

# **Harlem Village Academy West Charter School**

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

June 30, 2021

# Harlem Village Academy West Charter School

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

June 30, 2021

### TABLE OF CONTENTS

### Page

Independent Auditors' Report

### FINANCIAL STATEMENTS

Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

### SUPPLEMENTARY INFORMATION

Schedule of Activities by School	15
Schedule of Functional Expenses – West 1	16
Schedule of Functional Expenses – West 2	17

### UNIFORM GUIDANCE SCHEDULES AND REPORTS

Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Programs and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	24

## **Independent Auditors' Report**

**Board of Trustees  
Harlem Village Academy West Charter School**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Harlem Village Academy West Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021, and the change 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 Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2021 on pages 15 through 17 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 18 as required by Title 2 U.S. *Code of Federal Regulations 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 21, 2021

# Harlem Village Academy West Charter School

## Statement of Financial Position June 30, 2021

### ASSETS

#### Current Assets

Cash	\$ 2,352,108
Grants and contracts receivable	1,093,889
Prepaid expenses and other current assets	184,541
Due from related party	<u>769,501</u>
Total Current Assets	4,400,039

Property and equipment, net	1,295,877
Note receivable - related party	750,000
Security deposits	236,138
Restricted cash	<u>125,000</u>

\$ 6,807,054

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable and accrued expenses	\$ 756,947
Accrued payroll and payroll taxes	826,221
Due to related party	<u>834,036</u>
Total Current Liabilities	2,417,204

Deferred rent	209,693
Paycheck Protection Program loan payable	<u>2,738,897</u>
Total Liabilities	5,365,794

Net assets, without donor restrictions	<u>1,441,260</u>
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\$ 6,807,054

## Harlem Village Academy West Charter School

### Statement of Activities Year Ended June 30, 2021

#### REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 17,264,558
State and local per pupil facilities funding	1,643,481
Federal grants	1,248,282
Federal IDEA	140,856
State grants	63,823
Grant from Network	169,757
Donated services	2,704
Other income	9,493
Total Revenue and Support	<u>20,542,954</u>

#### EXPENSES

Program Services	
Regular education	16,526,923
Special education	2,206,194
Supplemental education	<u>136,281</u>
Total Program Services	18,869,398
Supporting Services	
Management and general	<u>1,572,112</u>
Total Expenses	<u>20,441,510</u>

Change in Net Assets	101,444
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#### NET ASSETS

Beginning of year	<u>1,339,816</u>
End of year	<u>\$ 1,441,260</u>

# Harlem Village Academy West Charter School

## Statement of Functional Expenses Year Ended June 30, 2021

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 10,592,483	\$ 1,588,384	\$ 6,974	\$ 12,187,841	\$ 1,076,390	\$ 13,264,231
Consultants	34,931	25,000	-	59,931	-	59,931
Contracted services - temporary	93,950	14,088	62	108,100	9,547	117,647
Audit fees	-	-	-	-	27,000	27,000
Legal fees	-	-	-	-	46,851	46,851
Books and curriculum materials	303,884	-	-	303,884	-	303,884
Marketing and recruiting	265,698	-	-	265,698	-	265,698
Student testing	20,271	-	-	20,271	-	20,271
Staff development	639,082	-	-	639,082	-	639,082
Field trips	-	-	342	342	-	342
After school activities	-	-	126,361	126,361	-	126,361
Supplies and materials	210,145	31,512	138	241,795	21,997	263,792
Office and postage	13,030	1,954	9	14,993	1,323	16,316
Insurance	174,139	26,113	115	200,367	17,695	218,062
Telephone and communication	65,015	9,749	43	74,807	6,606	81,413
Repairs and maintenance	96,689	14,499	64	111,252	9,824	121,076
Facilities expense	2,646,395	396,837	1,742	3,044,974	268,277	3,313,251
Security	255,865	38,368	168	294,401	26,001	320,402
Depreciation and amortization	316,862	47,515	209	364,586	32,199	396,785
Food and travel	7,740	-	-	7,740	20,151	27,891
Equipment and furniture	52,665	7,897	35	60,597	5,351	65,948
Technology costs	709,547	-	-	709,547	-	709,547
Miscellaneous	28,532	4,278	19	32,829	2,900	35,729
Total Expenses	<u>\$ 16,526,923</u>	<u>\$ 2,206,194</u>	<u>\$ 136,281</u>	<u>\$ 18,869,398</u>	<u>\$ 1,572,112</u>	<u>\$ 20,441,510</u>

