

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

100 Monticello Avenue, Harrison, NY 10529 | Tel: 914.561.6500 | Fax: 914.561.6510 | www.pkfusa.com

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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
REVENUES AND SUPPORT		
Public School District		
State and local per pupil operating revenue	\$ 21,264	\$ 1,506,090
Univ. salary-kindergarten	733,26	

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East Harlem Scholars Academy Charter School

Statements of Cash Flows

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
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	1,593,593
Refundable advances	<u>29,977</u>	<u>16,974</u>
Net Cash from Operating Activities	3,531,577	7,403,030
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(439,200)	(265,949)
CASH FLOWS FROM FINANCING ACTIVITY		
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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East Harlem Scholars Academy Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Adoption of 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.

Management Services – represents expenses directly associated with the management of the school.

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
REVENUE AND SUPPORT			
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	9,994	7,481
Total Revenue and support	<u>17,714,355</u>	<u>9,239,711</u>	<u>25,954,344</u>
EXPENSES			
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	2,550,878
Fundraising	450,451	297,000	748,057
Total Expenses	<u>17,477,115</u>	<u>8,395,524</u>	<u>24,872,639</u>
Change in Net Assets	237,520	844,187	1,081,707
NET ASSETS (DEFICIT)			
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>

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East Harlem Scholars Academy Charter School

Schedule of Functional Expenses
 East Harlem Scholars Academy School II
 Year Ended June 30, 2020

Personnel Services Costs	No. of Positions	General Education				Pre-Kindergarten	Supplemental Education	Total Program Services	Management and General	Fundraising	Total
		General Education	Special Education								

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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

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