

**EUGENIO MARIA DE HOSTOS
CHARTER SCHOOL**

**Financial Statements as of
June 30, 2025
Together with
Independent Auditor's Report**

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

October 29, 2025

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, 2025, 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, 2025, 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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INDEPENDENT AUDITOR'S REPORT

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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 2024 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025 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, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 33,655,404	\$ 3,128,269
Restricted cash	3,294,453	-
Accounts receivable	336,174	340,025
Grants and contracts receivable	1,096,321	783,806
Deposits	19,714	19,714
Investments	<u>6,187,290</u>	<u>6,201,524</u>
Total current assets	44,589,356	10,473,338
DESIGNATED CASH	75,000	75,000
LAND, BUILDINGS, AND EQUIPMENT, net	26,170,782	6,678,048
RIGHT-OF-USE ASSET - OPERATING LEASES	1,423,354	20,128
RIGHT-OF-USE ASSET - FINANCE LEASES	<u>32,169</u>	<u>56,117</u>
	<u>\$ 72,290,661</u>	<u>\$ 17,302,631</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ -	\$ 82,690
Accounts payable	3,107,995	290,466
Accrued liabilities	1,728,468	1,264,202
Current portion of operating lease liabilities	336,687	4,541
Current portion of finance lease liabilities	<u>24,829</u>	<u>23,973</u>
Total current liabilities	5,197,979	1,665,872
LONG-TERM DEBT, net of current portion	51,361,035	1,897,957
OPERATING LEASE LIABILITIES, net of current portion	1,086,666	15,586
FINANCE LEASE LIABILITIES, net of current portion	<u>8,706</u>	<u>33,535</u>
Total liabilities	57,654,386	3,612,950
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>14,636,275</u>	<u>13,689,681</u>
	<u>\$ 72,290,661</u>	<u>\$ 17,302,631</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, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
REVENUES, GAINS, AND OTHER SUPPORT:		
Public school district -		
Resident student enrollment	\$ 14,365,482	\$ 14,325,311
Students with disabilities	516,718	461,905
Federal and state grants	2,130,178	2,774,890
Federal and state food service	878,465	904,751
Interest	127,186	238,513
Investment income, net	1,611,140	333,359
Other	<u>46,981</u>	<u>452,497</u>
Total revenues, gains, and other support	<u>19,676,150</u>	<u>19,491,226</u>
EXPENSES:		
Program -		
Regular education	13,787,930	13,591,882
Special education	<u>1,177,334</u>	<u>1,061,245</u>
Total program	14,965,264	14,653,127
Supporting services -		
Management and general	<u>3,764,292</u>	<u>3,560,229</u>
Total expenses	<u>18,729,556</u>	<u>18,213,356</u>
CHANGE IN NET ASSETS	946,594	1,277,870
NET ASSETS - beginning of year	<u>13,689,681</u>	<u>12,411,811</u>
NET ASSETS - end of year	<u>\$ 14,636,275</u>	<u>\$ 13,689,681</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, 2025**

(With Comparative Totals for 2024)

