.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022 and June 30, 2021.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from five to fifteen years. Leasehold improvements are being amortized over the term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019 through June 30, 2022 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter school receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services and special education services that were provided for the students from the local district. The Charter School was unable to determine a value for these services.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$16,100 and \$4,700 for the years ended June 30, 2022 and 2021, respectively.

Use of estimates in the preparation of financial statements

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

Comparatives for year ended 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Adoption of new accounting standard - gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School adopted this standard during the year ended June 30, 2022.

During the years ended June 30, 2022 and 2021, the Charter School received contributed software and textbooks to be used for regular and special education at the Charter School. There are no donor restrictions associated with the contributed software and textbooks. The contributed software and textbooks were valued based on the fair market value of the software and textbooks at the time they were contributed. Gifts-in-kind amounted to \$12,928 and \$19,812 for the years ended June 30, 2022 and 2021, respectively.

<u>Program or Supporting Service</u>	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Regular education	\$ 9,050	\$ 13,869
Special education	3,878	5,943
Total	<u>\$ 12,928</u>	<u>\$ 19,812</u>

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 27, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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, comprise the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 501,211	\$ 1,195,432
Grants and other receivables	<u>593,615</u>	<u>198,088</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,094,826</u>	<u>\$ 1,393,520</u>

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30</u>	
	<u>2022</u>	<u>2021</u>
Undesignated net assets	\$ 620,557	\$ 391,161
Invested in property and equipment	<u>290,947</u>	<u>262,607</u>
	<u>\$ 911,504</u>	<u>\$ 653,768</u>

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE D: SCHOOL FACILITY

Effective July 1, 2013, the Charter School entered into a fifteen-year lease for its facilities through June 30, 2028. The Charter School's base rent for the year ended June 30, 2022 was \$408,163. The base rent will increase in accordance with the lease agreement. Rent expense totaled \$393,220 for both the years ended June 2022 and 2021.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 408,163
2024	408,163
2025	408,163
2026	408,163
2027	408,163
Thereafter	408,163
	<u>\$ 2,448,978</u>

In conjunction with this facility lease, the Charter School paid a security deposit of \$30,000, which is included on the accompanying statement of financial position at June 30, 2022 and 2021.

NOTE E: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through September 2027. Lease expense was approximately \$17,000 and \$29,000 for the years ended June 30, 2022 and 2021, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 21,024
2024	21,024
2025	20,756
2026	20,220
2027	5,055
Total	<u>\$ 88,079</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan covering all regular employees. The Plan allows for the Charter School to make a discretionary employee matching contribution.

The Charter School did not make any contributions for the years ended June 30, 2022 and 2021.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE H: CONCENTRATIONS

At June 30, 2022 and 2021, approximately 99% and 98%, respectively, of grants and other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2022 and 2021, 81% and 93%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located. For the year ended June 30, 2022, 18% of total operating revenue and support came from the federal government.

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE J: NOTES PAYABLE

In response to the COVID-19 outbreak, in April 2020, the Charter School applied for and was approved by a bank for a loan of \$537,906 through the Paycheck Protection Program (PPP) established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. Accrued interest at June 30, 2021 was \$5,580, for a total amount due of \$543,757 at June 30, 2021. This amount was included in notes payable on the accompanying statement of financial position at June 30, 2021. On March 29, 2022, the entire balance including principal of \$537,906 plus accrued interest of \$9,874 was forgiven and recognized as income during the year ended June 30, 2022.

On August 29, 2020, the Charter School received a \$150,000 Economic Injury Disaster Loan (EIDL) through the Small Business Administration (SBA). The loan requires monthly payments of \$641, including principal and interest, beginning twelve months from the date of the loan through the loan's maturity date which is thirty years from the date of the loan. On March 16, 2021, the SBA announced payments will not be required prior to March 31, 2022. Effective March 15, 2022 the SBA announced an additional six months of deferment for a total of 30 months from the date of the note. The Charter School's first payment will be due in March 2023. Interest will accrue at a rate of 2.75% per annum, including through the extended deferment period. The Charter School has not made any payments on the loan as of June 30, 2022. Accrued interest as of June 30, 2022 is \$7,747, for a total amount due of \$157,747 at June 30, 2022.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals For 2021)

NOTE J: NOTES PAYABLE, Cont'd

Estimated annual maturities of the EIDL note payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 1,095
2024	3,346
2025	3,439
2026	3,535
2027	3,633
Thereafter	134,952
	<u>\$ 150,000</u>

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$445,073 and \$75,600 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Charter School has \$516,103 of ESSER grants available for expenditure through September 30, 2024.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