## Harlem Village Academy West Charter School

### Statement of Cash Flows Year Ended June 30, 2021

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 101,444
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	396,785
Deferred rent	209,693
Changes in operating assets and liabilities	
Grants and contracts receivable	(353,131)
Prepaid expenses and other current assets	(125,025)
Due from related party	(483,211)
Accounts payable and accrued expenses	109,315
Accrued payroll and payroll taxes	(31,917)
Refundable advances	(1,948)
Due to related party	<u>(853,111)</u>
Net Cash from Operating Activities	(1,031,106)

#### **CASH FLOWS FROM INVESTING ACTIVITY**

Purchases of property and equipment	<u>(797,878)</u>
Net Change in Cash and Restricted Cash	(1,828,984)

#### **CASH AND RESTRICTED CASH**

Beginning of year	<u>4,306,092</u>
End of year	<u><u>\$ 2,477,108</u></u>



# Harlem Village Academy West Charter School

## Notes to Financial Statements

June 30, 2021

### 1. Organization and Tax Status

Harlem Village Academy West Charter School (the "School") is a New York State, not-for-profit corporation that was incorporated on September 13, 2002 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. Classes commenced in Harlem, New York, in September 2003 and the School provided education to approximately 950 students in grades kindergarten through twelve during the 2020 -2021 school year.

The Board of Trustees of the State University of New York ("SUNY") originally approved the application for the School on September 13, 2002. SUNY approved and issued several renewals to the School's charter expiring on July 31, 2023.

On June 6, 2018, SUNY approved the School to operate a new charter school, Harlem Village Academy West 2 Charter School ("West 2"). Classes for West 2 commenced in Harlem, New York in August 2019.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

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

#### ***Net Assets Presentation***

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

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

*Net assets with donor restrictions* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2021.

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2021

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

#### ***Restricted Cash***

Under the provisions of its Charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows as of June 30, 2021:

Cash	\$	2,352,108
Restricted cash		125,000
	\$	<u>2,477,108</u>

#### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Equipment	3 years
Furniture and fixtures	5 - 7 years
Software	3 years
Library books	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the year ended June 30, 2021.

#### ***Refundable Advances***

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

## **Harlem Village Academy West Charter School**

### **Notes to Financial Statements**

June 30, 2021

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

### ***Deferred Rent***

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

### ***Revenue and Support***

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

Contribution revenue is recognized when a donor makes a gift to the School or a promise to make a gift to the School which is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. In-kind donations are recorded at the estimated fair value at the date the services and goods are received. Rental income is recognized when received in accordance to the agreement.

### ***Donated Services***

The School recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the School, and are measurable.

One entity provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$2,704. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

### ***Marketing and Recruitment***

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the year ended June 30, 2021 was \$265,698.

### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

## **Harlem Village Academy West Charter School**

### **Notes to Financial Statements**

June 30, 2021

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

##### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2018.

##### ***Reclassifications***

Certain 2020 accounts have been reclassified to conform to the 2021 financial statement presentation.

During the preparation of the 2021 financial statements, management reviewed certain donor restrictions and determined that approximately \$278,000 of net assets with donor restrictions should have been classified as net assets without donor restriction. Management has reclassified the amount as of July 1, 2020 and such reclassification is reflected in the accompanying financial statements.

##### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 21, 2021.

#### **3. Grants and Contracts Receivable**

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

#### **4. Related Party Transactions (not disclosed elsewhere)**

The School is an affiliate of Harlem Village Academies (the "Network"), a New York State not-for-profit corporation with common management, and Harlem Village Academy East Charter School ("HVAE"), a charter school with common management and Board of Trustees. The School was not required to consolidate with HVAE as the School does not have an economic interest in the net assets of HVAE. The Network supports the School by providing educational and operating materials, training, financial support and other services.

## Harlem Village Academy West Charter School

### Notes to Financial Statements

June 30, 2021

#### 4. Related Party Transactions (not disclosed elsewhere) (*continued*)

On May 21, 2010, the School signed a promissory note for \$750,000 with the Network. The note was due May 31, 2013. The Board of Trustees approved an extension to September 30, 2021 (Repayment Date). If the note is repaid on or before the Repayment Date, there will be no interest accrued on the note. If the note is paid back after the Repayment Date, the Network shall pay interest at the lower of ten percent (10%) per annum or the maximum rate per annum permitted by applicable law on the outstanding principal amount of the note. The note may be repaid by the Network in whole or in part, without premium or penalty, at any time upon five (5) days advance written notice to the School. The promissory note has not been repaid as of the date these financial statements were available for issuance and the School is currently in the process of negotiating an extension with the Network.