	Program Services			Supporting Services			Total		
	Regular <u>Education</u>	Special <u>Education</u>	Other <u>Education</u>	<u>Total</u>	<u>Fundraising</u>	Management <u>and General</u>	<u>Total</u>	<u>2025</u>	<u>2024</u>
Personnel services costs:									
Administrative staff personnel	\$ 264,755	\$ -	\$ -	\$ 264,755	\$ -	\$ 1,571,872	\$ 1,571,872	\$ 1,836,627	\$ 1,780,131
Instructional personnel	7,816,269	775,105	-	8,591,374	-	-	-	8,591,374	8,151,070
Non-instructional personnel	-	-	-	-	-	539,776	539,776	539,776	474,317
Total personnel services costs	8,081,024	775,105	-	8,856,129	-	2,111,648	2,111,648	10,967,777	10,405,518
Fringe benefits and payroll taxes	1,864,949	178,880	-	2,043,829	-	487,329	487,329	2,531,158	2,435,812
Retirement	757,425	77,022	-	834,447	-	45,581	45,581	880,028	785,765
Legal services	-	-	-	-	-	30,073	30,073	30,073	48,747
Accounting/audit services	-	-	-	-	-	43,474	43,474	43,474	34,988
Other purchased/professional/consulting services	720,457	-	-	720,457	-	80,051	80,051	800,508	1,004,868
Repairs and maintenance	411,279	56,084	-	467,363	-	51,929	51,929	519,292	659,097
Insurance	64,906	8,851	-	73,757	-	8,195	8,195	81,952	111,029
Utilities	134,394	18,326	-	152,720	-	76,246	76,246	228,966	202,086
Supplies/materials	179,229	13,490	-	192,719	-	-	-	192,719	181,616
Equipment/furnishings	6,036	6	-	6,042	-	75,082	75,082	81,124	105,526
Staff development	31,297	224	-	31,521	-	610	610	32,131	24,431
Marketing/recruitment	-	-	-	-	-	59,739	59,739	59,739	90,995
Technology	258,381	-	-	258,381	-	183,708	183,708	442,089	457,783
Food service	524,478	-	-	524,478	-	-	-	524,478	505,267
Student services	151,370	1,886	-	153,256	-	-	-	153,256	137,129
Office expense	17,757	-	-	17,757	-	12,557	12,557	30,314	29,265
Depreciation and amortization	545,838	47,460	-	593,298	-	102,207	102,207	695,505	756,077
Other	39,110	-	-	39,110	-	395,863	395,863	434,973	237,357
	<u>\$ 13,787,930</u>	<u>\$ 1,177,334</u>	<u>\$ -</u>	<u>\$ 14,965,264</u>	<u>\$ -</u>	<u>\$ 3,764,292</u>	<u>\$ 3,764,292</u>	<u>\$ 18,729,556</u>	<u>\$ 18,213,356</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, 2025 (With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Revenue from school districts	\$ 14,886,051	\$ 14,766,268
Grant revenues	2,696,128	3,920,740
Miscellaneous sources	1,726,181	1,024,369
Payments to charter school personnel for services rendered	(10,503,511)	(10,329,551)
Payments to vendors for goods and services rendered	<u>(6,891,793)</u>	<u>(6,948,229)</u>
Net cash flow from operating activities	<u>1,913,056</u>	<u>2,433,597</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(286,640)	(303,976)
Proceeds from sales of investments	360,000	-
Purchases of land, buildings, and equipment	<u>(17,404,751)</u>	<u>(2,699,373)</u>
Net cash flow from investing activities	<u>(17,331,391)</u>	<u>(3,003,349)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	51,211,292	-
Repayment of long-term debt	(1,947,396)	(78,817)
Repayment of finance lease liabilities	<u>(23,973)</u>	<u>(23,750)</u>
Net cash flow from financing activities	<u>49,239,923</u>	<u>(102,567)</u>
CHANGE IN CASH, RESTRICTED CASH, AND DESIGNATED CASH	33,821,588	(672,319)
CASH, RESTRICTED CASH, AND DESIGNATED CASH - beginning of year	<u>3,203,269</u>	<u>3,875,588</u>
CASH, RESTRICTED CASH, AND DESIGNATED CASH - end of year	<u>\$ 37,024,857</u>	<u>\$ 3,203,269</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 946,594	\$ 1,277,870
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Gain on investments, net	(59,126)	(29,413)
Depreciation and amortization	574,369	745,958
Amortization of debt issuance costs	116,492	10,119
(Increase) decrease in assets:		
Accounts receivable	3,851	(20,948)
Grants and contracts receivable	(312,515)	296,258
Increase (decrease) in liabilities:		
Accounts payable	179,125	138,707
Accrued liabilities	464,266	75,967
Deferred revenue	-	(55,159)
Operating lease liabilities	<u>-</u>	<u>(5,762)</u>
Net cash flow from operating activities	<u>\$ 1,913,056</u>	<u>\$ 2,433,597</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest on long-term debt	<u>\$ 1,514,991</u>	<u>\$ -</u>
SUPPLEMENTAL NONCASH INVESTING ACTIVITIES		
Capital expenditures in accounts payable	<u>\$ 2,638,404</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

EUGENIO MARIA DE HOSTOS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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 February 2025, the School received a renewal of its charter for an additional five years through 2029.

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).

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, 2025 and 2024, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Per pupil tuition is charged to the student's resident district on a bimonthly basis with six payments made during the academic year. There were no receivables at June 30, 2023.

The School records an allowance for credit loss based on consideration of historical, current, and expected future conditions and a review of specific amounts outstanding. Accounts are written off against the allowance when uncollectibility becomes known. The School expects to collect all payments due from the students' resident districts. As a result, there was no allowance for credit losses at June 30, 2025 and 2024.

Cash, Designated Cash, and Restricted Cash

Cash and designated cash include bank demand deposit and money market accounts. Restricted cash consist of bank demand deposit accounts held as required under the long-term debt agreements. 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.

