

Harlem Link Charter School

Financial Statements

June 30, 2022 and 2021

Independent Auditors' Report

Board of Trustees
Harlem Link Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harlem Link Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Link Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harlem Link Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Link Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harlem Link Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Link Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Harlem Link Charter 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 Harlem Link Charter 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 Harlem Link Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2022

Harlem Link Charter School

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,531,350	\$ 4,174,457
Grants and contracts receivable	341,395	247,957
Prepaid expenses and other current assets	<u>1,908</u>	<u>13,139</u>
Total Current Assets	3,874,653	4,435,553
Property and equipment, net	478,961	510,820
Restricted cash	<u>75,305</u>	<u>75,297</u>
	<u>\$ 4,428,919</u>	<u>\$ 5,021,670</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 355,775	\$ 165,479
Accrued payroll and payroll taxes	557,613	663,204
Refundable advances	<u>10,106</u>	<u>-</u>
Total Current Liabilities	923,494	828,683
Paycheck Protection Program loan payable	<u>-</u>	<u>1,132,500</u>
Total Liabilities	923,494	1,961,183
Net assets, without donor restrictions	<u>3,505,425</u>	<u>3,060,487</u>
	<u>\$ 4,428,919</u>	<u>\$ 5,021,670</u>

See notes to financial statements

Harlem Link Charter School

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
Public School District		
Regular student enrollment	\$ 6,706,018	\$ 6,909,802
Students with disabilities	1,483,441	1,664,494
Universal pre-kindergarten	355,581	385,948
Grants and Contracts		
Federal	649,862	324,696
Federal ERate & IDEA	239,483	156,185
State	-	33,028
Total Operating Revenue	9,434,385	9,474,153
EXPENSES		
Program Services		
Regular education	6,870,128	6,311,120
Special education	1,989,821	1,975,773
Total Program Services	8,859,949	8,286,893
Supporting Services		
Management and general	1,161,282	986,639
Fundraising	223,038	203,299
Total Expenses	10,244,269	9,476,831
(Deficit) from Operations	(809,884)	(2,678)
SUPPORT AND OTHER REVENUE		
Gain on forgiveness of		
Paycheck Protection Program loan	1,132,500	-
Contributions and grants	121,579	148,134
Other income	743	804
Total Support and Other Revenue	1,254,822	148,938
Change in Net Assets	444,938	146,260
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	3,060,487	2,914,227
End of year	\$ 3,505,425	\$ 3,060,487

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	34	\$ 1,605,524	\$ 431,446	\$ 2,036,970	\$ 691,280	\$ 159,882	\$ 2,888,132
Instructional personnel	56	3,247,346	965,959	4,213,305	-	-	4,213,305
Total Personnel Services Costs	<u>90</u>	<u>4,852,870</u>	<u>1,397,405</u>	<u>6,250,275</u>	<u>691,280</u>	<u>159,882</u>	<u>7,101,437</u>
Fringe benefits and payroll taxes		1,059,410	305,062	1,364,472	150,910	34,903	1,550,285
Retirement		74,007	21,311	95,318	10,542	2,438	108,298
Legal services		-	-	-	116,595	-	116,595
Accounting/audit services		-	-	-	44,330	-	44,330
Other purchased/professional/consulting services		193,879	55,828	249,707	27,618	6,388	283,713
Insurance		56,510	16,272	72,782	8,050	1,862	82,694
Instructional materials		27,234	8,101	35,335	-	-	35,335
Classroom and office supplies		255,694	75,436	331,130	40,385	8,038	379,553
Non-capitalized equipment/technology		23,900	6,882	30,782	3,405	787	34,974
Professional development		36,209	10,426	46,635	5,158	1,193	52,986
Marketing and recruitment		56,484	24,983	81,467	27,156	-	108,623
Telephone and internet		18,442	5,310	23,752	2,627	608	26,987
Staff lunches and team building		63,934	18,410	82,344	9,107	2,106	93,557
Postage, printing, and shipping		4,884	2,160	7,044	2,348	-	9,392
Travel and conference		7,392	2,128	9,520	1,053	244	10,817
Maintenance and repairs		12,844	3,699	16,543	1,830	423	18,796
Depreciation and amortization		126,435	36,408	162,843	18,010	4,166	185,019
Miscellaneous		-	-	-	878	-	878
Total Expenses		<u>\$ 6,870,128</u>	<u>\$ 1,989,821</u>	<u>\$ 8,859,949</u>	<u>\$ 1,161,282</u>	<u>\$ 223,038</u>	<u>\$ 10,244,269</u>

