

East Harlem Scholars Academy Charter School

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

June 30, 2019 and 2018

East Harlem Scholars Academy Charter School

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Independent Auditors' Report

Board of Trustees
East Harlem Scholars Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of East Harlem Scholars Academy Charter School (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, East Harlem Scholars Academy adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of financial position, activities, functional expenses and cash flows by school as of and for the year ended June 30, 2019 on pages 17-21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 24, 2019

East Harlem Scholars Academy Charter School

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,567,992	\$ 1,050,059
Grants and accounts receivable	1,025,605	1,016,633
Prepaid expenses	-	173,172
Restricted cash	150,206	150,058
Property and equipment, net	657,283	722,177
	\$ 3,401,086	\$ 3,112,099
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,392,534	\$ 1,039,402
Due to East Harlem Tutorial Program	452,187	443,589
Due to East Harlem Center, LLC	-	239,739
Deferred rent	562,427	506,758
Refundable advances	23,511	6,537
Total Liabilities	2,430,659	2,236,025
 Net assets, without donor restrictions	 970,427	 876,074
	\$ 3,401,086	\$ 3,112,099

See notes to financial statements

East Harlem Scholars Academy Charter School

Statements of Activities

	Year Ended June 30,	
	2019	2018
REVENUE AND SUPPORT		
Public School District		
State and local per pupil operating revenue	\$ 18,506,090	\$ 14,916,398
Lease assistance	1,416,644	1,214,603
Government grants and contracts	2,688,257	2,440,399
Contributions	449,717	1,783,955
Other income	<u>34,746</u>	<u>15,058</u>
Total Revenue and Support	<u>23,095,454</u>	<u>20,370,413</u>
EXPENSES		
Program services	20,263,144	17,682,716
Management and general	1,997,529	1,616,321
Fundraising	<u>740,428</u>	<u>527,258</u>
Total Expenses	<u>23,001,101</u>	<u>19,826,295</u>
Change in Net Assets	94,353	544,118
NET ASSETS		
Beginning of year	<u>876,074</u>	<u>331,956</u>
End of year	<u>\$ 970,427</u>	<u>\$ 876,074</u>

See notes to financial statements

East Harlem Scholars Academy Charter School

Statement of Functional Expenses Year Ended June 30, 2019

	No. of Positions	Program Services				Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre-Kindergarten	Supplemental Education				
Personnel Services Costs									
Administrative staff personnel	35	\$ 1,657,213	\$ 650,145	\$ 113,488	\$ -	\$ 2,420,846	\$ 569,298	\$ -	\$ 2,990,144
Instructional personnel	125	6,865,725	2,228,389	164,815	-	9,258,929	-	-	9,258,929
Non-instructional personnel	1	-	-	-	-	-	3,758	-	3,758
Total Salaries and Staff	161	8,522,938	2,878,534	278,303	-	11,679,775	573,056	-	12,252,831
Fringe benefits and payroll taxes		1,442,847	497,478	48,923	-	1,989,248	96,238	-	2,085,486
Retirement		94,126	34,405	2,819	-	131,350	6,130	-	137,480
Legal services		-	-	-	-	-	5,988	-	5,988
Accounting and audit services		-	-	-	-	-	70,225	-	70,225
Other professional and consulting services		189,408	151,182	3,316	-	343,906	1,104,020	732,042	2,179,968
Building and land rent/lease		971,525	419,560	22,824	-	1,413,909	58,358	-	1,472,267
Repairs and maintenance		527,256	219,200	13,214	-	759,670	32,320	-	791,990
Insurance		77,002	26,222	2,347	-	105,571	4,829	-	110,400
Utilities		107,503	46,426	2,526	-	156,455	6,458	-	162,913
Supplies and materials		234,536	99,235	9,355	-	343,126	-	-	343,126
Equipment and furnishings		235,482	92,912	-	-	328,394	-	-	328,394
Staff development		258,922	101,732	-	-	360,654	7,452	-	368,106
Marketing and recruitment		132,719	50,764	-	-	183,483	-	-	183,483
Technology		308,259	112,044	8,145	-	428,448	17,279	-	445,727
Food service		579,804	234,977	-	-	814,781	-	-	814,781
Student services		281,918	112,145	-	165,111	559,174	-	-	559,174
Office expenses		225,056	89,064	-	-	314,120	-	-	314,120
Depreciation and amortization		227,376	81,583	6,959	-	315,918	14,925	-	330,843
Dues and memberships		23,648	9,157	-	-	32,805	-	-	32,805
Other expenses		1,710	647	-	-	2,357	251	8,386	10,994
Total Expenses		\$ 14,442,035	\$ 5,257,267	\$ 398,731	\$ 165,111	\$ 20,263,144	\$ 1,997,529	\$ 740,428	\$ 23,001,101

