St. Hope Leadership Academy Charter School

Financial Statements
Years Ended June 30, 2023 and 2022

and Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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St. Hope Leadership Academy Charter School

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Independent Auditor's Report

To the Board of Trustees
St. Hope Leadership Academy Charter School
New York, New York

Opinion

We have audited the financial statements of St. Hope Leadership Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 issued or available to be issued.

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 GAAS 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 GAAS 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 27, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BDO USA, P.C.

October 27, 2023

Financial Statements

St. Hope Leadership Academy Charter School

Statements of Financial Position

June 30,		**2023**		2022
Assets				
Cash and cash equivalents	$	634,964	$	1,204,288
Restricted cash		75,398		75,390
Grants and other receivables		1,383,355		877,474
Investments at fair value		2,811,668		2,739,531
Prepaid expenses and other assets		224,649		17,627
Property and Equipment, net		470,897		539,800
Total Assets	**$**	**5,600,931**	$	5,454,110
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	379,918	$	215,586
Accrued salaries and other payroll related expenses		**178,033**		280,815
Deferred grant revenue		**2,184**		21,009
Total Liabilities		**560,135**		517,410
Commitments and Contingencies (Notes 2, 3, 5, 7, 8, and 9)				
Net Assets				
Net assets – without donor restrictions		**5,040,796**		4,936,700
Total Net Assets		**5,040,796**		4,936,700
Total Liabilities and Net Assets	**$**	**5,600,931**	$	5,454,110

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statements of Activities

Year ended June 30,	*Without Donor Restrictions* **2023**	2022
Revenue and Support		
State per pupil operating revenue	**$ 4,962,239**	$ 5,735,374
Government grants	**860,393**	1,116,623
Contributions and other grants	**58,235**	28,165
Investment return, net	**72,137**	(303,851)
Other income	**8**	215
Total Revenue and Support	**5,953,012**	6,576,526
Expenses		
Program services:		
General education	**3,368,399**	3,604,137
Special education	**1,736,458**	2,010,938
Total Program Services	**5,104,857**	5,615,075
Supporting services:		
Management and general	**744,059**	817,320
Total Expenses	**5,848,916**	6,432,395
Change in Net Assets	**104,096**	144,131
Net Assets, beginning of the year	**4,936,700**	4,792,569
Net Assets, end of the year	**$ 5,040,796**	$ 4,936,700

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2023

		Program Services			Supporting Services	
	No. of positions	General Education	Special Education	Total Program Services	Management and General	Total
Personnel service costs:						
Administrative staff personnel	7	$ 412,051	$ 114,503	$ 526,554	$ 405,401	$ 931,955
Instructional personnel	39	1,638,149	951,064	2,589,213		2,589,213
Total Salaries and Staff	46	2,050,200	1,065,567	3,115,767	405,401	3,521,168
Fringe benefits and payroll taxes		403,473	237,761	641,234	79,254	720,488
Retirement		81,293	47,905	129,198	15,968	145,166
Legal Services		-	-	-	382	382
Accounting and audit services		-	-	-	162,331	162,331
Other purchases, professional, consulting and services		65,660	38,693	104,353	12,898	117,251
Repairs and maintenance		3,890	2,292	6,182	764	6,946
Insurance		33,431	19,700	53,131	6,567	59,698
Supplies and materials		65,877	23,146	89,023	-	89,023
Equipment and furnishings		16,802	9,901	26,703	3,300	30,003
Staff development		13,801	4,849	18,650	-	18,650
Marketing and recruitment		186,789	72,548	259,337	5,712	265,049
Technology		141,877	75,096	216,973	20,843	237,816
Student services		152,110	53,444	205,554	-	205,554
Office expense		68,572	35,690	104,262	10,776	115,038
Depreciation and amortization		84,623	49,867	134,490	16,621	151,111
Other		-	-	-	3,242	3,242
		$ 3,368,398	$ 1,736,459	$ 5,104,857	$ 744,059	$ 5,848,916

