

PAVE Academy Charter School

Financial Statements

June 30, 2018 and 2017



Independent Auditors' Report

Board of Trustees PAVE Academy Charter School

We have audited the accompanying financial statements of PAVE Academy Charter School (the "School"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, 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.

Report on Summarized Comparative Information

We have previously audited the School's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2017. In our opinion, the summarized comparative statement of functional expenses presented herein for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, 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
September 24, 2018

PAVE Academy Charter School

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,973,511	\$ 1,397,273
Grants and contracts receivable	288,311	548,879
Prepaid expenses and other current assets	<u>117,644</u>	<u>138,644</u>
Total Current Assets	2,379,466	2,084,796
Property and equipment, net	187,090	142,879
Restricted cash	<u>76,396</u>	<u>76,213</u>
	<u>\$ 2,642,952</u>	<u>\$ 2,303,888</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 307,175	\$ 61,538
Accrued payroll and payroll taxes	289,648	311,872
Due to related party	184,967	205,000
Refundable advances	<u>15,704</u>	<u>21,694</u>
Total Current Liabilities	797,494	600,104
Net assets, unrestricted	<u>1,845,458</u>	<u>1,703,784</u>
	<u>\$ 2,642,952</u>	<u>\$ 2,303,888</u>

See notes to financial statements

PAVE Academy Charter School

Statements of Activities

	Year Ended June 30,	
	2018	2017
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 8,208,241	\$ 8,130,293
Federal grants	593,687	612,256
State grants	42,118	45,046
Contributions and grants	37,188	177,341
Donated services	17,688	46,239
Rental income	34,120	34,890
Interest and other income	787	1,209
Total Revenue and Support	<u>8,933,829</u>	<u>9,047,274</u>
EXPENSES		
Program services		
Regular education	6,507,081	6,850,239
Special education	<u>1,794,786</u>	<u>1,382,319</u>
Total Program Services	8,301,867	8,232,558
Supporting services		
Management and general	<u>490,288</u>	<u>874,466</u>
Total Expenses	<u>8,792,155</u>	<u>9,107,024</u>
Change in Net Assets	141,674	(59,750)
NET ASSETS, UNRESTRICTED		
Beginning of year	<u>1,703,784</u>	<u>1,763,534</u>
End of year	<u>\$ 1,845,458</u>	<u>\$ 1,703,784</u>

See notes to financial statements

PAVE Academy Charter School

Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

	2018				2017	
	Program Services			Management and General	Total	Total
	No. of Positions	Regular Education	Special Education	Total		
Personnel services costs						
Administrative staff personnel	7	\$ 418,338	\$ 95,818	\$ 514,156	\$ 257,076	\$ 559,208
Instructional personnel	51	3,059,647	700,792	3,760,439	-	4,089,939
Total salaries and staff	58	3,477,985	796,610	4,274,595	257,076	4,649,147
Fringe benefits and payroll taxes		765,470	252,244	1,017,714	58,933	1,077,593
Retirement		30,294	9,983	40,277	2,333	42,209
Management company fees		583,585	192,308	775,893	44,931	779,355
Legal service		17,404	5,735	23,139	1,340	69,851
Accounting / audit services		21,451	7,069	28,520	1,652	85,450
Other purchased / professional / consulting services		311,993	102,811	414,804	24,021	440,866
Repairs and maintenance		293,328	96,660	389,988	22,584	485,964
Insurance		71,074	23,421	94,495	5,472	102,918
Utilities		72,431	23,868	96,299	5,577	115,730
Supplies / materials		148,351	48,886	197,237	11,422	239,553
Equipment / furnishings		582	192	774	45	927
Staff development		63,320	20,866	84,186	4,875	41,934
Marketing / recruitment		27,402	9,030	36,432	2,110	20,132
Technology		100,115	32,991	133,106	7,708	50,819
Food service		273,419	90,099	363,518	21,051	391,728
Student services		82,399	27,153	109,552	6,343	281,726
Office expense		71,624	23,602	95,226	5,514	116,038
Depreciation and amortization		42,088	13,870	55,958	3,240	61,052
Other		52,766	17,388	70,154	4,061	54,032
Total expenses		<u>\$ 6,507,081</u>	<u>\$ 1,794,786</u>	<u>\$ 8,301,867</u>	<u>\$ 490,288</u>	<u>\$ 9,107,024</u>