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	39	\$ 1,453,685	\$ 406,880	\$ 1,860,565	\$ 680,100	\$ 151,667	\$ 2,692,332
Instructional personnel	60	3,191,903	1,042,459	4,234,362	-	-	4,234,362
Total Personnel Services Costs	<u>99</u>	4,645,588	1,449,339	6,094,927	680,100	151,667	6,926,694
Fringe benefits and payroll taxes		1,001,210	312,359	1,313,569	146,574	32,687	1,492,830
Retirement		78,252	24,413	102,665	11,456	2,555	116,676
Legal services		-	-	-	1,877	-	1,877
Accounting/audit services		-	-	-	49,500	-	49,500
Other purchased/professional/consulting services		110,454	34,460	144,914	16,170	3,606	164,690
Insurance		47,632	14,860	62,492	6,973	1,555	71,020
Instructional materials		35,716	11,665	47,381	-	-	47,381
Classroom and office supplies		127,239	39,696	166,935	18,627	4,154	189,716
Non-capitalized equipment/technology		22,421	6,995	29,416	3,282	732	33,430
Professional development		28,637	8,934	37,571	4,192	935	42,698
Marketing and recruitment		43,686	19,322	63,008	21,003	-	84,011
Telephone and internet		12,594	3,929	16,523	1,844	411	18,778
Staff lunches and team building		23,517	7,337	30,854	3,443	768	35,065
Postage, printing, and shipping		4,637	2,051	6,688	2,230	-	8,918
Travel and conference		8,841	2,758	11,599	1,294	289	13,182
Maintenance and repairs		8,619	2,689	11,308	1,262	281	12,851
Depreciation and amortization		112,077	34,966	147,043	16,408	3,659	167,110
Miscellaneous		-	-	-	404	-	404
Total Expenses		<u>\$ 6,311,120</u>	<u>\$ 1,975,773</u>	<u>\$ 8,286,893</u>	<u>\$ 986,639</u>	<u>\$ 203,299</u>	<u>\$ 9,476,831</u>

See notes to financial statements

Harlem Link Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 444,938	\$146,260
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	185,019	167,110
Gain on forgiveness of Paycheck Protection Program loan	(1,132,500)	
Changes in operating assets and liabilities		
Grants and contracts receivable	(93,438)	60,034
Prepaid expenses and other current assets	11,231	1,299
Accounts payable and accrued expenses	190,296	77,192
Accrued payroll and payroll taxes	(105,591)	110,743
Refundable advances	10,106	-
Net Cash from Operating Activities	(489,939)	562,638
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(153,160)	(174,590)
 CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loan	-	1,132,500
 Net Change in Cash, Cash Equivalents and Restricted Cash	(643,099)	1,520,548
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	4,249,754	2,729,206
 End of year	\$ 3,606,655	\$ 4,249,754

See notes to financial statements

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

Harlem Link Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on September 10, 2004 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 September 10, 2004, 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 July 31, 2023. The School's mission is to provide its students with a solid foundation for academic success. The School provided education to approximately 428 students in kindergarten through fifth grade in the 2021-2022 academic year.

Beginning in July 2015, the School was awarded a contract with the New York City Department of Education to operate a universal pre-kindergarten program. The initial contract commenced July 1, 2015 and has been renewed through June 30, 2023. The School provided education to approximately 37 students in the 2021-2022 academic year.

The School shares space with a New York City public school beginning in May 2005. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for the use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements as the value of these items has not been determined. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Net Asset 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 statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2022 and 2021.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial 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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,531,350	\$ 4,174,457
Restricted cash	<u>75,305</u>	<u>75,297</u>
	<u>\$ 3,606,655</u>	<u>\$ 4,249,754</u>

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. 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:

Furniture and fixtures	7 years
Computers and equipment	3 - 5 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, 2022 and 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.

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.

Contributions are recognized when the donor makes a promise to give to the School that 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. Restricted 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.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the years ended June 30, 2022 and 2021 was \$108,623 and \$84,011.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions and grants revenue, gain on forgiveness of Paycheck Protection Program loan and other activities considered to be a more non-recurring nature.

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, 2019.

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 28, 2022.

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 determined that such allowance is not necessary.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 290,266	\$ 283,222
Computers and equipment	936,455	790,339
Software	29,345	29,345
Leasehold improvements	<u>258,675</u>	<u>258,675</u>
	1,514,741	1,361,581
Accumulated depreciation and amortization	<u>(1,035,780)</u>	<u>(850,761)</u>
	<u>\$ 478,961</u>	<u>\$ 510,820</u>

5. 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,531,350	\$ 4,174,457
Grants and contracts receivable	<u>341,395</u>	<u>247,957</u>
	<u>\$ 3,872,745</u>	<u>\$ 4,422,414</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 held in money market accounts and other liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 8).

6. 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 provides matching contributions up to 3% of participants' annual compensation with one year of service. For the years ended June 30, 2022 and 2021, the School provided matching contributions of \$108,298 and \$116,676.

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, 2022 and 2021, approximately \$2,994,000 and \$3,635,000 of cash was maintained with an institution in excess of FDIC limits.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

8. 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 years ended June 30, 2022 and 2021, the School received approximately 80% and 93% 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. Commitment

The School leases office copiers under non-cancelable operating leases expiring at various times through 2027. The future minimum lease payments are as follows for the years ending June 30:

2023	\$	22,620
2024		22,620
2025		22,620
2026		22,620
2027		9,425
	\$	<u>99,905</u>

10. Paycheck Protection Program Loan Payable

On July 24, 2020, the School received loan proceeds in the amount of \$1,132,500 under the Paycheck Protection Program ("PPP") The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest was forgivable as long as the borrower used the loan proceeds for eligible purposes, as described in the CARES Act, over a period of between eight and twenty-four weeks (the "Covered Period"). Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

On July 12, 2021, the PPP loan was fully forgiven by the SBA, and as such, the School has recognized the proceeds as gain on forgiveness of Paycheck Protection Program loan in the accompanying statements of activities.

11. 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.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2022 and 2021

12. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent 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.

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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 Link 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 Link Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 28, 2022

**Independent Auditors' Communication on
Internal Control Matters**

**The Board of Trustees
Harlem Link Charter School**

In planning and performing our audit of the financial statements of Harlem Link Charter School (the "School") as of and for the year ended June 30, 2022, 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 management, audit committee, board of Trustees, The Charter School 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.

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
October 28, 2022