

# **Harlem Village Academy West Charter School**

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

June 30, 2022

# Harlem Village Academy West Charter School

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

June 30, 2022

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## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Harlem Village Academy West Charter 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Village Academy West Charter School as of June 30, 2022, 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 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. 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 Village Academy West Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Village Academy West 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 Village Academy West 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 Village Academy West 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.

***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, 2022 on pages 16 through 18 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 19 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 26, 2022, on our consideration of Harlem Village Academy West 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 Village Academy West 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 Village Academy West Charter School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 26, 2022

## Harlem Village Academy West Charter School

### Statement of Financial Position

June 30, 2022

#### ASSETS

##### Current Assets

Cash	\$ 974,590
Grants and contracts receivable	2,995,307
Prepaid expenses and other current assets	66,354
Due from related party	<u>793,916</u>
Total Current Assets	4,830,167

Property and equipment, net	1,067,424
Note receivable - related party	750,000
Security deposits	221,513
Restricted cash	<u>150,050</u>

\$ 7,019,154

#### LIABILITIES AND NET ASSETS

##### Current Liabilities

Accounts payable and accrued expenses	\$ 1,137,843
Accrued payroll and payroll taxes	743,102
Deferred rent, current portion	149,832
Due to related party	<u>1,227,040</u>
Total Current Liabilities	3,257,817

Deferred rent	<u>149,832</u>
Total Liabilities	3,407,649

Net assets, without donor restrictions	<u>3,611,505</u>
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\$ 7,019,154

## Harlem Village Academy West Charter School

### Statement of Activities Year Ended June 30, 2022

#### REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 17,025,570
Universal pre-kindergarten	784,126
State and local per pupil facilities funding	1,477,006
Federal grants	2,627,963
Federal IDEA	178,257
State grants	70,177
Grant from Network	423,514
Other income	32,441
Total Revenue and Support	<u>22,619,054</u>

#### EXPENSES

Program Services	
Regular education	18,107,690
Special education	2,072,671
Supplemental education	<u>1,411,513</u>
Total Program Services	21,591,874
Supporting Services	
Management and general	<u>1,595,832</u>
Total Expenses	<u>23,187,706</u>

Gain on forgiveness of Paycheck	
Protection Program loan	<u>2,738,897</u>

Change in Net Assets	2,170,245
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#### NET ASSETS

Beginning of year	<u>1,441,260</u>
End of year	<u>\$ 3,611,505</u>

# Harlem Village Academy West Charter School

## Statement of Functional Expenses Year Ended June 30, 2022

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 10,571,575	\$ 1,373,765	\$ -	\$ 11,945,340	\$ 1,020,262	\$ 12,965,602
Consultants	107,696	25,000	-	132,696	-	132,696
Contracted services - temporary	384,102	49,913	-	434,015	37,070	471,085
Audit fees	-	-	-	-	37,000	37,000
Legal fees	-	-	-	-	16,212	16,212
Books and curriculum materials	177,969	-	-	177,969	-	177,969
Marketing and recruiting	370,819	-	-	370,819	-	370,819
Student testing	72,992	-	-	72,992	-	72,992
Staff development	970,310	-	-	970,310	-	970,310
Field trips	-	-	19,231	19,231	-	19,231
After school activities	-	-	1,392,282	1,392,282	-	1,392,282
Supplies and materials	608,972	79,135	-	688,107	58,772	746,879
Office and postage	55,885	7,262	-	63,147	5,394	68,541
Insurance	190,651	24,775	-	215,426	18,400	233,826
Telephone and communication	28,969	3,765	-	32,734	2,795	35,529
Repairs and maintenance	46,601	6,055	-	52,656	4,498	57,154
Facilities expense	3,110,620	404,220	-	3,514,840	300,206	3,815,046
Security	330,539	42,953	-	373,492	31,900	405,392
Depreciation and amortization	326,122	42,379	-	368,501	31,474	399,975
Food and travel	26,419	-	-	26,419	21,864	48,283
Equipment and furniture	91,004	11,825	-	102,829	8,783	111,612
Technology costs	623,945	-	-	623,945	-	623,945
Miscellaneous	12,500	1,624	-	14,124	1,202	15,326
Total Expenses	<u>\$ 18,107,690</u>	<u>\$ 2,072,671</u>	<u>\$1,411,513</u>	<u>\$ 21,591,874</u>	<u>\$ 1,595,832</u>	<u>\$ 23,187,706</u>