See notes to financial statements

East Harlem Scholars Academy Charter School

Statement of Functional Expenses Year Ended June 30, 2018

	No. of Positions	Program Services				Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre-Kindergarten	Supplemental Education				
Personnel Services Costs									
Administrative staff personnel	31	\$ 1,621,119	\$ 481,340	\$ 93,096	\$ -	\$ 2,195,555	\$ 471,731	\$ -	\$ 2,667,286
Instructional personnel	105	5,717,712	1,769,804	394,960	-	7,882,476	-	-	7,882,476
Non-instructional personnel	1	-	-	-	-	-	4,059	-	4,059
Total Salaries and Staff	137	7,338,831	2,251,144	488,056	-	10,078,031	475,790	-	10,553,821
Fringe benefits and payroll taxes		1,112,575	342,823	73,575	-	1,528,973	72,019	-	1,600,992
Retirement		90,957	28,432	5,906	-	125,295	5,859	-	131,154
Legal services		-	-	-	-	-	19,077	-	19,077
Accounting and audit services		-	-	-	-	-	115,740	-	115,740
Other professional and consulting services		230,912	120,971	17,729	-	369,612	798,962	527,140	1,695,714
Building and land rent/lease		980,022	395,946	39,623	-	1,415,591	56,676	-	1,472,267
Repairs and maintenance		596,040	236,568	26,003	-	858,611	34,844	-	893,455
Insurance		27,476	6,718	2,073	-	36,267	1,703	-	37,970
Utilities		126,959	51,294	5,133	-	183,386	7,342	-	190,728
Supplies and materials		183,274	70,328	6,835	-	260,437	-	-	260,437
Equipment and furnishings		87,711	25,392	-	-	113,103	-	-	113,103
Staff development		180,363	53,781	1,309	-	235,453	1,914	-	237,367
Marketing and recruitment		222,301	64,026	-	-	286,327	-	-	286,327
Technology		279,020	84,339	14,864	-	378,223	14,348	-	392,571
Food service		637,767	188,208	-	-	825,975	-	-	825,975
Student services		213,933	65,448	-	214,802	494,183	-	-	494,183
Office expenses		142,549	42,360	1,205	-	186,114	-	-	186,114
Depreciation and amortization		192,385	68,425	10,272	-	271,082	11,795	-	282,877
Dues and memberships		28,169	7,884	-	-	36,053	-	-	36,053
Other expenses		-	-	-	-	-	252	118	370
Total Expenses		\$ 12,671,244	\$ 4,104,087	\$ 692,583	\$ 214,802	\$ 17,682,716	\$ 1,616,321	\$ 527,258	\$ 19,826,295

See notes to financial statements

East Harlem Scholars Academy Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 94,353	\$ 544,118
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	330,843	282,877
Deferred rent	55,669	202,368
Changes in operating assets and liabilities		
Grants and accounts receivable	(8,972)	1,015,945
Prepaid expenses	173,172	(162,662)
Accounts payable and accrued expenses	353,132	116,946
Due to East Harlem Tutorial Program	8,598	(1,048,562)
Due to East Harlem Center, LLC	(239,739)	105,825
Refundable advances	16,974	6,537
Net Cash from Operating Activities	784,030	1,063,392
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(265,949)	(264,275)
Restricted cash	(148)	(75,058)
Net Cash from Investing Activities	(266,097)	(339,333)
 Net Change in Cash and Cash Equivalents	517,933	724,059
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,050,059	326,000
End of year	\$ 1,567,992	\$ 1,050,059

See notes to financial statements

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Tax Status

The Corporation

Founded upon the 53-year legacy of East Harlem Tutorial Program (“EHTP”), East Harlem Scholars Academy Charter School (the “Corporation”) is a not-for-profit education corporation originally formed by the Board of Regents of the University of the State of New York (the “Board of Regents”) on December 14, 2010 by the granting of a Provisional Charter (the education corporation-equivalent of a certificate of incorporation) to operate one (1) (and as of January 1, 2013 two (2)) public charter schools. The Board of Regents has since issued two renewals to the Corporation’s charter. The Corporation’s charter expires on December 31, 2020. The mission of the schools is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities, and to realize their best possible selves. The School does this by challenging their students, teachers, and families to examine issues of racism and identity and model the learning and dialogue needed to ensure a more equitable future for young people of color. Through this commitment, the School prepares their scholars to effect change, challenge the status quo, thrive in the world around them, and thoughtfully contribute to the national fight for racial equity.