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, 2025 and 2024 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 had deferred revenue of \$55,159 and \$1,080,064 of grants receivable at June 30, 2023.

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 consists of interest and dividends, net realized and unrealized gains or losses, and investment management fees. Interest income is recognized on an accrual basis and 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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

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

Land, Buildings, and Equipment

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, 2025 and 2024.

Leases

The School determines if an arrangement is a lease at inception. Right-of-use (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 and 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.

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, 2024, 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>2025</u>	<u>2024</u>
Cash	\$ 33,655,404	\$ 3,128,269
Accounts receivables	336,174	340,025
Grants and contract receivables	1,096,321	783,806
Investments	<u>6,187,290</u>	<u>6,201,524</u>
	41,275,189	10,453,624
Less: Board designated net assets	(1,500,000)	(1,500,000)
Less: Cash restricted under bond agreements	<u>(29,580,275)</u>	<u>-</u>
	<u>\$ 10,194,914</u>	<u>\$ 8,953,624</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 and restricted for use under the terms of the bond agreements.

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. The School had 82 and 65 days cash on hand at June 30, 2025 and 2024, respectively.

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>2025</u>	<u>2024</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 76% of the School's total revenue, gains, and other support for both of the years ended June 30, 2025 and 2024.

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>2025</u>	<u>2024</u>
Cash	\$ 33,655,404	\$ 3,128,269
Limited use assets	3,294,453	-
Designated cash	<u>75,000</u>	<u>75,000</u>
	<u>\$ 37,024,857</u>	<u>\$ 3,203,269</u>

7. INVESTMENTS

The School's investments in money market accounts and fixed income mutual funds were measured at fair value on a recurring basis using Level 1 inputs and total investments consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Money market accounts	\$ 5,548,799	\$ 6,568
Fixed income mutual funds	<u>638,491</u>	<u>6,194,956</u>
	<u>\$ 6,187,290</u>	<u>\$ 6,201,524</u>

8. LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 237,000	\$ 237,000
Buildings and improvements	6,489,940	6,354,127
Leasehold improvements	2,178,160	2,178,160
Equipment	<u>623,839</u>	<u>623,839</u>
	9,528,939	9,393,126
Less: Accumulated depreciation and amortization	<u>(5,509,894)</u>	<u>(4,959,473)</u>
	4,019,045	4,433,653
Plus: Construction in process	<u>22,151,737</u>	<u>2,244,395</u>
	<u>\$ 26,170,782</u>	<u>\$ 6,678,048</u>

Depreciation expense was \$550,421 and \$721,577 for the years ended June 30, 2025 and 2024, respectively.

Construction Contracts

The School is committed under several construction contracts amounting to approximately \$41,300,000 at June 30, 2025. These contracts relate to the renovation and construction of the campus expansion project.

9. LEASES

The School leases its 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 were as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Finance lease cost:		
Amortization of ROU assets	\$ 23,948	\$ 24,381
Interest on lease liabilities	1,521	2,244
Operating lease cost	384,230	219,298
Variable lease cost	<u>170,440</u>	<u>129,447</u>
	<u>\$ 580,139</u>	<u>\$ 375,370</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	<u>\$ 23,904</u>	<u>\$ 23,750</u>
Operating cash flows from operating leases	<u>\$ 384,230</u>	<u>\$ 225,059</u>
Operating cash flows from finance leases	<u>\$ 1,591</u>	<u>\$ 2,209</u>
ROU assets obtained in exchange for lease obligations:		
Finance leases	<u>\$ -</u>	<u>\$ 26,127</u>
Operating leases	<u>\$ 1,727,249</u>	<u>\$ -</u>

Other information related to leases was as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term:		
Finance leases	1.43 years	2.42 years
Operating leases	3.99 years	4.17 years
Weighted-average discount rate:		
Finance leases	3.39%	3.44%
Operating leases	3.84%	3.84%

9. LEASES (Continued)

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

	<u>Operating Leases</u>	<u>Finance Leases</u>
2026	\$ 384,230	\$ 25,494
2027	384,230	8,754
2028	384,230	-
2029	<u>379,880</u>	<u>-</u>
	1,532,570	34,248
Less: Present value discount	<u>(109,217)</u>	<u>(713)</u>
Total present value of lease liabilities	1,423,353	33,535
Less: Current portion	<u>(336,687)</u>	<u>(24,829)</u>
	<u>\$ 1,086,666</u>	<u>\$ 8,706</u>

10. LINE OF CREDIT

The School maintained a line of credit agreement with a bank that provided for borrowings of up to \$200,000, renewable on an annual basis. Borrowings under the agreement bore interest at the prime rate plus 1.50% (9.75% at June 30, 2024) and were secured by a general lien on substantially all of the School's assets. There were no amounts outstanding under the line of credit as of June 30, 2024. The line of credit was terminated during fiscal year 2025.