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2022

	No. of positions	Program Services: General Education	Program Services: Special Education	Program Services: Total Program Services	Supporting Services: Management and General	Total
Personnel service costs:						
Administrative staff personnel	6	$ 234,563	$ 82,603	$ 317,166	$ 464,360	$ 781,526
Instructional personnel	36	2,071,887	1,252,448	3,324,335	-	3,324,335
Total Salaries and Staff	42	2,306,450	1,335,051	3,641,501	464,360	4,105,861
Fringe benefits and payroll taxes		462,954	272,813	735,767	90,938	826,705
Retirement		104,909	61,821	166,730	20,607	187,337
Accounting and audit services		-	-	-	136,950	136,950
Other purchases, professional, consulting and services		108,496	63,935	172,431	21,312	193,743
Repairs and maintenance		-		-	5,540	5,540
Insurance		28,586	16,846	45,432	5,615	51,047
Supplies and materials		114,253	40,143	154,396	-	154,396
Staff development		10,343	3,634	13,977	-	13,977
Marketing and recruitment		122,488	46,111	168,599	2,539	171,138
Technology		101,153	53,228	154,381	14,602	168,983
Student services		112,331	39,467	151,798	-	151,798
Office expense		57,843	34,087	91,930	40,256	132,186
Depreciation and amortization		74,331	43,802	118,133	14,601	132,734
		$ 3,604,137	$ 2,010,938	$ 5,615,075	$ 817,320	$ 6,432,395

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statements of Cash Flows

Year ended June 30,		**2023**		2022
Cash Flows from Operating Activities				
Cash received from operating revenue	$	**5,374,986**	$	6,451,156
Cash paid to employees and suppliers		**(5,862,101)**		(6,453,149)
Investment income received		**63,113**		51,368
Other cash received		**8**		215
Net Cash (Used in) Provided by Operating Activities		**(423,994)**		49,590
Cash Flows from Investing Activities				
Proceeds from sale of investments		**-**		50,000
Purchase of investments		**(63,113)**		(951,369)
Purchase of property and equipment		**(82,209)**		(238,576)
Net Cash Used in Investing Activities		**(145,322)**		(1,139,945)
Net Decrease in Cash		**(569,316)**		(1,090,355)
Cash and Restricted Cash, beginning of year		1,279,678		2,370,033
Cash and Restricted Cash, end of year	$	**710,362**	$	1,279,678
Reconciliation of Change in Net Assets to Net Cash (Used in) Provided by Operating Activities				
Change in net assets	$	**104,097**	$	144,131
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization		**151,111**		132,734
Realized gain on investments		**-**		(460)
Unrealized (gain) loss on investments		**(9,024)**		355,679
Changes in operating assets and liabilities:				
Grants and other receivables		**(505,881)**		(429,006)
Prepaid expenses and other assets		**(207,022)**		65,870
Accounts payable and accrued expenses		**164,332**		(295,466)
Accrued salaries and other payroll related expenses		**(102,782)**		55,099
Deferred grant revenue		**(18,825)**		21,009
Net Cash (Used in) Provided by Operating Activities	$	**(423,994)**	$	49,590
Supplemental Disclosure of Cash Flow Information				
Cash and restricted cash consist of:				
Cash and cash equivalents	$	**634,964**	$	1,204,288
Restricted cash		**75,398**		75,390
Cash and Restricted Cash, end of year	$	**710,362**	$	1,279,678

See accompanying notes to financial statements.

1. Nature of the Organization

St. Hope Leadership Academy Charter School (the School) is a not-for-profit college-preparatory public charter school in New York City pursuant to Article 56 of the Educational Law of the State of New York. On January 15, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School opened in the Fall of 2008 and currently serves students in grades six through eight. The charter of the School was renewed and extended to June 30, 2026. The School aims to graduate self-motivated, industrious, and critically thinking leaders who are prepared to attend a four-year college, committed to serving others, and passionate about lifelong learning. The School features an extended school day and school year.

The School, as determined by the Internal Revenue Service, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and the corresponding provisions of the New York State tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

2. Significant Accounting Policies

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions – These consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor- imposed restrictions are perpetual in nature.

Net Assets Without Donor Restrictions – These consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, and are, therefore, available for general operations.

At June 30, 2023 and 2022, the School had no assets with donor restrictions.

Restricted Cash

An escrow account in the amount of $75,398 and $75,390 was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the NYCDOE as of June 30, 2023 and 2022, respectively.