The Schools

East Harlem Scholars Academy Charter School (“Scholars”) - also the name of the first school for which the Corporation received a charter to operate – is situated in East Harlem in the borough of Manhattan, New York City. Scholars opened in the fall of 2011 with kindergarten and first grade and added a grade each year so that in fiscal 2019 it served pre-kindergarten through eighth grade. In 2016 Scholars received a full five year term renewal which authorizes the school to add a grade each year until it serves kindergarten through eighth grade. In fiscal 2017 Scholars added one section of Universal Pre-Kindergarten. In May 2018, Scholars received permission to add high school grades 9th – 12th. Scholars proposes to begin the 9th grade instruction with the 2019-20 school year.

East Harlem Scholars Academy Charter School II (“Scholars II”) is the second public charter school for which the Corporation received a charter to operate. It opened in the fall of 2013 with kindergarten and first grade and will expand each year until it serves students through fifth grade. In winter of FY 2018, Scholars II received a full five year term renewal which authorizes the school to add a grade each year until it serves kindergarten through eighth grade. In fiscal 2016 Scholars II added two sections of Universal Pre-Kindergarten, and in fiscal 2017 Scholars added a third section of Universal Pre-Kindergarten. In fiscal 2020, the third section of UPK at Scholars II was transferred to Scholars. In fiscal 2019 it served students in pre-kindergarten through sixth grade.

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

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2019 and 2018

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.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Change in Accounting Principle

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified as net assets without donor restrictions.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

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

Net Asset Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2019 and 2018.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

Under the provisions of its charter, the School established a reserve fund of \$150,000 to cover debts in the event of the School's dissolution.

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$3,500 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized during the years ended June 30, 2019 and 2018.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

East Harlem Scholars Academy Charter School

Notes to Financial Statements

June 30, 2019 and 2018

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

Revenue Recognition

Revenue from the state and local governments resulting from the School's charter status, and based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's board of trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Functional Expenses

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

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

Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.

Pre-Kindergarten Program Services – represents expenses directly associated with Pre-Kindergarten programs.

Supplemental Education Program Services – represents expenses directly associated with after-school and summer school programs.

Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any education services or fundraising.

Fundraising – represents expenses related to efforts to raise additional funds for the School.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2019 and 2018 was \$183,483 and \$286,327.

Accounting For Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examination by applicable taxing authorities for periods prior to June 30, 2016.

Reclassifications

Certain 2018 accounts have been reclassified to conform to the 2019 financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 24, 2019.

3. Concentration of Credit Risk and Revenue

The School's financial instruments that are potentially exposed to concentration of credit risk consist of cash and cash equivalents. The School places its cash and cash equivalents with quality financial institutions in the United States. At times, cash balances may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. The School routinely assesses the financial strength of its cash and cash equivalents. The School has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk. At June 30, 2019 and 2018, approximately \$1,468,000 and \$950,000 was maintained with an institution in excess of FDIC limits.

The School receives a majority of its revenues from the New York State Education Department through the Charter Schools Institute of the State University of New York (the "Institute"). The Institute provides general operating support to the School based upon the location and the number of students enrolled. Support from per pupil general education and special education and lease assistance provided to the School totaled \$19,922,734 and \$16,131,001 for the years ended June 30, 2019 and 2018. The School is dependent upon this level of funding in order to continue its operations.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

4. Grants and Accounts Receivable

At June 30, 2019 and 2018, grants and accounts receivable consist of federal, state, and city entitlements and grants and are deemed to be fully collectible by management. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Computers and other equipment	\$ 968,020	\$ 799,225
Furniture and fixtures	810,626	778,534
Leasehold improvements	<u>129,623</u>	<u>64,562</u>
	1,908,269	1,642,321
Accumulated depreciation and amortization	<u>(1,250,986)</u>	<u>(920,144)</u>
	<u>\$ 657,283</u>	<u>\$ 722,177</u>

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash and cash equivalents	\$ 1,567,992
Grants and contracts receivable	<u>1,025,605</u>
	<u>\$ 2,593,597</u>

As part of the School's liquidity management plan, the status of grants and accounts receivable is monitored regularly and any excess cash is invested in highly liquid instruments. The School will continue to rely on funding received from the Institute to cover its future operating costs (see Note 3).

