

**HEBREW LANGUAGE ACADEMY CHARTER SCHOOL**

**BROOKLYN, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**

**(With Comparative Totals For 2017)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hebrew Language Academy Charter School

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hebrew Language Academy Charter School, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew Language Academy Charter School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Hebrew Language Academy Charter School's June 30, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of Hebrew Language Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hebrew Language Academy Charter School's internal control over financial reporting and compliance.

*Mengel, Metzger, Bar & Co. LLP*

Rochester, New York  
October 19, 2018

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals For 2017)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,539,908	\$ 174,813
Cash in escrow	71,112	70,917
Grants and other receivables	479,232	321,167
Due from related party	21,907	-
Prepaid expenses	<u>294,410</u>	<u>289,194</u>
TOTAL CURRENT ASSETS	2,406,569	856,091
 <u>OTHER ASSETS</u>		
Property and equipment, net	538,350	593,625
Deposits	<u>212,859</u>	<u>212,859</u>
	<u>751,209</u>	<u>806,484</u>
TOTAL ASSETS	<u>\$ 3,157,778</u>	<u>\$ 1,662,575</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 268,459	\$ 210,949
Accrued payroll and benefits	405,655	365,790
Due to Charter Management Organization	204,384	119,914
Deferred revenue	<u>40,312</u>	<u>1,052</u>
TOTAL CURRENT LIABILITIES	918,810	697,705
 <u>DEFERRED LEASE LIABILITY</u>	520,800	580,200
 <u>NET ASSETS</u>		
Unrestricted	<u>1,718,168</u>	<u>384,670</u>
TOTAL NET ASSETS	<u>1,718,168</u>	<u>384,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,157,778</u>	<u>\$ 1,662,575</u>

The accompanying notes are an integral part of the financial statements.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals For 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 12,882,198	\$ 10,389,920
Governmental grants and contracts	691,525	605,989
Other revenue	<u>20,910</u>	<u>28,372</u>
TOTAL REVENUE AND SUPPORT	13,594,633	11,024,281
Expenses:		
Program services:		
Regular education	9,149,908	8,324,363
Special education	<u>2,095,440</u>	<u>2,395,293</u>
TOTAL PROGRAM SERVICES	11,245,348	10,719,656
Management and general	<u>1,015,787</u>	<u>751,752</u>
TOTAL OPERATING EXPENSES	<u>12,261,135</u>	<u>11,471,408</u>
CHANGE IN NET ASSETS	1,333,498	(447,127)
Net assets at beginning of year	<u>384,670</u>	<u>831,797</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,718,168</u>	<u>\$ 384,670</u>

The accompanying notes are an integral part of the financial statements.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals For 2017)

	No. of positions June 30, 2018	Year ended June 30,					2017 Total
		2018			2017		
		Regular Education	Special Education	Sub-total	Supporting Services Management and general	Total	
Personnel services costs:							
Administrative staff personnel	9	\$ 200,213	\$ 26,829	\$ 227,042	\$ 416,954	\$ 643,996	\$ 523,000
Instructional personnel	68	3,472,390	885,206	4,357,596	-	4,357,596	4,639,739
<b>TOTAL PERSONNEL SERVICES COSTS</b>	77	3,672,603	912,035	4,584,638	416,954	5,001,592	5,162,739
Fringe benefits & payroll taxes		889,011	220,773	1,109,784	100,931	1,210,715	1,077,129
Retirement		43,381	10,773	54,154	4,925	59,079	63,996
Management company fees		438,921	108,999	547,920	49,831	597,751	373,755
Legal services		-	-	-	31,849	31,849	41,491
Accounting / audit services		-	-	-	82,890	82,890	68,472
Other purchased / professional / consulting services		529,246	80,162	609,408	17,079	626,487	422,644
Occupancy		1,857,941	461,391	2,319,332	210,934	2,530,266	2,530,200
Repair and maintenance		198,865	49,385	248,250	22,577	270,827	273,622
Insurance		55,313	13,736	69,049	6,280	75,329	72,953
Utilities		156,554	38,878	195,432	17,774	213,206	216,921
Supplies / materials		285,261	35,454	320,715	-	320,715	237,096
Staff development		243,752	33,611	277,363	3,035	280,398	190,541
Marketing / recruitment		26,646	4,346	30,992	947	31,939	64,812
Technology		35,233	4,379	39,612	-	39,612	9,140
Food service		218,051	27,101	245,152	-	245,152	183,791
Student service		238,094	29,592	267,686	-	267,686	181,295
Office expense		56,917	14,135	71,052	26,607	97,659	63,631
Depreciation and amortization		199,409	49,520	248,929	22,639	271,568	233,971
Miscellaneous		4,710	1,170	5,880	535	6,415	3,209
		<u>\$ 9,149,908</u>	<u>\$ 2,095,440</u>	<u>\$ 11,245,348</u>	<u>\$ 1,015,787</u>	<u>\$ 12,261,135</u>	<u>\$ 11,471,408</u>

