

**EUGENIO MARIA DE HOSTOS  
CHARTER SCHOOL**

**Financial Statements as of  
June 30, 2023  
Together with  
Independent Auditor's Report  
and Single Audit Reports**

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

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## TABLE OF CONTENTS JUNE 30, 2023

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|   | <u>Page</u> |
|---|-------------|
| <b>INDEPENDENT AUDITOR’S REPORT</b>   |             |
| <b>FINANCIAL STATEMENTS</b>   |             |
| Statement of Financial Position   | 1           |
| Statement of Activities and Change in Net Assets  | 2           |
| Statement of Functional Expenses  | 3           |
| Statement of Cash Flows   | 4           |
| Notes to Financial Statements   | 5 - 16      |
| <b>SINGLE AUDIT REPORTS AND SCHEDULES</b>   |             |
| Independent Auditor’s Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing Standards</i> | 17 - 18     |
| Independent Auditor’s Report on Compliance for Each Major Federal Program<br>and on Internal Control Over Compliance Required by the Uniform Guidance   | 19 - 21     |
| Schedule of Expenditures of Federal Awards  | 22          |
| Notes to the Schedule of Expenditures of Federal Awards   | 23          |
| Schedule of Findings and Questioned Costs   | 24 - 25     |

## **INDEPENDENT AUDITOR'S REPORT**

October 31, 2023

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Eugenio Maria de Hostos Charter School (the School) (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023, 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 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 the 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.

#### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, the School adopted Accounting Standards Codification 842, Leases, as of July 1, 2022. Our opinion is not modified with respect to this matter.

#### ***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.

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

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

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## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***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 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 Summarized Comparative Information***

We have previously audited the School's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 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.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                       |                      |                      |
| CURRENT ASSETS:                                     |                      |                      |
| Cash  | \$ 3,800,588         | \$ 4,217,269         |
| Accounts receivable                                 | 319,077              | -                    |
| Grants and contracts receivable                     | 1,080,064            | 603,868              |
| Prepaid expenses                                    | 19,714               | 191,890              |
| Investments   | <u>5,868,135</u>     | <u>2,685,698</u>     |
| Total current assets                                | 11,087,578           | 7,698,725            |
| DESIGNATED CASH                                     | 75,000               | 75,000               |
| LAND, BUILDINGS, AND EQUIPMENT, net                 | 4,700,252            | 4,776,621            |
| RIGHT-OF-USE ASSET - OPERATING LEASES               | 235,714              | -                    |
| RIGHT-OF-USE ASSET - FINANCE LEASES                 | <u>53,475</u>        | <u>-</u>             |
|   | <u>\$ 16,152,019</u> | <u>\$ 12,550,346</u> |
| <b>LIABILITIES AND NET ASSETS</b>                   |                      |                      |
| CURRENT LIABILITIES:                                |                      |                      |
| Current portion of long-term debt                   | \$ 78,963            | \$ 75,572            |
| Accounts payable                                    | 151,759              | 24,815               |
| Due to Rochester City School District               | -                    | 123,450              |
| Accrued liabilities                                 | 1,188,235            | 1,051,398            |
| Deferred revenue                                    | 55,159               | 1,433,489            |
| Current portion of operating lease liabilities      | 221,348              | -                    |
| Current portion of finance lease liabilities        | <u>15,812</u>        | <u>-</u>             |
| Total current liabilities                           | 1,711,276            | 2,708,724            |
| LONG-TERM DEBT, net of current portion              | 1,970,382            | 2,039,238            |
| OPERATING LEASE LIABILITIES, net of current portion | 20,127               | -                    |
| FINANCE LEASE LIABILITIES, net of current portion   | <u>38,423</u>        | <u>-</u>             |
| Total liabilities                                   | 3,740,208            | 4,747,962            |
| NET ASSETS WITHOUT DONOR RESTRICTIONS               | <u>12,411,811</u>    | <u>7,802,384</u>     |
|   | <u>\$ 16,152,019</u> | <u>\$ 12,550,346</u> |