Grants and Other Receivables

Grants and other receivables represent unconditional promises to give. Grants and other receivables that are expected to be collected within one year and are recorded at net realizable value are $1,383,355 and $877,474 at June 30, 2023 and 2022, respectively. The School evaluates the collectability of the receivables and employs the allowance method. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2023 and 2022. Such estimate is based on management's assessments of the aged basis of its receivables, as well as current economic conditions and historical information.

Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a measurable barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions in the statement of activities.

Revenue Recognition

Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent (FTE) students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statement of financial position at year end, or any amounts payable to the funding source included as a liability on the statement of financial position at year end, as amounts are trued up to actual based on actual numbers submitted at year end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program (IEP), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

Contract Assets and Contract Liabilities

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. The School has established a $3,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized, based on the established threshold.

Impairment

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 for the years ended June 30, 2023 and 2022.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Program Services – This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Management and General – This category represents expenses related to the overall administration and operation of the School that are no specific to any program services or development. These costs are allocated based on the FTE allocation method.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended June 30, 2023 and 2022.

Under GAAP, an organization must recognize the tax benefit associate with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2023 and 2022, the School was not subject to any examination by a taxing authority.

Investments

Investments are recorded at fair value based upon quoted market prices. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value. Investment return is recorded as income without donor restrictions in the statements of activities.

The Board has designated investment income to be used for student scholarships.

Fair Value Measurements and Fair Value – Definition and Hierarchy

Fair value is defined as 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.

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the School. Unobservable inputs reflect the School's assumptions about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access.

Level 2 - Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Reclassification

Certain amounts in the 2022 financial statements were classified to conform with the 2023 presentation. These reclassifications had no effect on the School's financial position and change in net assets.

Recently Adopted Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, Accounting for Leases, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021. Effective July 1, 2022, the School adopted this ASU following the modified retrospective method of application. The adoption of ASU 2016-02 did not result in a material change.

Recently Issued but not yet Adopted Accounting Pronouncements

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The School is currently evaluating the impact of this ASU on its financial statements.

3. Liquidity and Availability of Resources

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School's management meets monthly to address projected cash flows to meet its operational expenditures. The School also invests cash in excess of weekly requirements in government bonds, which are highly liquid investments (Note 4). The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30,	**2023**	2022
Cash and cash equivalents	**$ 634,964**	$ 1,204,288
Restricted cash	**75,398**	75,390
Grants and other receivables	**1,383,355**	877,474
Investments at fair value	**2,811,668**	2,739,531
Total Financial Assets	**4,905,385**	4,896,683
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract	**(75,398)**	(75,390)
Total Financial Assets Available to Management for General Expenditures Within One Year	**$ 4,829,987**	$ 4,821,293

The School had no board designated net assets for student scholarships at June 30, 2023 and 2022.

4. Investments at fair value

Determination of Fair Values

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The School measures the fair values of the government bond based on quoted market prices.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the School believes its valuation method is 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.

The School's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with these investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

The following tables present by level, within the fair value hierarchy, the School's investments at fair value. As required by fair value measurement accounting standards, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair hierarchy levels.

June 30, 2023

	Total	Level 1	Level 2	Level 3
Government bond	$ 2,811,668	$ 2,811,668	$ -	$ -

June 30, 2022

	Total	Level 1	Level 2	Level 3
Government bond	$ 2,739,531	$ 2,739,531	$ -	$ -

The aggregate cost basis, gross unrealized gains and losses, and fair market value of the investments are as follows:

June 30, 2023

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bond	$ 3,197,532	$ -	$ (385,864)	$ 2,811,668

June 30, 2022

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bond	$ 3,134,420	$ -	$ (394,889)	$ 2,739,531

The components of the activity of the School's investments were as follows:

June 30,	**2023**	2022
Investments, beginning of year	**$ 2,739,531**	$ 2,193,381
Purchase of investments	**-**	900,000
Interest & Dividends	**63,113**	51,369
Sale of investments	**-**	(50,000)
Realized gain on investments	**-**	460
Unrealized gain (loss) on investments reported at fair value	**9,024**	(355,679)
Investments, end of year	**$ 2,811,668**	$ 2,739,531

5. Agreement with School Facility

The School shares space with P.S. 92, a New York City public school, located at 222 West 134th Street. Approximately 11,000 feet of square footage is allocated to the School. As part of the New York City Chancellor's Charter School Initiative, the NYCDOE has provided this space to the School at no charge. The services provided by the NYCDOE to the charter school, such as rent, utilities, custodial services, maintenance and school safety services are also provided at no cost. The provided space can be cancelled by NYCDOE as it is on a yearly basis.