October 27, 2022

The Finance Committee
Harbor Science and Arts Charter School

We have audited the financial statements of Harbor Science and Arts Charter School as of and for the year ended June 30, 2022, and have issued our report thereon October 27, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 13, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Harbor Science and Arts Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced outsourced accounting team who reviews the draft financial statements prior to issuance and accepts responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- Management override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Misappropriation of assets

These are considered risks due to their potential impact on Harbor Science and Arts Charter School's financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Harbor Science and Arts Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the Charter School adopted new guidance for gifts-in-kind (ASU 2020-07). No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocation of costs for the statement of functional expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Harbor Science and Arts Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Harbor Science and Arts Charter School's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Harbor Science and Arts Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Harbor Science and Arts Charter School's auditors.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Kevin Kopp will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Harbor Science and Arts Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

NEW YORK, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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

Board of Trustees
Harbor Science and Arts 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 Harbor Science and Arts Charter School, which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harbor Science and Arts Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Harbor Science and Arts Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Harbor Science and Arts Charter 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harbor Science and Arts Charter 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

Harbor Science and Arts Charter School's Response to Finding

Harbor Science and Arts Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Harbor Science and Arts Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Harbor Science and Arts Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harbor Science and Arts Charter School's 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 Harbor Science and Arts Charter School's major federal programs for the year ended June 30, 2022. Harbor Science and Arts Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harbor Science and Arts Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harbor Science and Arts Charter 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 Harbor Science and Arts Charter 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 Harbor Science and Arts Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harbor Science and Arts Charter 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 GAAS, *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 Harbor Science and Arts Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harbor Science and Arts Charter 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 Harbor Science and Arts Charter 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 Harbor Science and Arts Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Harbor Science and Arts Charter School as of and for the year ended June 30, 2022, and have issued our report thereon dated October 27, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2022

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 84,073
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	18,636
Title IV- Student Support and Academic Enrichment Program	84.424	0204	10,000
<u>Education Stabilization Funds -</u>			
ESSER I - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	15,078
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	175,886
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	247,913
ESSER HCY - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth	84.425W	5218	6,195
<i>Total Education Stabilization Funds</i>			<u>445,072</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			557,781
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	310400860812	70,612
National School Lunch Program	10.555	310400860812	139,836
Emergency Operational Cost - COVID	10.555	310400860812	25,617
<i>Total Child Nutrition Cluster</i>			<u>236,065</u>
State Pandemic Electronic Benefit Transfer (P-EBT)			
Administrative Cost Grant	10.469	310400860812	601
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>236,666</u>
TOTAL ALL PROGRAMS			<u>\$ 794,447</u>

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2022

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Harbor Science and Arts Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Harbor Science and Arts Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

HARBOR SCIENCE AND ARTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|----------------------|---------------|
| • Material weakness (es) identified? | _____ | yes | _____ <u>x</u> _____ | no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | yes | _____ <u>x</u> _____ | none reported |

Noncompliance material to financial statements noted?	_____ <u>x</u> _____	yes	_____	no
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Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------|-----|----------------------|---------------|
| • Material weakness (es) identified? | _____ | yes | _____ <u>x</u> _____ | no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | yes | _____ <u>x</u> _____ | none reported |

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ <u>x</u> _____	no
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Identification of major program:

AL Number:

84.425D, 84.425U, 84.425W

Name of Federal Program or Cluster:

ESSER I, ESSER II, ARP ESSER & ESSER HCY

Dollar threshold used to distinguish between type A and type B programs:

_____ \$750,000 _____

Auditee qualified as low-risk auditee?	_____	yes	_____ <u>x</u> _____	no
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HARBOR SCIENCE AND ARTS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2022-001

Statement of condition

During our audit, we noted the Charter School did not adhere to the terms of their charter agreement as the Charter School's enrollment fell below 80% of the projected enrollment for the 2021-2022 academic year and written approval from SUNY Charter Schools Institute ("SUNY CSI") was not obtained.

Criteria and effect of conditions

During our audit, we noted the Charter School's charter agreement requires the Charter School to obtain written approval from SUNY CSI prior to commencing or continuing instruction when the total number of students enrolled is less than 80% of the projected enrollment for a given academic year. We noted the Charter School's enrollment was 73% of the projected enrollment for the 2021-2022 academic year.

Recommendation

We recommend the Charter School obtain written approval from SUNY CSI if enrollment falls below 80% of projected enrollment for a given academic year.

Management response

The Charter School was in communication with SUNY CSI about its enrollment; however, it will ensure to receive written approval should enrollment fall below 80% in future years.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE