

**St. Hope Leadership Academy
Charter School**

Financial Statements
Years Ended June 30, 2024 and 2023

DRAFT 10/16/2024
Draft

St. Hope Leadership Academy Charter School

Financial Statements
Years Ended June 30, 2024 and 2023

Draft

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, NY

Opinion

We have audited the financial statements of St. Hope Leadership Academy Charter School (the “School”), which comprise the financial position as of June 30, 2024 and 2023, and 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, 2024 and 2023, 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.

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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2024 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.

_____, 2024

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Financial Statements

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St. Hope Leadership Academy Charter School

Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Cash and cash equivalents	\$ 1,550,555	\$ 634,964
Restricted cash	75,452	75,398
Grants and other receivables	412,417	1,383,355
Investments at fair value	2,977,500	2,811,668
Prepaid expenses and other assets	182,637	224,649
Property and Equipment, net	348,275	470,897
Total Assets	\$ 5,546,836	\$ 5,600,931
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 299,843	\$ 379,918
Accrued salaries and other payroll related expenses	116,155	178,033
Deferred grant revenue	-	2,184
Total Liabilities	415,998	560,135
Commitments and Contingencies		
Net Assets		
Net assets - without donor restrictions	5,130,838	5,040,796
Total Net Assets	5,130,838	5,040,796
Total Liabilities and Net Assets	\$ 5,546,836	\$ 5,600,931

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statements of Activities

<i>Year ended June 30,</i>	2024	2023
	Without Donor Restrictions	
Revenue and Support		
State per-pupil operating revenue	\$ 3,984,260	\$ 4,962,239
Government grants	556,892	860,393
Contributions and other grants	63,250	58,235
Investment return, net	2,832	72,137
Employee Retention Credit	246,071	-
Other Income	83	8
Total Revenue and Support	4,853,388	5,953,012
Expenses		
Program services:		
General education	2,871,939	3,368,398
Special education	1,119,867	1,736,459
Total Program Services	3,991,806	5,104,857
Supporting services:		
Management and general	771,540	744,059
Total Expenses	4,763,346	5,848,916
Change in Net Assets	90,042	104,096
Net Assets, beginning of the year	5,040,796	4,936,700
Net Assets, end of the year	\$ 5,130,838	\$ 5,040,796

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2024

	Number of positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total Program Services	Management and General	
Personnel service costs:						
Administrative staff personnel	8	\$ 405,826	\$ 224,746	\$ 630,572	\$ 329,560	\$ 960,132
Instructional personnel	15	1,272,392	443,415	1,715,807	-	1,715,807
Total Salaries and Staff	23	1,678,218	668,161	2,346,379	329,560	2,675,939
Fringe benefits and payroll taxes		348,617	138,797	487,414	68,460	555,874
Retirement		63,588	25,317	88,905	12,487	101,392
Accounting and audit services		-	-	-	164,094	164,094
Other purchases, professional, consulting, and services		33,683	11,496	45,179	100,683	145,862
Repairs and maintenance		5,174	2,060	7,234	1,016	8,250
Insurance		34,589	13,772	48,361	6,792	55,153
Supplies and materials		43,205	15,058	58,263	-	58,263
Equipment and furnishings		18,349	7,306	25,655	3,603	29,258
Staff development		18,121	6,315	24,436	-	24,436
Marketing and recruitment		264,894	95,147	360,041	3,282	363,323
Technology		92,726	35,372	128,098	12,094	140,192
Student services		135,732	47,301	183,033	-	183,033
Office expense		41,803	16,643	58,446	47,104	105,550
Depreciation and amortization		93,240	37,122	130,362	18,311	148,673
Other		-	-	-	4,054	4,054
		\$ 2,871,939	\$ 1,119,867	\$ 3,991,806	\$ 771,540	\$ 4,763,346

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

Statement of Functional Expenses

Year ended June 30, 2023

	Number of positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total Program Services	Management and General	
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

Statements of Cash Flows

Year ended June 30,	2024	2023
Cash Flows from Operating Activities		
Cash received from operating revenue	\$ 5,575,340	\$ 5,374,986
Cash paid to employees and suppliers	(4,716,797)	(5,862,101)
Investment income received	115,259	63,113
Other cash received	246,153	8
Net Cash Provided by (Used in) Operating Activities	1,219,955	(423,994)
Cash Flows from Investing Activities		
Proceeds from sale of investments	85,000	-
Purchase of investments	(363,260)	(63,113)
Purchase of property and equipment	(26,050)	(82,209)
Net Cash Used in Investing Activities	(304,310)	(145,322)
Net Increase (Decrease) in Cash	915,645	(569,316)
Cash and Restricted Cash, beginning of year	710,362	1,279,678
Cash and Restricted Cash, end of year	\$ 1,626,007	\$ 710,362
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	\$ 90,042	\$ 104,097
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	148,673	151,111
Realized gain on investments	112,427	-
Unrealized (gain) loss on investments	-	(9,024)
Changes in operating assets and liabilities:		
Grants and other receivables	970,938	(505,881)
Prepaid expenses and other assets	42,012	(207,022)
Accounts payable and accrued expenses	(80,075)	164,332
Accrued salaries and other payroll related expenses	(61,878)	(102,782)
Deferred grant revenue	(2,184)	(18,825)
Net Cash Provided by (Used in) Operating Activities	\$ 1,219,955	\$ (423,994)
Supplemental Disclosure of Cash Flow Information		
Cash and restricted cash consist of:		
Cash and cash equivalents	\$ 1,550,555	\$ 634,964
Restricted cash	75,452	75,398
Cash and Restricted Cash, end of year	\$ 1,626,007	\$ 710,362

See accompanying notes to financial statements.