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2023

(With Comparative Totals for 2022)

|  | <u>2023</u>          | <u>2022</u>         |
|--|----------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT:      |                      |                     |
| Public school district -                 |                      |                     |
| Resident student enrollment              | \$ 13,886,649        | \$ 13,263,077       |
| Students with disabilities               | 422,475              | 450,471             |
| Federal and state grants                 | 3,617,486            | 3,518,464           |
| Federal and state food service           | 761,996              | 815,182             |
| Employee Retention Credit                | 2,447,443            | -                   |
| Interest                                 | 66,172               | 2,131               |
| Investment income (loss), net            | 182,437              | (86,653)            |
| Other                                    | 423,631              | 395,702             |
|  | <u>21,808,289</u>    | <u>18,358,374</u>   |
| Total revenues, gains, and other support |                      |                     |
| EXPENSES:                                |                      |                     |
| Program -                                |                      |                     |
| Regular education                        | 13,233,150           | 12,521,025          |
| Special education                        | 763,350              | 986,424             |
|  | <u>13,996,500</u>    | <u>13,507,449</u>   |
| Total program                            |                      |                     |
| Supporting services -                    |                      |                     |
| Management and general                   | 3,202,362            | 3,418,490           |
|  | <u>17,198,862</u>    | <u>16,925,939</u>   |
| Total expenses                           |                      |                     |
| CHANGE IN NET ASSETS                     | 4,609,427            | 1,432,435           |
| NET ASSETS - beginning of year           | 7,802,384            | 6,369,949           |
| NET ASSETS - end of year                 | <u>\$ 12,411,811</u> | <u>\$ 7,802,384</u> |

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

(With Comparative Totals for 2022)

|  | Program Services     |                      |                    |                      | Supporting Services |                           |                     | Total                |                      |
|--|----------------------|----------------------|--------------------|----------------------|---------------------|---------------------------|---------------------|----------------------|----------------------|
|  | Regular<br>Education | Special<br>Education | Other<br>Education | Total                | Fundraising         | Management<br>and General | Total               | 2023                 | 2022                 |
| Personnel services costs:                        |                      |                      |                    |                      |                     |                           |                     |                      |                      |
| Administrative staff personnel                   | \$ 176,722           | \$ -                 | \$ -               | \$ 176,722           | \$ -                | \$ 1,849,319              | \$ 1,849,319        | \$ 2,026,041         | \$ 2,194,860         |
| Instructional personnel                          | 6,855,269            | 454,083              | -                  | 7,309,352            | -                   | -                         | -                   | 7,309,352            | 7,058,707            |
| Non-instructional personnel                      | -                    | -                    | -                  | -                    | -                   | 58,016                    | 58,016              | 58,016               | 57,812               |
| Total personnel services costs                   | 7,031,991            | 454,083              | -                  | 7,486,074            | -                   | 1,907,335                 | 1,907,335           | 9,393,409            | 9,311,379            |
| Fringe benefits and payroll taxes                | 1,830,000            | 118,170              | -                  | 1,948,170            | -                   | 496,363                   | 496,363             | 2,444,533            | 2,488,888            |
| Retirement                                       | 550,733              | 35,563               | -                  | 586,296              | -                   | 149,379                   | 149,379             | 735,675              | 732,623              |
| Legal services                                   | -                    | -                    | -                  | -                    | -                   | 50,297                    | 50,297              | 50,297               | 13,654               |
| Accounting/audit services                        | -                    | -                    | -                  | -                    | -                   | 31,050                    | 31,050              | 31,050               | 27,210               |
| Other purchased/professional/consulting services | 1,146,344            | -                    | -                  | 1,146,344            | -                   | 127,372                   | 127,372             | 1,273,716            | 753,814              |
| Repairs and maintenance                          | 499,154              | 11,344               | -                  | 510,498              | -                   | 56,722                    | 56,722              | 567,220              | 416,861              |
| Insurance  | 77,428               | 1,760                | -                  | 79,188               | -                   | 8,799                     | 8,799               | 87,987               | 61,427               |
| Utilities  | 196,640              | 4,469                | -                  | 201,109              | -                   | 22,346                    | 22,346              | 223,455              | 213,740              |
| Supplies/materials                               | 212,823              | 4,837                | -                  | 217,660              | -                   | 24,184                    | 24,184              | 241,844              | 185,726              |
| Equipment/furnishings                            | 165,909              | 3,771                | -                  | 169,680              | -                   | 18,853                    | 18,853              | 188,533              | 102,930              |
| Staff development                                | 30,965               | 704                  | -                  | 31,669               | -                   | 3,519                     | 3,519               | 35,188               | 30,307               |
| Marketing/recruitment                            | -                    | -                    | -                  | -                    | -                   | 71,675                    | 71,675              | 71,675               | 58,402               |
| Technology                                       | 248,674              | 82,891               | -                  | 331,565              | -                   | -                         | -                   | 331,565              | 714,557              |
| Food service                                     | 409,101              | -                    | -                  | 409,101              | -                   | -                         | -                   | 409,101              | 372,397              |
| Student services                                 | 124,773              | -                    | -                  | 124,773              | -                   | -                         | -                   | 124,773              | 40,986               |
| Office expense                                   | -                    | -                    | -                  | -                    | -                   | 42,266                    | 42,266              | 42,266               | 29,834               |
| Depreciation and amortization                    | 561,621              | 36,266               | -                  | 597,887              | -                   | 152,332                   | 152,332             | 750,219              | 653,362              |
| Other  | 146,994              | 9,492                | -                  | 156,486              | -                   | 39,870                    | 39,870              | 196,356              | 717,842              |
|  | <u>\$ 13,233,150</u> | <u>\$ 763,350</u>    | <u>\$ -</u>        | <u>\$ 13,996,500</u> | <u>\$ -</u>         | <u>\$ 3,202,362</u>       | <u>\$ 3,202,362</u> | <u>\$ 17,198,862</u> | <u>\$ 16,925,939</u> |

The accompanying notes are an integral part of these statements.



# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

(With Comparative Totals for 2022)

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES:  |                     |                     |
| Revenue from school districts   | \$ 13,990,047       | \$ 13,666,253       |
| Grant revenues  | 2,515,997           | 5,676,894           |
| Miscellaneous sources   | 3,128,642           | 311,180             |
| Payments to charter school personnel for services rendered                                | (7,349,237)         | (7,109,825)         |
| Payments to vendors for goods and services rendered                                       | <u>(8,773,986)</u>  | <u>(9,168,656)</u>  |
| Net cash flow from operating activities   | <u>3,511,463</u>    | <u>3,375,846</u>    |
| CASH FLOW FROM FINANCING ACTIVITIES:  |                     |                     |
| Proceeds from issuance of long-term debt  | -                   | 1,500,000           |
| Debt issuance costs   | -                   | (38,103)            |
| Repayment of long-term debt   | (75,584)            | (1,716,652)         |
| Repayment of finance lease liabilities  | <u>(28,382)</u>     | <u>-</u>            |
| Net cash flow from financing activities   | <u>(103,966)</u>    | <u>(254,755)</u>    |
| CASH FLOW FROM INVESTING ACTIVITIES:  |                     |                     |
| Purchases of investments  | (3,189,588)         | (716,610)           |
| Purchases of land, buildings, and equipment   | <u>(634,590)</u>    | <u>(796,857)</u>    |
| Net cash flow from investing activities   | <u>(3,824,178)</u>  | <u>(1,513,467)</u>  |
| CHANGE IN CASH AND DESIGNATED CASH  | (416,681)           | 1,607,624           |
| CASH AND DESIGNATED CASH - beginning of year  | <u>4,292,269</u>    | <u>2,684,645</u>    |
| CASH AND DESIGNATED CASH - end of year  | <u>\$ 3,875,588</u> | <u>\$ 4,292,269</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:        |                     |                     |
| Change in net assets  | \$ 4,609,427        | \$ 1,432,435        |
| Adjustments to reconcile change in net assets to net cash flow from operating activities: |                     |                     |
| Loss on investments, net  | 7,151               | 86,653              |
| Depreciation and amortization   | 740,101             | 653,362             |
| Amortization of debt issuance costs   | 10,119              | 23,852              |
| Operating leases  | 5,761               | -                   |
| (Increase) decrease in assets:  |                     |                     |
| Grants and contracts receivable   | (476,196)           | (49,686)            |
| Accounts receivable   | (319,077)           | -                   |
| Prepaid expenses  | 172,176             | (172,176)           |
| Increase (decrease) in liabilities:   |                     |                     |
| Accounts payable  | 126,944             | (84,224)            |
| Due to Rochester City School District   | (123,450)           | (24,601)            |
| Accrued liabilities   | 136,837             | 117,297             |
| Deferred revenue  | <u>(1,378,330)</u>  | <u>1,392,934</u>    |
| Net cash flow from operating activities   | <u>\$ 3,511,463</u> | <u>\$ 3,375,846</u> |

The accompanying notes are an integral part of these statements.

# EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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### 1. THE SCHOOL

Eugenio Maria de Hostos Charter School (the School) is an independent public school established under the provisions of the New York State Charter School Act of 1998, enacted as Article 56 of the Education Law. The School's initial charter was sponsored by Ibero-American Action League, Inc. (Ibero). Ibero is a New York not-for-profit corporation with a mission to foster the well-being and socio-economic development of the Latino community in Rochester, New York and the surrounding area.

The School is designed to meet the cognitive and affective needs of a specific population of urban elementary students who reside in Rochester, New York. This population includes children of Latino descent and others for whom a strong academic program is most appropriate in order to prepare them to meet and exceed all New York State educational standards.