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

7. Related Party Transactions (not disclosed elsewhere)

The School's bylaws stipulate that at least 51% and no more than 60% of its Trustees may also be members of the board of EHTP thus resulting in common control. Under a cost sharing agreement with EHTP, approved by a supermajority of the board, EHTP provides the School with administrative support. Shared operating costs are allocated to the School based on employee hours spent. The total amount of the cost sharing agreement for the years ended June 30, 2019 and 2018 was \$1,687,799 and \$1,149,613. The total amount of expenses under this agreement for the years ended June 30, 2019 and 2018 was \$1,637,000 and \$1,149,672, which is included in other professional and consulting services on the accompanying statements of functional expenses.

In addition, EHTP pays certain expenses on behalf of the School which are subsequently reimbursed. The total amount of these reimbursed expenses for the years ended June 30, 2019 and 2018 was \$1,567,608 and \$1,140,331, which is included in various expense accounts on the accompanying statements of functional expenses.

During the year ended June 30, 2017, East Harlem Center, LLC ("EHC"), a wholly owned subsidiary of EHTP, paid for utility costs on behalf of the School. The balance due from the School to EHC at June 30, 2019 and 2018 for these costs totaled \$0 and \$239,739.

For the years ended June 30, 2019 and 2018, grants from EHTP amounted to \$446,001 and \$1,590,000, which is included in contributions on the accompanying statements of activities. At June 30, 2019 and 2018, grants receivable from EHTP amounted to \$200,000 and \$590,000, and are netted with due to East Harlem Tutorial Program on the accompanying statements of financial position. Net balance due from the School to EHTP at June 30, 2019 and 2018 totaled \$452,187 and \$443,589.

The accompanying financial statements reflect only the activities and net assets of the School. Management has applied U.S. GAAP standards in assessing the need to consolidate the financial statements of the School with those of EHTP and EHC. Under these standards, consolidation should occur if both an economic interest in the School and control by a majority of common board members exist. Management has determined that EHTP and EHC have no economic interest in the School and consolidation is precluded.

8. Agreement with School Facility

Scholars had an agreement through the school year 2015-2016 with the New York City Department of Education for space at the Jackie Robinson Educational Complex (the "Complex"), a New York City public school located at 1573 Madison Avenue, New York, New York. Beginning September 1, 2011, Scholars occupies a facility located at 2040-2050 Second Avenue, New York, NY (see Note 11). Scholars II has an agreement to be permanently co-located at the Complex. The fair value of the rent has not been included in the accompanying financial statements. The School will be responsible for any overtime-related costs for services provided beyond the regular operating hours. For the years ended June 30, 2019 and 2018, the School incurred \$8,516 and \$0 in overtime related costs.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

9. Contingencies

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks and is self-insured for other risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

10. Employee Benefit Plan

The School maintains a deferred compensation plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. The School contributed \$146,836 and \$133,364 to the plan for the years ended June 30, 2019 and 2018.

11. Commitments

During the fiscal year ended June 30, 2015, an agreement to lease the land and buildings located at 2040-2050 Second Avenue, New York, NY, was executed between Scholars and EHC. In connection with this agreement, at June 30, 2016, the School made a contribution to EHC toward the cost of the new building in the amount of \$200,000 to be amortized over the life of the lease. The lease has a term of 30 years commencing on September 1, 2016. Future minimum rental payments to be paid under this lease are as follows:

2020	\$ 1,416,600
2021	1,416,600
2022	1,416,600
2023	1,416,600
2024	1,416,600
Thereafter	<u>33,476,068</u>
	<u>\$ 40,559,068</u>

Rent expense under this lease for each of the years ended June 30, 2019 and 2018 was \$1,472,267.