St. Hope Leadership Academy Charter School

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, 2024 and 2023, the School had no assets with donor restrictions.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

Cash and Cash Equivalents

For financial reporting purposes, School considers all highly liquid instruments purchased with an original maturity of three months or less, excluding cash held for investment purposes, to be cash and cash equivalents.

Restricted Cash

An escrow account in the amount of \$75,452 and \$75,398 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, 2024 and 2023, 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 \$412,417 and \$1,383,355 at June 30, 2024 and 2023, 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, 2024 and 2023. Such estimate is based on management's assessments of the aged basis of its receivables, as well as current economic conditions and historical information. There was no Credit loss for the years ended June 30, 2024 and 2023.

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.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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,

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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.

Revenues with customers is comprised of:

<i>June 30,</i>	2024	2023
State per-pupil revenue	\$ 3,984,260	\$ 4,962,239
Total Revenue from Contracts Subject to ASC 606	3,984,260	4,962,239
Total Other Revenues Not Subject to ASC 606 ⁽¹⁾	869,128	990,773
Total Operating Revenues	\$ 4,853,388	\$ 5,953,012

⁽¹⁾ Other revenues not subject to ASC 606 include government grants, contributions, employee retention credit, investment and other income.

The School had no accounts receivable subject to ASC 606 at June 30, 2024 and \$23,417 at June 30, 2023.

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.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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, 2024 and 2023.

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, 2024 and 2023.

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, 2024 and 2023, 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.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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.

Credit Losses

The School recognizes credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the year-end. Such amounts are based on the credit losses expected to arise over the life of the asset (contractual term), which includes consideration of prepayments and is based on the expectation as of the financial position date.

Assets are written off when the School determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the financial position date.

The School pools its accounts receivable based on similar risk characteristics in estimating expected credit losses. In situations where certain accounts receivable do not share same risk characteristics with other receivables, the School measures the expected credit losses for those receivables individually. The School also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The School determines its estimated credit losses for accounts receivable using a loss rate approach in determining its lifetime expected credit losses on its receivables from customers. This method is used for calculating an estimate of losses based primarily on the School's historical loss experience. In determining its loss rates, the School evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that the School can reasonably forecast. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all of the following: the customers' creditworthiness, changes in policy and procedures, existence, and effect of any concentration of

St. Hope Leadership Academy Charter School

Notes to Financial Statements

credit and changes in level of such considerations, and the current and forecasted direction of the economic and operation environment.

Recently 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 adopted the ASU effective July 1, 2023, and the adoption did not have a material impact on the 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 and federal money market funds, 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:

<i>June 30,</i>	2024	2023
Cash and cash equivalents	\$ 1,550,555	\$ 634,964
Restricted cash	75,452	75,398
Grants and other receivables	412,417	1,383,355
Investments at fair value	2,977,500	2,811,668
Total Financial Assets	5,015,924	4,905,385
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(75,452)	(75,398)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 4,940,472	\$ 4,829,987

The School had no board designated net assets for student scholarships at June 30, 2024 and 2023.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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 and federal money market funds based on quoted market prices. These investments are classified as Level 1.

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, 2024

	Total	Level 1	Level 2	Level 3
Federal Money Market Fund	\$ 2,977,500	\$ 2,977,500	\$ -	\$ -

June 30, 2023

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

Investment return consists of the following:

<i>June 30,</i>	2024		2023	
Interest & Dividends	\$	115,260	\$	63,113
Realized and unrealized (loss) gain on investments		(112,428)		9,024
Investments, end of year	\$	2,832	\$	72,137

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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,

	2024	2023	Estimated Useful Life (Years)
Furniture and fixtures	\$ 655,461	\$ 655,461	5
Computers and servers	1,286,995	1,260,945	3
Software	-	54,545	5
			Lesser of the useful life of the asset or the lease term
Leasehold improvements	855,101	855,101	
	2,797,557	2,826,052	
Less: accumulated depreciation and amortization	(2,449,282)	(2,355,155)	
Property and Equipment, net	\$ 348,275	\$ 470,897	

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$148,673 and \$151,111, respectively.

St. Hope Leadership Academy Charter School

Notes to Financial Statements

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 31) 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, 2024 and 2023, retirement expense for the School was \$124,885 and \$145,166, 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, 2024 and 2023, 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 82% and 83% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2024 and 2023, respectively.

The School's grants and other receivables consist of one major grantor accounting for 100% at June 30, 2024 and 2023.

The School's payables consist of two major vendors accounting for approximately 86% at June 30, 2024 and three major vendors accounting for approximately 35% at June 30, 2023.

10. Subsequent Events

The School has evaluated events through [REDACTED], 2024, which is the date the financial statements were available to be issued.

Supplementary Information

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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

The Board of Trustees
St. Hope Leadership Academy Charter School
New York, NY

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, 2024 and 2023, 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 [REDACTED], 2024.

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.

 , 2024

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St. Hope Leadership Academy Charter School

Schedule of Findings and Questioned Costs

Section I. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Noncompliance material to financial statements noted?

Yes

No

Section II. 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.

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