The accompanying notes are an integral part of the financial statements.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals For 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,333,498	\$ (447,127)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation and amortization	271,568	233,971
Changes in certain assets and liabilities affecting operations:		
Deposits	-	(8,861)
Grants and other receivables	(158,065)	(115,645)
Due from related party	(21,907)	-
Prepaid expenses	(5,216)	(257,054)
Accounts payable	57,510	(163,247)
Accrued payroll and benefits	39,865	(93,793)
Due to Charter Management Organization	84,470	119,914
Deferred revenue	39,260	(37,221)
Deferred lease liability	(59,400)	580,200
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	1,581,583	(188,863)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(216,293)	(239,809)
Increase in cash in escrow	(195)	(180)
NET CASH USED FOR INVESTING ACTIVITIES	(216,488)	(239,989)
NET INCREASE (DECREASE) IN CASH	1,365,095	(428,852)
Cash at beginning of year	174,813	603,665
CASH AT END OF YEAR	<u>\$ 1,539,908</u>	<u>\$ 174,813</u>

The accompanying notes are an integral part of the financial statements.



HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Hebrew Language Academy Charter School (the “Charter School”), is an education corporation operating as a charter school in the Borough of Brooklyn, New York. The Charter school opened in 2009 with a charter for a term of 5 years, granted by the Board of Regents and the Board of Trustees of the University of the State of New York, on behalf of the State Education Department. In March 2015 the charter was renewed and will expire on June 30, 2019.

The Charter School provides students with the academic and personal foundation necessary to successfully pursue advanced studies and achieve continued personal growth as ethical and informed global citizens. In order to accomplish this, the Charter School offers an academically rigorous curriculum which includes daily instruction in the Hebrew language.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2018 or 2017.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2018 or 2017.

*Unrestricted* – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at that institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the Charter School. The amount in escrow was approximately \$71,000 at June 30, 2018 and 2017.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2018 or 2017.

Due from related party

The Charter School has an amount due from another charter school that is in the same network. The charter schools share an employee and meal services in which the related party reimburses the Charter School for these expenses. The amount due was approximately \$21,900 at June 30, 2018. There was no amount due at June 30, 2017.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Cont'd

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from three to seven years.

Deferred lease liability

The Charter School leases its facility. The lease contains significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability. The amount of additional rent paid in excess of rent expense under the lease was \$59,400 for the year ended June 30, 2018. The amount of additional rent expense recognized in excess of the amounts paid under the lease was \$580,200 for the year ended June 30, 2017.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant at which time it is recognized as revenue.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter school receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, office equipment, and speech, occupational and physical therapy services that were provided for the students from the local district. The Charter School was unable to determine a value for these services.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received during the year ended June 30, 2018 and 2017.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$31,900 and \$64,800 for the years ended June 30, 2018 and 2017, respectively.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2017

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year balances were reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 19, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, with the exception of Note I.