In June 2020, the School received a renewal of its charter for an additional five years through 2025. This extension also provided the School with the authority to increase student levels for its existing grades and to provide instruction through grade twelve. Under the terms of the charter, the School added grade twelve in the 2019-2020 school year.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **Change in Accounting Principle - Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations 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 the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 using the modified retrospective approach and comparative financial information has not been restated. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

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

### **Change in Accounting Principle - Leases (Continued)**

The School elected the available practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 an operating lease liability and an operating ROU asset of \$440,851 and \$441,286, respectively. The School also recognized on July 1, 2022 a finance lease liability and a finance ROU asset of \$82,617. The standard did not have an impact on the statements of activities and change in net assets or cash flows.

### **Financial Reporting**

Net assets without donor restrictions include operating resources that are available for use without any donor-imposed restrictions. Board designated net assets are net assets without donor restrictions set aside by the School's Board of Trustees (the Board) for use at the Board's discretion.

At June 30, 2023 and 2022, all of the School's net assets were without donor restrictions.

### **Revenue Recognition**

Revenue from contracts with students is recognized in the fiscal year in which the academic programs are delivered. The School records per pupil tuition revenue on a per student basis at the students' resident district's allocated rate which is established by New York State (the State). The rate is prorated based on the student's full time equivalent during the academic year. The School recognizes tuition revenue in the period in which it satisfies its performance obligation by providing services to its students.

The School's performance obligation relative to per pupil tuition is to provide instruction for its students over the academic year. These obligations are satisfied over the academic year as these services are provided by the School and received by the student.

Payments for per pupil tuition are recognized at the amounts to which the School expects to be entitled, and this transaction price is allocated to the service. Each academic year, the performance obligation is satisfied as the benefit of the services are consumed.

Per pupil tuition is charged to the student's resident district on a bimonthly basis with six payments made during the academic year. The School expects to collect all payments due from the students' resident districts and, therefore, the School has not established an allowance for doubtful accounts.

### **Cash and Designated Cash**

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

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

### **Cash and Designated Cash (Continued)**

In accordance with New York State Department of Education (NYSED) regulations, the School is required to maintain funds to pay for expenses associated with the potential termination of the School or non-renewal of the School's charter. The School had designated cash totaling \$75,000 at June 30, 2023 and 2022 to satisfy this requirement.

### **Grants and Contracts Receivable**

Grant revenue is recognized as the related costs are incurred. Grants subject to conditions are not recorded as revenue until those conditions have been met. Amounts received in advance of incurring the related costs are reported as deferred revenue.

The School records an allowance for uncollectible accounts based on historical collection experience and a review of specific amounts outstanding. Accounts are written off against the allowance when uncollectibility becomes known. There was no allowance for uncollectible accounts at June 30, 2023 and 2022.

### **Investments**

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

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

Investment income (loss) consists of interest and dividends, net realized and unrealized gains or losses, and investment management fees. Interest income is recognized on an accrual basis, dividends are recorded on the ex-dividend date.

### **Fair Value Measurement**

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

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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

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

### **Fair Value Measurement (Continued)**

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

### **Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost or fair value at the date of donation. It is the School's policy to capitalize all additions greater than \$5,000 with a useful life in excess of one year. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39½ years. Leasehold improvements are amortized over the shorter of the assets' estimated useful lives or the remaining lease term.

The School assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized during the years ended June 30, 2023 and 2022.

### **Leases**

The School determines if an arrangement is a lease at inception. ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the School is reasonably certain to exercise these options.

For all underlying classes of assets, the School has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the School is reasonably certain to exercise. The School recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The School elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component. The School elected to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable.

Variable lease costs paid to or on behalf of the lessor, consisting primarily of utilities, custodial services, and property maintenance are excluded from the measurement of the ROU asset and lease liability and are expensed in the period incurred.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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

### **Debt Issuance Costs**

Debt issuance costs represent costs incurred to obtain long-term debt. These costs are amortized as interest expense on a straight-line basis over the term of the related debt.

### **Expense Allocations**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Personnel services costs and fringe benefits and payroll taxes are directly charged whenever possible and practicable and otherwise are allocated based on time and effort. Depreciation, insurance, repairs and maintenance, and utilities are allocated based on square footage occupied. Expenses not mentioned above are directly charged to the appropriate function on a transactional basis.

### **Program Services**

Regular education expenses include the costs of all other educational activities. Special education expenses represent the cost of educating students with individualized education programs or those receiving special education services in the classroom.