East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2019 and 2018

11. Commitments (continued)

In addition, Scholars entered into an agreement with EHTP to sublease a portion of its space located at 2040-2050 Second Avenue, New York, NY. The lease has a term of 30 years commencing on September 1, 2016. Future minimum rental payments to be received under this lease are as follows:

2020	\$	24,600
2021		24,600
2022		24,600
2023		24,600
2024		24,600
Thereafter		<u>580,068</u>
	\$	<u><u>703,068</u></u>

Rental income under this sublease for each of the years ended June 30, 2019 and 2018 was \$24,600, which is included in other income on the accompanying statements of activities.

* * * * *

East Harlem Scholars Academy Charter School

Supplementary Information

June 30, 2019

East Harlem Scholars Academy Charter School

Schedule of Financial Position by School June 30, 2019

	East Harlem Scholars Academy Charter School	East Harlem Scholars Academy Charter School II	Eliminating Entry	Total
ASSETS				
Cash and cash equivalents	\$ 858,591	\$ 709,401	\$ -	\$ 1,567,992
Grants and accounts receivable	740,727	284,878	-	1,025,605
Due from East Harlem Scholars Academy Charter School II	564,549	-	(564,549)	-
Restricted cash	75,103	75,103	-	150,206
Property and equipment, net	<u>416,513</u>	<u>240,770</u>	<u>-</u>	<u>657,283</u>
	<u>\$ 2,655,483</u>	<u>\$ 1,310,152</u>	<u>\$ (564,549)</u>	<u>\$ 3,401,086</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 972,718	\$ 419,816	\$ -	\$ 1,392,534
Due to East Harlem Tutorial Program	129,671	322,516	-	452,187
Due to East Harlem Scholars Academy Charter School	-	564,549	(564,549)	-
Deferred rent	562,427	-	-	562,427
Refundable advances	<u>7,837</u>	<u>15,674</u>	<u>-</u>	<u>23,511</u>
Total Liabilities	1,672,653	1,322,555	(564,549)	2,430,659
Net assets (deficit), without donor restrictions	<u>982,830</u>	<u>(12,403)</u>	<u>-</u>	<u>970,427</u>
	<u>\$ 2,655,483</u>	<u>\$ 1,310,152</u>	<u>\$ (564,549)</u>	<u>\$ 3,401,086</u>

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Activities by School Year Ended June 30, 2019

	East Harlem Scholars Academy Charter School	East Harlem Scholars Academy Charter School II	Total
REVENUE AND SUPPORT			
Public School District			
State and local per pupil operating revenue	\$ 11,185,761	\$ 7,320,329	\$ 18,506,090
Lease assistance	1,416,644	-	1,416,644
Government grants and contracts	1,498,022	1,190,235	2,688,257
Contributions	349,717	100,000	449,717
Other income	<u>24,964</u>	<u>9,782</u>	<u>34,746</u>
Total Revenue and Support	<u>14,475,108</u>	<u>8,620,346</u>	<u>23,095,454</u>
EXPENSES			
Program services	12,853,572	7,409,572	20,263,144
Management and general	1,099,577	897,952	1,997,529
Fundraising	<u>415,920</u>	<u>324,508</u>	<u>740,428</u>
Total Expenses	<u>14,369,069</u>	<u>8,632,032</u>	<u>23,001,101</u>
Change in Net Assets	106,039	(11,686)	94,353
NET ASSETS (DEFICIT)			
Beginning of year	<u>876,791</u>	<u>(717)</u>	<u>876,074</u>
End of year	<u>\$ 982,830</u>	<u>\$ (12,403)</u>	<u>\$ 970,427</u>

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Functional Expenses East Harlem Scholars Academy School Year Ended June 30, 2019