For operational efficiency and purchasing power, the School shares certain expenses with HVAE and the Network. During the year ended June 30, 2021, the School incurred \$1,676,864 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$3,549,983 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2021, the balance due from HVAE was \$769,501 and the balance due to the Network was \$834,036.

During the year ended June 30, 2021, the Network granted \$169,757 to support the School's operations.

On April 4, 2012, HVA 124 LLC, a limited liability company in which the Network is the sole member, closed on the purchase of the former Rice High School building on West 124th Street. Renovations of the building were substantially completed in August 2013. The elementary school started the 2013-14 school year in the newly renovated facility. Renovations on the building were partially funded through New Markets Tax Credit loans to HVA 124, LLC which leases the building to the School. The School pays rent monthly as stipulated in the lease agreement.

The Network, with partial funding through a grant from the New York City Department of Education (which grant is administered by the School Construction Authority or "SCA"), completed the building of a new school facility (the "High School") in August 2012 to be used by both the School and HVAE (the "Schools"). The High School opened in August 2012. Civic Builders, a non-profit charter school developer, served as developer of the project under a development agreement with the Network. On June 23, 2017, the conveyance of the school portion of the building to SCA was completed, SCA leased it to Civic Builders, which subleased it to HVA 125 LLC. Under the sublease terms, the Schools that occupy the premises are required to meet certain academic performance targets, which are less rigorous than the targets of the Schools' authorizer. There is no rent, but the Schools will pay operating expenses and fund a replacement reserve maintained by the Network. The lease and sublease have at least a 30 year term, which may be extended by the Network under certain conditions.

## Harlem Village Academy West Charter School

### Notes to Financial Statements June 30, 2021

#### 4. Related Party Transactions (not disclosed elsewhere) (*continued*)

On July 1, 2019, the Network entered into a three year lease for elementary and middle school activities with The Refuge Church of Our Lord Jesus Christ of the Apostolic Faith, Inc., with an option to extend the lease for an additional two years. Effective July 1, 2019, the Network assigned this lease to the School. Lease payments commenced July 1, 2019 and will expire on June 30, 2022. During the year ended June 30, 2019, the Network paid a security deposit for this lease on behalf of the School in the amount of \$168,750 and is included in security deposits on the accompanying statement of financial position.

#### 5. Property and Equipment

Property and equipment consists of the following at June 30, 2021:

Equipment	\$ 2,515,670
Furniture and fixtures	495,359
Software	3,999
Library books	73,427
Leasehold improvements	<u>1,350,661</u>
	4,439,116
Accumulated depreciation and amortization	<u>(3,143,239)</u>
	<u>\$ 1,295,877</u>

Depreciation and amortization expense was \$417,105 for the year ended June 30, 2021. Depreciation expense in the amount of \$20,320 was allocated to HVAE, resulting in the School's net depreciation and amortization expense of \$396,785.

#### 6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2021:

Cash	\$ 2,352,108
Grants and contracts receivable	1,093,889
Due from related party	<u>769,501</u>
	<u>\$ 4,215,498</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

## **Harlem Village Academy West Charter School**

### **Notes to Financial Statements**

June 30, 2021

#### **7. Employee Benefit Plan**

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employer match for the year ended June 30, 2021 amounted to \$237,762.

#### **8. Concentration of Credit Risk**

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2021, approximately \$2,220,000 of cash was maintained with an institution in excess of FDIC limits.

#### **9. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the year ended June 30, 2021, the School received approximately 92% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

#### **10. Paycheck Protection Program Loan Payable**

On April 30, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$2,738,897 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for forgiveness of the PPP Loan with respect to these covered expenses. On August 30, 2021, the PPP Loan was forgiven in full by the SBA.

## Harlem Village Academy West Charter School

### Notes to Financial Statements June 30, 2021

#### 11. Commitments

On May 22, 2013, the School entered into a 25 year lease for elementary school facilities with HVA 124 LLC, a related party (see Note 4). Lease payments commenced September 1, 2013 and will expire on April 30, 2038.

On July 1, 2019, the School was assigned a 3 year lease for elementary school facilities by the Network, a related party (see Note 4). Lease payments commenced July 1, 2019 and will expire on June 30, 2022.