PAVE Academy Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 141,674	\$ (59,750)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	59,198	61,052
Changes in operating assets and liabilities		
Grants and contracts receivable	260,568	(130,050)
Prepaid expenses and other current assets	21,000	(52,082)
Accounts payable and accrued expenses	245,637	(232,281)
Accrued payroll and payroll taxes	(22,224)	29,761
Due to related party	(20,033)	(223,227)
Refundable advances	(5,990)	21,694
Net Cash from Operating Activities	<u>679,830</u>	<u>(584,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(103,409)	(79,828)
Restricted cash	<u>(183)</u>	<u>(114)</u>
Net Cash from Investing Activities	<u>(103,592)</u>	<u>(79,942)</u>
Net Change in Cash and Cash Equivalents	576,238	(664,825)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,397,273</u>	<u>2,062,098</u>
End of year	<u>\$ 1,973,511</u>	<u>\$ 1,397,273</u>

See notes to financial statements

PAVE Academy Charter School

Notes to Financial Statements June 30, 2018 and 2017

1. Organization and Tax Status

PAVE Academy Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of regents approved and issued several renewals to the School's charter expiring on June 30, 2023. During March of 2017, the School applied to change their authorizer and transfer its charter from the New York City Department of Education to the State University of New York, ("SUNY"). On October 11, 2017, SUNY approved the transfer of the School's charter effective for the 2017-2018 school year. The School's mission is to prepare kindergarten through eighth grade students to thrive in competitive high schools and four year colleges and provide the children of Brooklyn with a rigorous academic program and a school community built on the School's core values of Perseverance, Achievement, Vibrance, and Excellent character ("PAVE"). Classes commenced in Red Hook, Brooklyn, New York, in August 2008 and the School provided education to approximately 483 students in kindergarten through eighth grade in the 2017-2018 academic year.

The School was approved to enter into a three year contract with the New York City Department of Education commencing with the 2015-2016 school year to operate a pre-kindergarten program. This contract is separate from the School's charter and is administered from the Department of Education's Division of Early Childhood. The pre-kindergarten program provided education to 35 students and is located in a separate, privately-owned facility in Brooklyn, New York. The lease for the privately-owned facility expired July 31, 2017. The School was not given an option to renew the lease and decided to discontinue the pre-kindergarten program because it could not find alternate space.

The New York City Department of Education provides free transportation directly to some of the School's students. Such costs are not included in these financial statements.

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.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

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:

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

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.

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 ranging from two to three years. Purchased property and equipment are recorded at cost at the date of acquisition.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

Property and Equipment (continued)

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 it is expensed as incurred.

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

Computers and equipment	3 and 5 years
Furniture and fixtures	7 years
Software	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 years ended June 30, 2018 and 2017.

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.

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 temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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, 2015.

Prior Year Summarized Comparative Financial Information

The statement of functional expenses includes prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's statement of functional expenses for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 accounts have been reclassified to conform to the 2018 financial statement presentation. The reclassifications had no effect on 2017 net assets and change in net assets.

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 September 24, 2018.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year.

4. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of PAVE Schools, Inc. ("PAVE Schools"), a New York State not-for-profit corporation. PAVE Schools supported the School through financial, fundraising and facility development efforts. Effective July 1, 2015, PAVE Schools acted as a Charter Management Organization. For the years ended June 30, 2018 and 2017, the School paid PAVE Schools for shared expenses in the amount of \$27,931 and \$46,339. The net balance due to PAVE Schools at June 30, 2018 and 2017 was \$184,967 and \$205,000.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

Facility Lease

On March 13, 2014, the School entered into a sub-sublease agreement with PACS 732 Henry LLC ("PACS 732") (a single member LLC under PAVE Schools Inc., a related party) to occupy a new facility located at 732 Henry Street in Brooklyn, New York. The School pays for all facility expenses, upkeep, and insurance. The sub-sublease agreement will terminate on March 13, 2034. PACS 732's sublease with Civic Builders, a non-profit charter school developer, expires on March 13, 2113 and it is envisioned that the School will continue to periodically renew its sub-sublease agreement with PACS 732.

Rent is payable at \$1 per year, pursuant to the Ultimate Prime Lease that PACS 732 has with Civic Builders and the New York City School Construction Authority. On May 21, 2014, the School paid \$20 to PACS 732 as prepayment of its 20 year lease. The School did not record an amount for donated use of facilities.

Management Agreement

On June 15, 2015, the School entered into a management agreement with PAVE Schools to provide the School with educational management services and designs that expired June 30, 2018. The School is in the process of renewing the management agreement. Pursuant to the agreement, PAVE Schools selected and implemented educational programs, coaching and professional development to school-based leadership, manage the School's business administration and support the Board in all governance issues. As compensation to PAVE Schools for these services, the School paid an annual fee of 10% of the School's funding provided by the State of New York and the New York City Department of Education. Management fee expense for the years ended June 30, 2018 and 2017 was \$820,824 and \$779,355.