See notes to financial statements



## Harlem Village Academy West Charter School

### Statement of Cash Flows Year Ended June 30, 2022

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

Change in net assets	\$ 2,170,245
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	399,975
Deferred rent	89,971
Gain on forgiveness of Paycheck Protection Program loan	(2,738,897)
Changes in operating assets and liabilities	
Grants and contracts receivable	(1,901,418)
Prepaid expenses and other current assets	118,187
Security deposits	14,625
Due from related party	(24,415)
Accounts payable and accrued expenses	380,896
Accrued payroll and payroll taxes	(83,119)
Due to related party	<u>411,106</u>
Net Cash from Operating Activities	(1,162,844)

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

Purchases of property and equipment	<u>(189,624)</u>
Net Change in Cash and Restricted Cash	(1,352,468)

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

Beginning of year	<u>2,477,108</u>
End of year	<u>\$ 1,124,640</u>

# Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2022

## 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 in fiscal 2022 the School added three sections of Universal Pre-Kindergarten. The School provided education to approximately 51 students in Universal Pre-Kindergarten and 907 students in grades kindergarten through twelve during the 2021 -2022 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.

## Harlem Village Academy West Charter School

### Notes to Financial Statements

June 30, 2022

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

### ***Net Assets Presentation (continued)***

*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, 2022.

### ***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, 2022:

Cash	\$	974,590
Restricted cash		150,050
	\$	<u>1,124,640</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, 2022.

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

### **Notes to Financial Statements**

June 30, 2022

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

### ***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.

### ***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.

### ***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, 2022 was \$370,819.

### ***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, 2022

#### 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, 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 26, 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 has determined that such an allowance is not necessary.

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

The School is an affiliate of Village Academies Network, Inc. (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.

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, 2024 (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.

For operational efficiency and purchasing power, the School shares certain expenses with HVAE and the Network. During the year ended June 30, 2022, the School incurred \$149,499 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$3,774,832 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2022, the balance due from HVAE was \$793,916 and balance due to the Network was \$1,227,040.

## Harlem Village Academy West Charter School

### Notes to Financial Statements

June 30, 2022

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

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.

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 expired 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. During the year ended June 30, 2022, the lease was extended for an additional two years.

#### 5. Property and Equipment

Property and equipment consists of the following at June 30, 2022:

Equipment	\$ 2,602,371
Furniture and fixtures	495,359
Software	3,999
Library books	73,427
Leasehold improvements	<u>1,453,584</u>
	4,628,740
Accumulated depreciation and amortization	<u>(3,561,316)</u>
	<u>\$ 1,067,424</u>

Depreciation and amortization expense was \$418,077 for the year ended June 30, 2022. Depreciation expense in the amount of \$18,102 was allocated to HVAE, resulting in the School's net depreciation and amortization expense of \$399,975.

## Harlem Village Academy West Charter School

### Notes to Financial Statements

June 30, 2022

#### 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, 2022:

Cash	\$ 974,590
Grants and contracts receivable	2,995,307
Due from related party	<u>793,916</u>
	<u>\$ 4,763,813</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. 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 9).

#### 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, 2022 amounted to \$172,240.

#### 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, 2022, approximately \$870,000 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, 2022, the School received approximately 76% 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.

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2022

### 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 by the SBA, and as such, the School has recognized the proceeds as gain on forgiveness of Paycheck Protection Program loan in the accompanying statement of activities.

The SBA has stated it will review the needs certification on all loans over \$2,000,000. After the review, the SBA may determine that the School did not meet the need criteria to apply for the PPP Loan. In such a circumstance, the School may be forced to return part or all of the PPP Loan proceeds plus pay the accrued and unpaid interest. The School believes it was eligible to receive the PPP Loan proceeds.

### 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). During the year ended June 30, 2022, the lease was extended for an additional two years. Lease payments commenced July 1, 2019 and will expire on June 30, 2024.

Future minimum payments under the operating leases are as follows:

2023	\$ 1,740,584
2024	1,755,331
2025	1,053,600
2026	1,104,000
2027	1,104,000
Thereafter	<u>13,288,000</u>
	<u>\$ 20,045,515</u>