NOTE B: SCHOOL FACILITY

Effective September 28, 2016, the Charter School entered into an eight year lease with Friends of Hebrew Language Academy Charter Schools, Inc. for its facilities through June 30, 2024. The Charter School's base rent for the year ended June 30, 2018 was \$215,800 per month. The lease will have escalating payments throughout the term. Rent expense totaled approximately \$2,530,000, for the years ended June 30, 2018 and 2017. The Charter School was required to provide a security deposit, which amounted to \$212,859 at June 30, 2018 and 2017.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE B: SCHOOL FACILITY, Cont'd

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 2,589,600
2020	2,556,000
2021	2,600,400
2022	2,658,000
2023	2,616,000
Thereafter	<u>2,682,000</u>
	<u>\$ 15,702,000</u>

NOTE C: OPERATING LEASE

The Charter School leases office equipment under two non-cancelable lease agreements expiring at various dates through July 2022. Lease expense was approximately \$44,400 and \$20,900, for the years ended June 30, 2018 and 2017, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 12,960
2020	12,960
2021	12,960
2022	<u>12,960</u>
	<u>\$ 51,840</u>

NOTE D: RETIREMENT PLAN

The Charter School has a defined contribution retirement plan which covers substantially all full-time employees. The Charter School contributed a dollar-to-dollar match up to 3% of the employees' compensation. During the years ended June 30, 2018 and 2017, the Charter School contributed \$59,079 and \$60,970, respectively, for the employer match. Administrative fees were \$3,026 for the year ended June 30, 2017. There were no administrative fees charged for the year ended June 30, 2018.

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATIONS

At June 30, 2018 and 2017, approximately 93% and 96%, respectively, of grants and other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2018 and 2017, 95% and 94%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: FIXED ASSETS

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$ 1,348,729	\$ 1,139,436
Leasehold improvements	<u>315,697</u>	<u>308,697</u>
	1,664,426	1,448,133
Less accumulated depreciation and amortization	<u>1,126,076</u>	<u>854,508</u>
	<u>\$ 538,350</u>	<u>\$ 593,625</u>

HEBREW LANGUAGE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals For 2017)

NOTE H: CHARTER MANAGEMENT ORGANIZATION

On July 1, 2015, the Charter School entered into an educational services agreement with a charter management organization, National Center for Hebrew Language Charter School Excellence and Development, Inc. ("Hebrew Public") to provide expertise necessary to effectively provide essential programming and services to the Charter School. The agreement continues through June 30, 2019. In April 2018, the agreement was amended to increase the percentage for the 2018-2019 school year. The percent of gross revenue used for the calculation is as follows:

<u>School Year</u>	<u>Percentage of Gross Revenue per Agreement</u>
2015-2016	2.5%
2016-2017	3.75%
2017-2018	5%
2018-2019	7.5%

For the years ended June 30, 2018 and 2017, the expense amounted to approximately \$597,800 and \$373,800, respectively. Amounts due to Hebrew Public relating to the management fee were \$145,889 and \$119,914 at June 30, 2018 and 2017. An additional \$58,495 is due to Hebrew Public for various other expenses for which the Charter School will reimburse Hebrew Public.

NOTE I: SUBSEQUENT EVENT

In August 2018, the New York State Education Department (NYSED) notified the Charter School that it had over-allocated \$71,244 in Title IIA funding to the Charter School for the year ended June 30, 2018. NYSED will reduce the Charter School's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Charter School has not accounted for this over-allocated funding as a liability as of June 30, 2018.

NOTE J: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The Charter currently expires June 30, 2019. The renewal process includes review by New York City Department of Education (NYCDOE) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The Charter School has submitted its application for renewal. Upon review of the application and results, NYCDOE will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

**HEBREW LANGUAGE ACADEMY CHARTER SCHOOL**  
**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



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

Board of Trustees  
Hebrew Language Academy Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hebrew Language Academy Charter School, which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hebrew Language Academy Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hebrew Language Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hebrew Language Academy Charter 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hebrew Language Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we have reported to management of Hebrew Language Academy Charter School in a separate letter dated October 19, 2018.

### **Purpose of This Report**

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

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 19, 2018