Lease Agreement-Pre-K Program

On May 18, 2015, PAVE Schools entered into a lease agreement with Bumblebee Child Care for classroom space for the School's Pre-K program which expired July 31, 2017. The School pays monthly rent to one of PAVE School's wholly owned subsidiaries equal to the rent under the lease agreement. For the years ended June 30, 2018 and 2017, rent expense was \$8,000 and \$93,454. The School was not offered to renew the lease agreement.

PAVE Academy Charter School

Notes to Financial Statements June 30, 2018 and 2017

5. Property and Equipment

Property and equipment consists of the following as of June 30,

	2018	2017
Computers and Equipment	\$ 493,525	\$ 395,016
Furniture and Fixtures	78,651	78,651
Software	90,358	90,358
Leasehold Improvements	14,175	14,175
Construction in progress	9,800	4,900
	686,509	583,100
Accumulated depreciation and amortization	(499,419)	(440,221)
	<u>\$ 187,090</u>	<u>\$ 142,879</u>

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School provided matching contributions of 2% to the plan. The amount charged to operations for fees and matching contributions to this plan amounted to \$42,610 and \$42,209 for the years ended June 30, 2018 and 2017.

7. 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, 2018 and 2017, approximately \$1,733,000 and \$880,000 of cash was maintained with institutions in excess of FDIC limits.

8. Concentration of Revenue and Support

The School receives a substantial portion of its support and revenue from the New York City Department of Education. For the years ended June 30, 2018 and 2017, the School received approximately 92% and 90% 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.

9. Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP, if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, would otherwise be purchased by the School, and are measurable. One entity has provided legal services to the School at no charge. The value of these services

PAVE Academy Charter School

Notes to Financial Statements June 30, 2018 and 2017

9. Donated Services (*continued*)

meets the criteria for recognition in the financial statements and is recorded at fair value. For the years ended June 30, 2018 and 2017, the value of such donated services amounted to \$17,688 and \$46,239.

The value of these donated services is allocated accordingly between program, management and general services in the accompanying statements of activities and statement of functional expenses.

10. 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.

**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
PAVE 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 PAVE Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, 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 September 24, 2018.

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) 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 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 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*.

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
September 24, 2018

PAVE Academy Charter School

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2018

Board of Trustees
PAVE Academy Charter School

In planning and performing our audit of the financial statements of PAVE Academy Charter School (the "School") as of and for the year ended June 30, 2018, 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.

This communication is intended solely for the information and use of the management, the Board of Trustees, federal and local awarding agencies, The State Education Department of the State University of New York, and others within the School, and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
September 24, 2018



September 24, 2018

PKF O'Connor Davies LLP
500 Mamaroneck Ave, Suite 301
Harrison, NY 10528

This representation letter is provided in connection with your audit of the financial statements of PAVE Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018 and 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Expenditures of federal awards were below the \$750,000 threshold in the year ended June 30, 2018, and we were not required to have an audit in accordance with *Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance")*, *Audits of States, Local Governments and Non-Profit Organizations* and Government Auditing Standards.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter, the following representations made to you during your audit:

Our Responsibilities

- We acknowledge that we have fulfilled our responsibilities for:
 - The preparation and fair presentation of the financial statements in accordance with US GAAP;
 - 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; and
 - The design, implementation, and maintenance of internal control to prevent and detect fraud.
- We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audit – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves

intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.

Financial Statements

- The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
 - The School's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
 - There have been no changes during the period audited in the School's accounting policies and practices.
 - All material transactions have been recorded in the accounting records and are reflected in the financial statements
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
 - The identity of all related parties and related party relationships and transactions.
 - Material concentrations. We understand that concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.
 - Guarantees, whether written or oral, under which the School is contingently liable, including guarantee contracts and indemnification agreements.
 - The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.
- The School does not have any uncertain tax positions that require disclosure or recognition in the financial statements.
- We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements.
- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the School's accounts.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Access to all minutes of the meetings of directors or summaries of actions of recent meetings for which minutes were not yet prepared.
 - Communications from regulatory agencies concerning noncompliance with or deficiencies in, financial reporting practices.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.

- We have disclosed to you our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the School's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
- We have no knowledge of any fraud or suspected fraud that affects the School and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, regulators, or others.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- The School is an exempt School under Section (501)(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the School's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We have a reasonable basis for the allocation of functional expenses.
- With respect to contributions:
 - Adequate controls are in place over the receipt and recording of contributions.
 - There were no unrecorded contributions or pledges at June 30, 2018 that could materially affect the financial statements. In addition, we are unaware of any assets for which the School may be the beneficiary as prescribed by probated wills or held in trusts by independent trustees at June 30, 2018 which should be recorded in the financial statements.

DocuSigned by:



10/11/2018

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Jamie Greenthal, Board Chair

DocuSigned by:



10/12/2018

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Annie Hopkins, Trustee