The School is using a relative valuation model to measure the fair value of the donated space. The NYCDOE has not provided a value for the space and there is no lease agreement in place. In applying the valuation model, significant inputs include the total square footage allocated the School, the average cost per square foot based on comparable sales prices in Manhattan, New York, and the estimated discount factor applied to the cost per square foot to account for the restricted use of the space. Based on such assumptions, the School applies a relative cost per square foot calculated using all available market information in Manhattan, New York.

Square footage totaling 11,000 feet is allocated to the School. The value of the space and related utilities and services calculated by applying the relative valuation model is not significant and, therefore, is not recorded in these financial statements.

6. Property and Equipment

Property and equipment consist of the following:

June 30,	**2023**	2022	Estimated Useful Lives (Years)
Furniture and fixtures	**$ 655,461**	$ 606,537	5
Computers and servers	**1,260,945**	1,234,960	3
Software	**54,545**	54,545	5
Leasehold improvements	**855,101**	847,801	Lesser of the useful life of the asset or the lease term
	2,826,052	2,743,843	
Less: accumulated depreciation and amortization	**(2,355,155)**	(2,204,043)	
	$ 470,897	$ 539,800	

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was $151,111 and $132,734, respectively.

7. Retirement Plan

The School has adopted a defined contribution 401(k) profit sharing plan (the Plan) which covers most of its employees. Employees are eligible to enroll in the Plan on the first day of their one month anniversary once they have worked at least 140 hours. Those employees who are employed on the last day of the Plan year (December 31st) are also eligible for employer contributions. The Plan provides for the School to contribute up to 5% of an employee's salary. The School's contribution becomes vested on a straight-line basis over five years. For the years ended June 30, 2023 and 2022, retirement expense for the School was $145,166 and $187,337, respectively.

8. Risk Management

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 help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2023 and 2022, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.

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. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements and will record them in the fiscal year they become known.

9. Concentration Risks

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of $250,000. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

The School received approximately 83% and 87% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2023 and 2022, respectively.

The School's grants and other receivables consist of one major grantor accounting for 100% and 100% at June 30, 2023 and 2022, respectively.

The School's payables consist of three major vendors accounting for approximately 35% at June 30, 2023 and two major vendors accounting for approximately 47% at June 30, 2022.

10. Subsequent Events

The School has evaluated events through October 27, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

St. Hope Leadership Academy Charter School

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed through the New York State Education Department:				
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)	84.010	Not Applicable	$ -	$ 139,176
Supporting Effective Instruction State Grants	84.367	Not Applicable	-	11,028
Student Support and Academic Enrichment Program	84.424	Not Applicable	-	12,066
Special Education Cluster (IDEA):				
Special Education – Grants to States (IDEA, Part B)	84.027	Not Applicable	-	87,220
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance for Non-Public Schools (CRRSA EANS)	84.425R	Not Applicable	-	108,596
American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	Not Applicable	-	476,414
Total U.S. Department of Education			-	834,500
Total Expenditures of Federal Awards			$ -	$ 834,500

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of St. Hope Leadership Academy Charter School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the 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 cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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

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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*

To the Board of Trustees
St. Hope Leadership Academy Charter School
New York, New York

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 St. Hope Leadership Academy Charter School (the "School"), which comprise the School's statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

October 27, 2023

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
St. Hope Leadership Academy Charter School
New York, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Hope Leadership Academy Charter School (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

BDO USA, P.C.

October 27, 2023

St. Hope Leadership Academy Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section 1. 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?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ None reported
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	☐ Yes ☒ No
• Significant deficiency(ies) identified?	☐ Yes ☒ 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 200.516(a)?	☐ Yes ☒ No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance for Non-Public Schools (CRRSA EANS)
84.425U	American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	☐ Yes ☒ No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.