### **Donated Services**

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

### **Income Taxes**

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

### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total, but not by functional expense classification. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

### **Estimates**

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

### 3. LIQUIDITY

The School had financial assets available to meet cash needs for general expenditures one year from the statement of financial position date as follows at June 30:

|                                   | <u>2023</u>         | <u>2022</u>         |
|-----------------------------------|---------------------|---------------------|
| Cash                              | \$ 3,800,588        | \$ 4,217,269        |
| Accounts receivables              | 319,077             | -                   |
| Grants and contract receivables   | 1,041,064           | 603,868             |
| Investments                       | <u>5,868,135</u>    | <u>2,685,698</u>    |
|                                   | 11,028,864          | 7,506,835           |
| Less: Board designated net assets | <u>(1,500,000)</u>  | <u>(1,500,000)</u>  |
|                                   | <u>\$ 9,528,864</u> | <u>\$ 6,006,835</u> |

The School is substantially supported by student enrollment revenue and federal and state grants that are without contractual or donor restrictions. As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Amounts not available for expenditure include amounts set aside for long-term purposes as designated by the Board of Trustees.

The School maintains cash and investments that are readily available for general expenditures. Additionally, the School's ability to meet its cash needs is further dependent, in part, on timely collection of its accounts receivable and grants and contracts receivable. The School's accounts receivable and grants and contracts receivable are due primarily from government funders, such as New York State and various New York central school districts. The School employs procedures specifically designed to collect from these payers as quickly as possible. In the event of unanticipated liquidity needs, the School maintains a line of credit in the amount of \$200,000 that it could utilize.

### 4. NET ASSETS

The School's Board of Trustees has designated certain net assets without donor restrictions for the following purposes at June 30:

|                        | <u>2023</u>         | <u>2022</u>         |
|------------------------|---------------------|---------------------|
| Campus development     | \$ 1,000,000        | \$ 1,000,000        |
| Renewal transformation | <u>500,000</u>      | <u>500,000</u>      |
|                        | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> |

### 5. CONCENTRATIONS

The School's primary source of funding is obtained from the NYSED and is reported as public school district revenue in the accompanying statements of activities and change in net assets. This funding is received on a per pupil basis and was approximately 66% and 76% of the School's total revenue for the years ended June 30, 2023 and 2022, respectively.

## 6. CASH AND DESIGNATED CASH

Cash and designated cash, as reported in the statements of cash flows, consisted of the following at June 30:

|                 | <u>2023</u>         | <u>2022</u>         |
|-----------------|---------------------|---------------------|
| Cash            | \$ 3,800,588        | \$ 4,217,269        |
| Designated cash | <u>75,000</u>       | <u>75,000</u>       |
|                 | <u>\$ 3,875,588</u> | <u>\$ 4,292,269</u> |

## 7. INVESTMENTS

The School's investments consisted of the following at June 30:

|                           | <u>2023</u>         | <u>2022</u>         |
|---------------------------|---------------------|---------------------|
| Cash                      | \$ 6,539            | \$ 2,215,740        |
| Fixed income mutual funds | <u>5,861,596</u>    | <u>469,958</u>      |
|                           | <u>\$ 5,868,135</u> | <u>\$ 2,685,698</u> |

The School's fixed income mutual funds were measured at fair value on a recurring basis using Level 1 inputs at June 30, 2023 and 2022.

## 8. LAND, BUILDINGS, AND EQUIPMENT

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

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Land  | \$ 237,000          | \$ 237,000          |
| Buildings and improvements                      | 5,415,817           | 5,394,305           |
| Leasehold improvements                          | 2,178,160           | 2,178,160           |
| Equipment                                       | <u>623,839</u>      | <u>494,094</u>      |
|   | 8,454,816           | 8,303,559           |
| Less: Accumulated depreciation and amortization | <u>(4,237,896)</u>  | <u>(3,526,938)</u>  |
|   | 4,216,920           | 4,776,621           |
| Plus: Construction in process                   | <u>483,332</u>      | <u>-</u>            |
|   | <u>\$ 4,700,252</u> | <u>\$ 4,776,621</u> |

Depreciation expense was \$710,959 and \$653,362 for the years ended June 30, 2023 and 2022, respectively.



## 9. LEASES

The School leases a School building and postage meters under the terms of operating lease agreements, which expire at various dates through 2028. The School building agreement contains three options to exercise additional five-year extensions. These extension options are not recognized as part of the ROU asset and lease liability. The School also leases a copier and information technology equipment under the terms of finance lease agreements which expire at various dates through 2026.