	No. of Positions	Program Services				Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre- Kindergarten	Supplemental Education				
Personnel Services Costs									
Administrative staff personnel	19	\$ 891,315	\$ 387,021	\$ 41,798	\$ -	\$ 1,320,134	\$ 272,658	\$ -	\$ 1,592,792
Instructional personnel	69	3,710,239	1,600,193	66,305	-	5,376,737	-	-	5,376,737
Non-instructional personnel	1	-	-	-	-	-	3,758	-	3,758
Total Salaries and Staff	89	4,601,554	1,987,214	108,103	-	6,696,871	276,416	-	6,973,287
Fringe benefits and payroll taxes		828,715	357,887	22,268	-	1,208,870	49,781	-	1,258,651
Retirement		63,601	27,467	1,494	-	92,562	3,821	-	96,383
Legal services		-	-	-	-	-	3,244	-	3,244
Accounting and audit services		-	-	-	-	-	39,679	-	39,679
Other professional and consulting services		118,063	104,778	219	-	223,060	611,861	407,534	1,242,455
Building and land rent/lease		971,525	419,560	22,824	-	1,413,909	58,358	-	1,472,267
Repairs and maintenance		485,710	209,757	11,411	-	706,878	29,177	-	736,055
Insurance		40,982	17,704	907	-	59,593	2,319	-	61,912
Utilities		107,503	46,426	2,526	-	156,455	6,458	-	162,913
Supplies and materials		122,778	60,840	-	-	183,618	-	-	183,618
Equipment and furnishings		132,492	57,530	-	-	190,022	-	-	190,022
Staff development		140,958	61,206	-	-	202,164	-	-	202,164
Marketing and recruitment		57,009	24,754	-	-	81,763	-	-	81,763
Technology		200,713	86,772	3,786	-	291,271	9,682	-	300,953
Food service		394,701	171,385	-	-	566,086	-	-	566,086
Student services		168,675	73,241	-	122,667	364,583	-	-	364,583
Office expenses		129,559	56,256	-	-	185,815	-	-	185,815
Depreciation and amortization		146,161	63,123	3,434	-	212,718	8,781	-	221,499
Dues and memberships		11,394	4,947	-	-	16,341	-	-	16,341
Other expenses		694	299	-	-	993	-	8,386	9,379
Total Expenses East Harlem Scholars Academy Charter School		\$ 8,722,787	\$ 3,831,146	\$ 176,972	\$ 122,667	\$ 12,853,572	\$ 1,099,577	\$ 415,920	\$ 14,369,069

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Functional Expenses East Harlem Scholars Academy School II Year Ended June 30, 2019

	No. of Positions	Program Services				Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education	Pre- Kindergarten	Supplemental Education				
Personnel Services Costs									
Administrative staff personnel	16	\$ 765,898	\$ 263,124	\$ 71,690	\$ -	\$ 1,100,712	\$ 296,640	\$ -	\$ 1,397,352
Instructional personnel	56	3,155,486	628,196	98,510	-	3,882,192	-	-	3,882,192
Total Salaries and Staff	<u>72</u>	<u>3,921,384</u>	<u>891,320</u>	<u>170,200</u>	<u>-</u>	<u>4,982,904</u>	<u>296,640</u>	<u>-</u>	<u>5,279,544</u>
Fringe benefits and payroll taxes		614,132	139,591	26,655	-	780,378	46,457	-	826,835
Retirement		30,525	6,938	1,325	-	38,788	2,309	-	41,097
Legal services		-	-	-	-	-	2,744	-	2,744
Accounting and audit services		-	-	-	-	-	30,546	-	30,546
Other professional and consulting services		71,345	46,404	3,097	-	120,846	492,159	324,508	937,513
Repairs and maintenance		41,546	9,443	1,803	-	52,792	3,143	-	55,935
Insurance		36,020	8,518	1,440	-	45,978	2,510	-	48,488
Supplies and materials		111,758	38,395	9,355	-	159,508	-	-	159,508
Equipment and furnishings		102,990	35,382	-	-	138,372	-	-	138,372
Staff development		117,964	40,526	-	-	158,490	7,452	-	165,942
Marketing and recruitment		75,710	26,010	-	-	101,720	-	-	101,720
Technology		107,546	25,272	4,359	-	137,177	7,597	-	144,774
Food service		185,103	63,592	-	-	248,695	-	-	248,695
Student services		113,243	38,904	-	42,444	194,591	-	-	194,591
Office expenses		95,497	32,808	-	-	128,305	-	-	128,305
Depreciation and amortization		81,215	18,460	3,525	-	103,200	6,144	-	109,344
Dues and memberships		12,254	4,210	-	-	16,464	-	-	16,464
Other expenses		1,016	348	-	-	1,364	251	-	1,615
Total Expenses East Harlem Scholars Academy Charter School II		<u>\$ 5,719,248</u>	<u>\$ 1,426,121</u>	<u>\$ 221,759</u>	<u>\$ 42,444</u>	<u>\$ 7,409,572</u>	<u>\$ 897,952</u>	<u>\$ 324,508</u>	<u>\$ 8,632,032</u>
Total Expenses East Harlem Scholars Academy Charter School		<u>8,722,787</u>	<u>3,831,146</u>	<u>176,972</u>	<u>122,667</u>	<u>12,853,572</u>	<u>1,099,577</u>	<u>415,920</u>	<u>14,369,069</u>
Total Expenses		<u>\$ 14,442,035</u>	<u>\$ 5,257,267</u>	<u>\$ 398,731</u>	<u>\$ 165,111</u>	<u>\$ 20,263,144</u>	<u>\$ 1,997,529</u>	<u>\$ 740,428</u>	<u>\$ 23,001,101</u>