Future minimum payments under the operating leases are as follows:

2022	\$ 1,705,470
2023	1,003,200
2024	1,003,200
2025	1,053,600
2026	1,104,000
Thereafter	<u>14,392,000</u>
	<u>\$ 20,261,470</u>

#### 12. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

#### 13. Risks and Uncertainties

The School's operations and financial performance may be affected by the COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

\* \* \* \* \*



**Harlem Village Academy West Charter School**

Supplementary Information

June 30, 2021

# Harlem Village Academy West Charter School

## Schedule of Activities by School Year Ended June 30, 2021

	West 1	West 2	Total
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 14,846,171	\$ 2,418,387	\$ 17,264,558
State and local per pupil facilities funding	1,151,913	491,568	1,643,481
Federal grants	1,145,897	102,385	1,248,282
Federal IDEA	131,316	9,540	140,856
State grants	60,107	3,716	63,823
Grant from Network	145,991	23,766	169,757
Donated services	2,325	379	2,704
Other income	8,406	1,087	9,493
Total Revenue and Support	<u>17,492,126</u>	<u>3,050,828</u>	<u>20,542,954</u>
<b>EXPENSES</b>			
Program Services			
Regular education	14,213,156	2,313,767	16,526,923
Special education	1,897,326	308,868	2,206,194
Supplemental education	<u>117,201</u>	<u>19,080</u>	<u>136,281</u>
Total Program Services	16,227,683	2,641,715	18,869,398
Supporting Services			
Management and general	<u>1,352,016</u>	<u>220,096</u>	<u>1,572,112</u>
Total Expenses	<u>17,579,699</u>	<u>2,861,811</u>	<u>20,441,510</u>
Change in Net Assets (Deficit)	(87,573)	189,017	101,444
<b>NET ASSETS (DEFICIT)</b>			
Beginning of year	<u>1,555,678</u>	<u>(215,862)</u>	<u>1,339,816</u>
End of year	<u>\$ 1,468,105</u>	<u>\$ (26,845)</u>	<u>\$ 1,441,260</u>

# Harlem Village Academy West Charter School

## Schedule of Functional Expenses - West 1 Year Ended June 30, 2021

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 9,109,535	\$ 1,366,010	\$ 5,998	\$ 10,481,543	\$ 925,696	\$ 11,407,239
Consultants	30,041	21,500	-	51,541	-	51,541
Contracted services - temporary	80,797	12,116	53	92,966	8,210	101,176
Audit fees	-	-	-	-	23,220	23,220
Legal fees	-	-	-	-	40,292	40,292
Books and curriculum materials	261,340	-	-	261,340	-	261,340
Recruiting and marketing	228,500	-	-	228,500	-	228,500
Student testing	17,433	-	-	17,433	-	17,433
Staff development	549,611	-	-	549,611	-	549,611
Field trips	-	-	294	294	-	294
After school activities	-	-	108,670	108,670	-	108,670
Supplies and materials	180,725	27,101	119	207,945	19,007	226,952
Office and postage	11,206	1,680	8	12,894	1,138	14,032
Insurance	149,760	22,457	99	172,316	15,218	187,534
Telephone and communication	55,913	8,384	37	64,334	5,681	70,015
Repairs and maintenance	83,153	12,469	55	95,677	8,448	104,125
Facilities expense	2,275,900	341,280	1,498	2,618,678	230,628	2,849,306
Security	220,044	32,996	144	253,184	22,361	275,545
Depreciation and amortization	272,501	40,863	180	313,544	27,691	341,235
Food and travel	6,656	-	-	6,656	17,330	23,986
Equipment and furniture	45,292	6,791	30	52,113	4,602	56,715
Technology costs	610,211	-	-	610,211	-	610,211
Miscellaneous	24,538	3,679	16	28,233	2,494	30,727
Total Expenses	<u>\$ 14,213,156</u>	<u>\$ 1,897,326</u>	<u>\$ 117,201</u>	<u>\$ 16,227,683</u>	<u>\$ 1,352,016</u>	<u>\$ 17,579,699</u>