The components of total lease cost for the year ended June 30, 2023 were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Finance lease cost:           |                   |
| Amortization of ROU assets    | \$ 29,142         |
| Interest on lease liabilities | 1,927             |
| Operating lease cost          | 214,514           |
| Variable lease cost           | <u>112,805</u>    |
|                               | <u>\$ 358,388</u> |

Supplemental cash flow information related to leases for the year ended June 30, 2023 were as follows:

|   |                   |
|---|-------------------|
| Cash paid for amounts included in the measurement of lease liabilities: |                   |
| Operating cash flows from operating leases                              | \$ <u>208,318</u> |
| Operating cash flows from finance leases                                | \$ <u>1,797</u>   |
| Financing cash flows from finance leases                                | \$ <u>28,512</u>  |

|  |                   |
|--|-------------------|
| ROU assets obtained in exchange for lease obligations: |                   |
| Finance leases   | \$ <u>82,617</u>  |
| Operating leases                                       | \$ <u>440,851</u> |

Other information related to leases as of June 30, 2023 is as follows:

|  |            |
|--|------------|
| Weighted-average remaining lease term: |            |
| Finance leases                         | 3.51 years |
| Operating leases                       | 1.42 years |
| Weighted-average discount rate:        |            |
| Finance leases                         | 2.88%      |
| Operating leases                       | 2.95%      |

## 9. LEASES (Continued)

The School's maturities of lease liabilities are as follows for the years ending June 30:

|  | Operating<br><u>Leases</u> | Finance<br><u>Leases</u> |
|--|----------------------------|--------------------------|
| 2024                                     | \$ 225,059                 | \$ 17,109                |
| 2025                                     | 5,218                      | 15,909                   |
| 2026                                     | 5,218                      | 15,909                   |
| 2027                                     | 5,218                      | 7,956                    |
| 2028                                     | 5,218                      | -                        |
| Thereafter                               | <u>870</u>                 | <u>-</u>                 |
|  | 246,801                    | 56,883                   |
| Less: Present value discount             | <u>(5,326)</u>             | <u>(2,648)</u>           |
| Total present value of lease liabilities | 241,475                    | 54,235                   |
| Less: Current portion                    | <u>(221,348)</u>           | <u>(15,812)</u>          |
|  | <u>\$ 20,127</u>           | <u>\$ 38,423</u>         |

Future minimum lease payments disclosed in the notes to the 2022 financial statements under prior lease guidance for the years succeeding 2022, were reported as follows for the years ending June 30:

|      |                   |
|------|-------------------|
| 2023 | 249,492           |
| 2024 | <u>286,584</u>    |
|      | <u>\$ 566,076</u> |

Rental expense was approximately \$362,000 for the year ended June 30, 2022.

## 10. LINE OF CREDIT

The School has a line of credit agreement with a bank that provides for borrowings up to \$200,000 that is renewable on an annual basis. Amounts borrowed bear interest at the prime rate plus 1.5% (9.75% at June 30, 2023) and are collateralized by a general lien on substantially all of the School's assets. There were no amounts outstanding at June 30, 2023 and 2022.

## 11. LONG-TERM DEBT

### Composition

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

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Note payable to a bank requiring monthly payments of \$9,395, including interest at 4.32%, requiring a final balloon payment in September 2031, collateralized by the related building. | \$ 1,414,475        | \$ 1,464,068        |
| Note payable to a bank requiring monthly payments of \$4,858, including interest at 4.71%, through 2029, collateralized by the related building.  | <u>662,333</u>      | <u>688,324</u>      |
|   | 2,076,808           | 2,152,392           |
| Less: Current portion   | (78,963)            | (75,572)            |
| Less: Unamortized debt issuance costs   | <u>(27,463)</u>     | <u>(37,582)</u>     |
|   | <u>\$ 1,970,382</u> | <u>\$ 2,039,238</u> |

### Principal Repayments

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

|            |                     |
|------------|---------------------|
| 2024       | \$ 78,963           |
| 2025       | 82,690              |
| 2026       | 86,503              |
| 2027       | 90,493              |
| 2028       | 94,593              |
| Thereafter | <u>1,643,566</u>    |
|            | <u>\$ 2,076,808</u> |

### Interest

Interest expense incurred and paid under the terms of these agreements were \$97,378 and \$107,560 during the years ended June 30, 2023 and 2022, respectively, and are included in other expenses in the statements of activities and change in net assets. Amortization of debt issuance costs were \$10,119 and \$23,852 during the years ended June 30, 2023 and 2022 respectively, and are also included in other expenses in the statements of activities and change in net assets.

## 11. LONG-TERM DEBT (Continued)

### Debt Issuance Costs

Estimated future amortization expense of the debt issuance costs are as follows for the years ending June 30:

|      |    |               |
|------|----|---------------|
| 2024 | \$ | 10,119        |
| 2025 |    | 8,453         |
| 2026 |    | 7,620         |
| 2027 |    | <u>1,271</u>  |
|      | \$ | <u>27,463</u> |

## 12. RETIREMENT PLANS

### Retirement Savings Plan

The School sponsors a tax-sheltered annuity 403(b) retirement plan (the Plan) for all salaried, full-time employees who are not participants in the New York State Teachers' Retirement System (TRS). These employees are eligible to participate upon hiring and are immediately vested in the School's contributions. The School makes contributions of 4.5% of the employees' annual salaries. The School recognized expense for contributions to the Plan of \$104,597 and \$75,468 during the years ended June 30, 2023 and 2022, respectively.