11. LONG-TERM DEBT

Composition

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2025</u>	<u>2024</u>
Monroe County Industrial Development Corporation -				
Series 2024A bonds	2059	5.00%	\$ 50,047,917	\$ -
Series 2024B bonds	2030	6.75%	2,365,000	-
Note payable	2031	4.32%	-	1,362,833
Note payable	2029	4.71%	<u>-</u>	<u>635,158</u>
			52,412,917	1,997,991
Plus: Unamortized premium			559,883	-
Less: Current portion			-	(82,690)
Less: Unamortized bond issuance cost			<u>(1,611,765)</u>	<u>(17,344)</u>
			<u>\$ 51,361,035</u>	<u>\$ 1,897,957</u>

11. LONG-TERM DEBT (Continued)

Required future principal payments on the College's long-term debt are as follows for the years ending June 30:

2026	\$	-
2027		-
2028		-
2029		-
2030		375,000
Thereafter		<u>52,597,800</u>
	\$	<u>52,972,800</u>

Monroe County Industrial Development Corporation (Eugenio María de Hostos Charter School Project)

During the year ended June 30, 2025, the School issued Monroe County Industrial Development Corporation Series 2024A Revenue Bonds of \$50,060,00 tax-exempt bonds with interest at 5.0% per annum and \$2,365,000 of taxable bonds with interest at 6.75% with maturity dates ranging from 2034 to 2059. Interest is payable semi-annually. A portion of the proceeds from the bond issue were utilized to repay all outstanding principal and interest on the notes payable, with the remainder set aside for capital projects, working capital, and debt service reserves for future interest payable.

The bond agreement requires the School to meet certain covenants, including a debt service coverage ratio greater than one. At June 30, 2025, management has determined the School was in compliance with these debt covenants.

The debt was issued at a premium of \$559,883, which is netted with the bonds payable and is being amortized over the life of the debt. The amount amortized was \$12,083 in 2025.

The School incurred costs of issuance of approximately \$1,773,591, which are being amortized over the term of the debt. Amortization expense was \$161,826 for the year ended June 30, 2025.

Notes Payable

The School had a note payable to a bank requiring monthly payments of \$9,395, including interest at 4.32%, with a final balloon payment in September 2031, collateralized by the related building. At June 30, 2024, the amount outstanding on the note payable was \$1,362,833. This note was paid off with the issuance of the 2024 bonds.

The School had a note payable to a bank requiring monthly payments of \$4,858, including interest at 4.71%, through 2029, collateralized by the related building. At June 30, 2024 the amount outstanding on the note payable was \$635,158. This note was paid off with the issuance of the 2024 bonds.

Interest

Interest paid under the terms of these agreements was approximately \$1,550,000 and \$94,000 during the years ended June 30, 2025 and 2024, respectively. Interest expense of \$16,510 and \$94,462 is included in other expenses in the statements of activities and change in net assets for the years ended June 30, 2025 and 2024, respectively. Interest in the amount of \$1,514,104 was capitalized as a component of construction in progress in 2025.

Amortization of debt issuance costs was \$121,136 and 10,119 for the years ended June 30, 2025 and 2024, respectively, and are also included in depreciation and amortization expense in the statements of activities and change in net assets.

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 \$80,730 and \$77,391 during the years ended June 30, 2025 and 2024, 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, 2025 and 2024 was 10.11% and 9.76% of the annual covered payroll, respectively. The School's required contributions were \$804,051 and \$690,261 for the years ended June 30, 2025 and 2024, 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 incurred expenses of approximately \$122,827 and \$129,262 to Ibero for these services during the years ended June 30, 2025 and 2024, respectively. At June 30, 2024, the School had amounts due to Ibero of \$10,092 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, 2025 and 2024, the School received funds totaling approximately \$215,000 and \$1,280,000, respectively, which have been recognized as a component of federal and state grants on the statements of activities and change in net assets.

15. SUBSEQUENT EVENTS

Evaluation Date

Subsequent events have been evaluated through October 29, 2025, 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 29, 2025

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, 2025 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 29, 2025.

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.

**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.