

**a Harlem Scholar Academy Charter School**

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

June 30, 2020 and 2019





PKF O'CONNOR DAVIES, LLP

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Harlem Scholars Academy Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years there



**East Harlem Scholars Academy Charter School**

Statements of Activities

	2020	2019
<b>REVENUES AND SUPPORT</b>		
Public School District		
State and local per pupil operating revenue	\$ 21,264	\$ 1,506,090
Univ. sal. p. e-kindergarten	733,26	



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**East Harlem Scholars Academy Charter School**

Statements of Cash Flows

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,017,707	\$ 94,353
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	365,104	330,433
Deferred rent	55,669	55,669
Changes in operating assets and liabilities		
Accounts and contracts receivable	271,009	(1,972)
Prepaid expenses	(351,109)	173,172
Due from East Harlem Center, LLC	-	(239,739)
Accounts payable and accrued expenses	29,213	353,132
Due to East Harlem Tutorial Program	1,711,007	1,590
Refundable advances	<u>29,977</u>	<u>16,974</u>
Net Cash from Operating Activities	3,531,577	744,030
 <b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	(439,200)	(265,949)
 <b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from Paycheck Protection Program loan payable	<u>2,496,950</u>	<u>-</u>

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**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

**1. Organization and Tax Status**

***The Corporation***

Founded upon the 3-year legacy of East Harlem Tutorial Program (“EHTP”), East Harlem Scholars Academy Charter School (the “Corporation”) is a not-for-profit education corporation originally formed by the Board of Regents of the University of the State of New York (the “Board of Regents”) on December 14, 2010 by the granting of a Provisional Charter (the education corporation-equivalent of a certificate of incorporation) to operate one (1) and the **T T e n e J 9 u 8 T T e n e J C J e u x**

## East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2020 and 2019

### 1. Organization and Tax Status (*continued*)

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due to unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period.

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Notes to Financial Statements  
June 30, 2020 and 2019

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

***Adoption o New Accounting Policies (continued)***

*Restricted Cash*

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash

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**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

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

***Functional Expenses***

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications based upon periodic time and expense studies and other bases as determined by management of the School to be appropriate. Expenses are classified according to the functional categories for which they are incurred, as follows:

General Education Program Services – represents expenses directly associated with general education.

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**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

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

***Deferred Rent***

The School records its rent in accordance with U.S. GAAP, whereby all rental payments, including

**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

**5. Property and equipment**

Property and equipment



**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

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

In addition, EHTP pays certain expenses on behalf of the School which are subsequently reimbursed. The total amount of these reimbursed expenses for the 2019 fiscal year was \$1,000,000.



**East Harlem Scholars Academy Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

**12. Commitments (*continued*)**

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

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Supplementary Information

June 30, 2020

East Harlem Scholars Academy Charter School

Schedule of Activities by School  
Year Ended June 30, 2020

	East Harlem Scholars Academy Charter School	East Harlem Scholars Academy Charter School II	Total
<b>REVENUE AND SUPPORT</b>			
Public School District			
State and local per pupil operating revenue	\$ 13,344,744	\$ 8,482,104	\$ 21,826,848
Universal pre-kindergarten	394,908	338,858	733,822
Lease assistance	1,410,000	-	1,410,000
Government grants and contracts	925,530	409,055	1,334,591
Contributions	575,000	-	575,000
Other income	57,787	9,944	7,481
Total Revenue and Support	<u>17,714,355</u>	<u>9,239,711</u>	<u>25,954,344</u>
<b>EXPENSES</b>			
Program Services			
General education	10,095,759	5,292,022	15,387,821
Special education	4,000,777	1,599,723	5,600,400
Pre-kindergarten	33,304	134,248	470,552
Supplemental education	52,907	2,234	55,141
Total Program Services	<u>14,485,447</u>	<u>7,088,277</u>	<u>21,573,914</u>
Supporting Services			
Management and general	1,541,017	1,009,511	2,550,888
Fundraising	450,451	297,000	748,057
Total Expenses	<u>15,477,115</u>	<u>8,395,524</u>	<u>24,872,399</u>
Change in Net Assets	237,520	844,187	1,081,707
<b>NET ASSETS (DEFICIT)</b>			
Beginning of year	<u>982,830</u>	<u>(12,403)</u>	<u>970,427</u>
End of year	<u>\$ 1,220,350</u>	<u>\$ 831,784</u>	<u>\$ 2,052,134</u>

See independent auditors' report

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St. Albans School for the Deaf and the Blind

Uniform Guidance Schedules and Reports

June 30, 2020



Federal Grant or Program Title

Federal Number

Pass-through Identifying Number

Passed through

Total Federal

**East Harlem Scholars Academy Charter School**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of East Harlem Scholars Academy Charter School (the "School") under programs



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Harlem Scholars Academy Charter School (the "School"), which comprise

**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, noncomp



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

In our opinion, East Harlem Scholars Academy Charter 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, 2020.

***Report on Internal Control over Compliance***

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an

**Harlem Scholars Academy**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?        es   X   no  
Significant deficiency(ies) identified?        es   X   none reported  
Noncompliance material to financial statements noted?        es   X   no

Federal Awards

Internal control over major federal programs:  
Material weakness(es) identified?        es   X   no  
Significant deficiency(ies) identified?        es   X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200. 16(a)?        es   X   no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
84.282M	The Expansion and Replication of the East Harlem Scholars Academic Model Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs: \$7,000

Auditee qualified as low-risk auditee?   X   es        no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2020.

Section III – Federal Award Findings and Questioned Costs

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

Section IV - Prior Year's Findings