### New York State Teachers' Retirement System (TRS)

The School participates in the TRS, a cost sharing multiple employer, defined benefit pension plan. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. TRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System.

TRS requires employee contributions of 3% of their annual salary for the first 10 years of service for those employees who joined the plan between July 1976 and December 2009. Participants hired between January 1, 2010 and March 31, 2012 are required to contribute 3.5% of their annual salary, and participants hired after April 1, 2012 are required to contribute between 3% and 6% of the annual salary, depending on their reportable salary. Participants hired after January 1, 2010 are required to contribute throughout the active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate for the years ended June 30, 2023 and 2022 was 10.29% and 9.80% of the annual covered payroll, respectively. The School's required contributions were \$678,567 and \$650,935 for the years ended June 30, 2023 and 2022, respectively.

### **13. AFFILIATE TRANSACTIONS**

The School enters into annual agreements with Ibero in which Ibero provides family service assistance services as a component of a grant agreement between the School and New York State. The School paid expenses of approximately \$79,500 and \$100,000 to Ibero for these services during the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the School had amounts due to Ibero of \$5,462 and \$6,028, respectively, related to these services.

### **14. COVID-19**

#### **Elementary and Secondary School Emergency Relief Fund**

The Elementary and Secondary School Emergency Relief Fund (ESSER) was established and funded by a number of federal stimulus legislations related to the COVID-19 pandemic. ESSER grants were awarded to help schools safely reopen and to sustain their safe operations as the schools addressed the COVID-19 impact on their students.

During the years ended June 30, 2023 and 2022, the School received funds totaling approximately \$1,770,000 and \$1,420,000, respectively, which has been recognized as a component of federal and state grants on the statements of activities and change in net assets.

#### **Employee Retention Credits**

Federal legislation provided various payroll tax provisions, including an Employee Retention Credit (ERC) for eligible organizations to use against certain employment taxes. The 2021 ERC is equal to 70% of the qualified wages up to a maximum threshold, as defined, which an employer paid to employees during the first two quarters of fiscal 2021. The School determined eligibility and received and claimed revenue of approximately \$2,447,000 related to these credits, which is recorded in the statement of activities and change in net assets for the year ended June 30, 2023.

### **15. SUBSEQUENT EVENTS**

#### **Purchase Commitment**

In August 2023, the School entered into a Purchase and Sale Agreement for the purchase of a property in the amount of \$325,000 from an unrelated party.

#### **Evaluation Date**

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued.

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

October 31, 2023

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eugenio Maria de Hostos Charter School (the School) (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2023.

**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.

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

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(Continued)

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

(Continued)

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

October 31, 2023

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Eugenio Maria de Hostos 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, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

***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 Auditor's 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.

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

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(Continued)



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

(Continued)

***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 the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control over Compliance**

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

(Continued)

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

(Continued)

**Report on Internal Control over Compliance (Continued)**

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.

**EUGENIO MARIA DE HOSTOS CHARTER SCHOOL****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

| <u>Federal Grantor/Pass Through Grantor/Program Title</u>   | <u>Contract Numbers</u> | <u>Assistance Listing Number</u> | <u>Total</u> |
|---|-------------------------|----------------------------------|--------------|
| U.S. Department of Education:   |                         |                                  |              |
| Passed through New York State Department of Education -<br>Twenty-First Century Community Learning Centers    | 0187-22-7035            | 84.287                           | \$ 933,080   |
| Education Stabilization Fund -<br>COVID-19 - Elementary and Secondary School<br>Emergency Relief (ESSER) Fund | 5880-21-4055            | 84.425U                          | 849,988      |
| COVID-19 - Elementary and Secondary School<br>Emergency Relief (ESSER) Fund                                   | 5891-21-4055            | 84.425D                          | 565,714      |
| Total Education Stabilization Fund  |                         |                                  | 1,415,702    |
| COVID-19 - Expanding Opportunity Through Quality Charter<br>School Programs (CSP)                             | N/A                     | 84.242                           | 49,950       |
| Title I Grants to Local Education Agencies (LEA)  | 0021-22-4055            | 84.010                           | 636,915      |
| Supporting Effective Instruction State Grant Title II   | 0147-21-4055            | 84.367                           | 65,147       |
| Student Support and Academic Enrichment Grant Title IV  | 0204-21-4055            | 84.424                           | 35,305       |
| English Language Acquisition State Grants Title III   | 0293-21-4055            | 84.365                           | 24,326       |
| Special Education - Grants to States (IDEA Funding)   | N/A                     | 84.027                           | 422,475      |
| Total U.S. Department of Education  |                         |                                  | 3,582,900    |
| U.S. Department of Agriculture:   |                         |                                  |              |
| Passed through New York State Department of Education -<br>Child Nutrition Cluster:                           |                         |                                  |              |
| School Breakfast Program  | N/A                     | 10.553                           | 243,400      |
| National School Lunch Program   | N/A                     | 10.555                           | 467,791      |
| National School Lunch Program   | N/A                     | 10.555                           | 36,092       |
| Total National School Lunch Program   |                         |                                  | 503,883      |
| Total Child Nutrition Cluster   |                         |                                  | 747,283      |
| Passed through New York State Department of Health -<br>Child and Adult Care Food Program (CACFP)             | N/A                     | 10.558                           | 14,713       |
| Total U.S. Department of Agriculture  |                         |                                  | 761,996      |
|   |                         |                                  | \$ 4,344,896 |