See independent auditors' report

East Harlem Scholars Academy Charter School

Schedule of Cash Flows by School Year Ended June 30, 2019

	East Harlem Scholars Academy Charter School	East Harlem Scholars Academy Charter School II	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Changes in net assets (deficit)	\$ 106,039	\$ (11,686)	\$ 94,353
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities			
Depreciation and amortization	221,499	109,344	330,843
Deferred rent	55,669	-	55,669
Changes in operating assets and liabilities			
Grants and accounts receivable	(144,393)	135,421	(8,972)
Prepaid expenses	167,252	5,920	173,172
Accounts payable and accrued expenses	311,489	41,643	353,132
Due (to)/from East Harlem Scholars Academy Charter School	-	103,457	103,457
Due to East Harlem Tutorial Program	43,495	(34,897)	8,598
Due to East Harlem Center, LLC	(239,739)	-	(239,739)
Due (to)/from East Harlem Scholars Academy Charter School II	(103,457)	-	(103,457)
Refundable advances	1,300	15,674	16,974
Net Cash from Operating Activities	<u>419,154</u>	<u>364,876</u>	<u>784,030</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(100,130)	(165,819)	(265,949)
Restricted cash	<u>(74)</u>	<u>(74)</u>	<u>(148)</u>
Net Cash from Investing Activities	<u>(100,204)</u>	<u>(165,893)</u>	<u>(266,097)</u>
 Net Change in Cash and Cash Equivalents	 318,950	 198,983	 517,933
CASH AND CASH EQUIVALENTS			
Beginning of year	<u>539,641</u>	<u>510,418</u>	<u>1,050,059</u>
End of year	<u>\$ 858,591</u>	<u>\$ 709,401</u>	<u>\$ 1,567,992</u>

See independent auditors' report

East Harlem Scholars Academy Charter School

Uniform Guidance Schedules and Reports

June 30, 2019

East Harlem Scholars Academy Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-through New York State				
Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021174840	\$ -	\$ 271,134
Title I Grants to Local Educational Agencies	84.010	0021184980	-	174,327
			-	445,461
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147184840	-	46,070
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147184980	-	23,384
			-	69,454
Student Support and Academic Enrichment Grant	84.424	0204-19-4840	-	19,391
Student Support and Academic Enrichment Grant	84.424	0204-19-4980	-	13,183
			-	32,574
Total Pass-through New York State Education Department			-	547,489
The Expansion and Replication of the East Harlem Scholars Academic Model Charter Schools	84.282M	U282M170019	-	225,375
Total U.S. Department of Education			-	772,864
<u>U.S. Department of Agriculture</u>				
Pass-through New York State Education Department				
Child Nutrition Cluster:				
School Breakfast Program	10.553	310400860995	-	180,565
National School Lunch Program	10.555	310400860995	-	500,778
Total Child Nutrition Cluster			-	681,343
Total U.S. Department of Agriculture			-	681,343
Total Expenditures of Federal Awards			\$ -	\$ 1,454,207

See independent auditors' report and notes to schedule of expenditures of federal awards

East Harlem Scholars Academy Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of East Harlem Scholars Academy Charter School (the "School") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Harlem Scholars Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2019.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

October 24, 2019

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited East Harlem Scholars Academy Charter School's (the "School") compliance with the types of compliance requirements described 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, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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, 2019.

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 opinion on the effectiveness of the School's 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

October 24, 2019

East Harlem Scholars Academy

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported
Type of auditors' report issued on compliance for major federal programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

CFDA Numbers	Name of Federal Programs or Clusters
84.010	Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

Section III – Federal Award Findings and Questioned Costs

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

Section IV - Prior Year's Findings

There were no prior year audit findings.