See independent auditors' report

# Harlem Village Academy West Charter School

## Schedule of Functional Expenses - West 2 Year Ended June 30, 2021

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 1,482,948	\$ 222,374	\$ 976	\$ 1,706,298	\$ 150,694	\$ 1,856,992
Consultants	4,890	3,500	-	8,390	-	8,390
Contracted services - temporary	13,153	1,972	9	15,134	1,337	16,471
Audit fees	-	-	-	-	3,780	3,780
Legal fees	-	-	-	-	6,559	6,559
Books and curriculum materials	42,544	-	-	42,544	-	42,544
Recruiting and marketing	37,198	-	-	37,198	-	37,198
Student testing	2,838	-	-	2,838	-	2,838
Staff development	89,471	-	-	89,471	-	89,471
Field trips	-	-	48	48	-	48
After school activities	-	-	17,691	17,691	-	17,691
Supplies and materials	29,420	4,411	19	33,850	2,990	36,840
Office and postage	1,824	274	1	2,099	185	2,284
Insurance	24,379	3,656	16	28,051	2,477	30,528
Telephone and communication	9,102	1,365	6	10,473	925	11,398
Repairs and maintenance	13,536	2,030	9	15,575	1,376	16,951
Facilities expense	370,495	55,557	244	426,296	37,649	463,945
Security	35,821	5,372	24	41,217	3,640	44,857
Depreciation and amortization	44,361	6,652	29	51,042	4,508	55,550
Food and travel	1,084	-	-	1,084	2,821	3,905
Equipment and furniture	7,373	1,106	5	8,484	749	9,233
Technology costs	99,336	-	-	99,336	-	99,336
Miscellaneous	3,994	599	3	4,596	406	5,002
<b>Total Expenses</b>	<b>\$ 2,313,767</b>	<b>\$ 308,868</b>	<b>\$ 19,080</b>	<b>\$ 2,641,715</b>	<b>\$ 220,096</b>	<b>\$ 2,861,811</b>

See independent auditors' report

**Harlem Village Academy West Charter School**

Uniform Guidance Schedules and Reports

June 30, 2021

**Harlem Village Academy West Charter School**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021214286	\$ -	\$ 329,007
Title I Grants to Local Educational Agencies	84.010	0021215500	-	35,385
			-	<u>364,392</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147214286	-	30,941
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	0147215500	-	5,071
			-	<u>36,012</u>
Student Support and Academic Enrichment Program	84.424	0204215500	-	10,000
Charter Schools - Covid-19 Relief	84.282	Not Available	-	49,950
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890214286	-	340,395
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214286	-	40,364
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214286	-	355,240
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890215500	-	33,125
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891215500	-	18,804
			-	<u>787,928</u>
Total U.S. Department of Education			-	1,248,282
Total Expenditures of Federal Awards			\$ -	\$ <u>1,248,282</u>

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

## **Harlem Village Academy West Charter School**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021**

#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Harlem Village Academy West Charter School (the "School") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

#### **2. Summary of Significant Accounting Policies**

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

#### **3. Indirect Cost Rate**

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

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

**Independent Auditors' Report**

**Board of Trustees  
Harlem Village Academy West 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 Harlem Village Academy West Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2021.

**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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 21, 2021

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

**Independent Auditors' Report**

**Board of Trustees  
Harlem Village Academy West Charter School**

**Report on Compliance for Each Major Federal Program**

We have audited Harlem Village Academy West Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

***Report on Internal Control over Compliance***

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

*PKF O'Connor Davies, LLP*

October 21, 2021

## Harlem Village Academy West Charter School

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

#### Section I - Summary of Auditors' Results

##### Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ 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 auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

#### Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

#### Section III – Federal Award Findings and Questioned Costs

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

#### Section IV - Prior Year's Findings

There were no prior year audit findings.

# **Harlem Village Academy West Charter School**

Independent Auditors' Communication of  
Internal Control Related Matters Identified in the Audit

June 30, 2021

**Board of Trustees**  
**Harlem Village Academy West Charter School**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Harlem Village Academy West Charter School (the "School") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We have an other observation and recommendation that is an opportunity for strengthening internal control and/or operating efficiency, presented in Addendum A to this letter.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 21, 2021

## **Addendum A**

### **Other Observation and Recommendation for Strengthening Internal Control and/or Operating Efficiency**

#### **1. Escrow Account for Dissolution**

Under the provisions of its charter, the School is required to establish an escrow account of to pay for legal and audit expenses that would be associated with a dissolution should it occur. The School is required to fund \$75,000 per charter during the first three years of operations at a minimum of \$25,000 per year. At June 30, 2021, the School was required to maintain \$125,000 for both charters.

We noted that the School maintained a balance of \$75,017 in the dissolution escrow account as of June 30, 2021. The School subsequently replenished the escrow account to an amount of \$150,021. In an effort to ensure that the School is in compliance with the provisions of its charter, we recommend that the School review its escrow fund on a periodic basis to determine it is in compliance with its charter.