The accompanying notes are an integral part of this schedule.

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

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023**

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#### **1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of Eugenio Maria de Hostos Charter School (the School) for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the School's operations, it is not intended to, and does not, present the financial position, activities and change in net assets, or cash flows of the School.

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

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

#### **3. INDIRECT COST RATE**

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

## EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

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#### A. SUMMARY OF AUDITOR'S RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on whether the financial statements of Eugenio Maria de Hostos Charter School (the School) are presented in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies related to the audit of the School's financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The Independent Auditor's Report on Compliance for Each Major Program expresses an unmodified opinion.
6. There were no audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were:
  - U.S. Department of Education:
    - Education Stabilization Funds:
      - ALN 84.425D Elementary and Secondary School Emergency Relief (ESSER) Fund
      - ALN 84.425U Elementary and Secondary School Emergency Relief (ARP ESSER) Fund
    - ALN 84.287 Twenty-First Century Community Learning Centers Fund
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. The School was determined to not be a low-risk auditee.

**EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**(Continued)**

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

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

None.

**D. SCHEDULE OF THE STATUS OF PRIOR YEAR AUDIT FINDINGS, QUESTIONED COSTS,  
AND RECOMMENDATIONS**

**Finding 2022-001**

**Criteria** - The School's financial statements, including interim internal financial reporting, should be prepared on a timely basis. As part of the June 30, 2022 audit process, there were a significant number of general ledger accounts that were not reconciled until months after the end of the fiscal year.

**Recommendation** - We recommend the School reengage its previous consultants to assist the School's Finance Manager with the monthly general ledger closing process.

**Current Status** - The closing process improved throughout fiscal 2023, resulting in timely filings for the June 20, 2023 audit process.

**EUGENIO MARIA DE HOSTOS  
CHARTER SCHOOL**

**Communication of Matters Related to Internal Control  
Over Financial Reporting and Other Matters  
October 2023**

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

October 2023

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

In planning and performing our audit of the financial statements of Eugenio Maria de Hostos Charter School (the School) as of and for the year ended December 31, 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 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.

The School's written responses to the deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors, and others within Eugenio Maria de Hostos Charter School, and is not intended to be and should not be used by anyone other than these specified parties.

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

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



# **EUGENIO MARIA DE HOSTOS CHARTER SCHOOL**

## **COMMUNICATIONS OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS OCTOBER 2023**

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### **INTERNAL CONTROL RELATED MATTERS**

The following control deficiencies are not considered to be material weaknesses or significant deficiencies in internal control:

#### **1. FINANCIAL CLOSE PROCESS**

##### **Observation**

During our audit, we noted a significant improvement in the preparedness for the audit, however, audit adjustments were required to reconcile accounts after the initial trial balance was provided. Some of the adjustments were provided by management and there were other accounts that did not reconcile or current year transactions that had not been properly accounted for as part of the financial close process. The proposed adjustments collectively reduced net income by approximately \$400k and were necessary for the financial statements to be in accordance with generally accepted accounting principles.

##### **Recommendation**

We recommend that all accounts are reviewed and reconciled on a monthly or quarterly basis, depending on the significance and risks of each account. We encourage management to develop a more thorough end-of-year financial close process to ensure transactions and accounts have been properly recorded and reconciled. We encourage management to discuss any infrequent or unusual transactions that may occur during the year to ensure proper accounting. This will help ensure the provided trial balance is reasonably accurate and completed in accordance with generally accepted accounting principles.

##### **Management Response**

Management agrees with the observation and recommendation. While significant improvements were made to the year-end close process, there are still improvements to be made to the process. Management will develop a formal closing checklist to ensure that all accounts are reconciled in a timely manner.