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

Notes to Financial Statements  
June 30, 2022

### **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, 2022

# Harlem Village Academy West Charter School

## Schedule of Activities by School Year Ended June 30, 2022

	West 1	West 2	Total
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 13,975,959	\$ 3,049,611	\$ 17,025,570
Universal pre-kindergarten	784,126	-	784,126
State and local per pupil facilities funding	975,406	501,600	1,477,006
Federal grants	2,191,414	436,549	2,627,963
Federal IDEA	154,002	24,255	178,257
State grants	38,611	31,566	70,177
Grant from Network	423,514	-	423,514
Other income	32,441	-	32,441
Total Revenue and Support	<u>18,575,473</u>	<u>4,043,581</u>	<u>22,619,054</u>
<b>EXPENSES</b>			
Program Services			
Regular education	15,029,382	3,078,308	18,107,690
Special education	1,720,319	352,352	2,072,671
Supplemental education	<u>1,171,556</u>	<u>239,957</u>	<u>1,411,513</u>
Total Program Services	17,921,257	3,670,617	21,591,874
Supporting Services			
Management and general	<u>1,324,538</u>	<u>271,294</u>	<u>1,595,832</u>
Total Expenses	<u>19,245,795</u>	<u>3,941,911</u>	<u>23,187,706</u>
Gain on forgiveness of Paycheck Protection Program loan	<u>2,738,897</u>	<u>-</u>	<u>2,738,897</u>
Change in Net Assets (Deficit)	2,068,575	101,670	2,170,245
<b>NET ASSETS (DEFICIT)</b>			
Beginning of year	<u>1,468,105</u>	<u>(26,845)</u>	<u>1,441,260</u>
End of year	<u>\$ 3,536,680</u>	<u>\$ 74,825</u>	<u>\$ 3,611,505</u>

# Harlem Village Academy West Charter School

## Schedule of Functional Expenses - West 1 Year Ended June 30, 2022

	Program Services				Management and	
	Regular Education	Special Education	Supplemental Education	Total	General	Total
Salaries and benefits	\$ 8,774,407	\$ 1,140,225	\$ -	\$ 9,914,632	\$ 846,817	\$ 10,761,449
Consultants	89,388	20,750	-	110,138	-	110,138
Contracted services - temporary	318,805	41,428	-	360,233	30,768	391,001
Audit fees	-	-	-	-	30,710	30,710
Legal fees	-	-	-	-	13,456	13,456
Books and curriculum materials	147,714	-	-	147,714	-	147,714
Recruiting and marketing	307,780	-	-	307,780	-	307,780
Student testing	60,583	-	-	60,583	-	60,583
Staff development	805,357	-	-	805,357	-	805,357
Field trips	-	-	15,962	15,962	-	15,962
After school activities	-	-	1,155,594	1,155,594	-	1,155,594
Supplies and materials	505,447	65,682	-	571,129	48,781	619,910
Office and postage	46,385	6,028	-	52,413	4,477	56,890
Insurance	158,240	20,563	-	178,803	15,272	194,075
Telephone and communication	24,044	3,125	-	27,169	2,320	29,489
Repairs and maintenance	38,679	5,026	-	43,705	3,733	47,438
Facilities expense	2,581,815	335,503	-	2,917,318	249,170	3,166,488
Security	274,347	35,651	-	309,998	26,477	336,475
Depreciation and amortization	270,681	35,175	-	305,856	26,123	331,979
Food and travel	21,928	-	-	21,928	18,147	40,075
Equipment and furniture	75,533	9,815	-	85,348	7,290	92,638
Technology costs	517,874	-	-	517,874	-	517,874
Miscellaneous	10,375	1,348	-	11,723	997	12,720
Total Expenses	<u>\$ 15,029,382</u>	<u>\$ 1,720,319</u>	<u>\$1,171,556</u>	<u>\$ 17,921,257</u>	<u>\$ 1,324,538</u>	<u>\$ 19,245,795</u>

See independent auditors' report

# Harlem Village Academy West Charter School

## Schedule of Functional Expenses - West 2 Year Ended June 30, 2022

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 1,797,168	\$ 233,540	\$ -	\$ 2,030,708	\$ 173,445	\$ 2,204,153
Consultants	18,308	4,250	-	22,558	-	22,558
Contracted services - temporary	65,297	8,485	-	73,782	6,302	80,084
Audit fees	-	-	-	-	6,290	6,290
Legal fees	-	-	-	-	2,756	2,756
Books and curriculum materials	30,255	-	-	30,255	-	30,255
Recruiting and marketing	63,039	-	-	63,039	-	63,039
Student testing	12,409	-	-	12,409	-	12,409
Staff development	164,953	-	-	164,953	-	164,953
Field trips	-	-	3,269	3,269	-	3,269
After school activities	-	-	236,688	236,688	-	236,688
Supplies and materials	103,525	13,453	-	116,978	9,991	126,969
Office and postage	9,500	1,234	-	10,734	917	11,651
Insurance	32,411	4,212	-	36,623	3,128	39,751
Telephone and communication	4,925	640	-	5,565	475	6,040
Repairs and maintenance	7,922	1,029	-	8,951	765	9,716
Facilities expense	528,805	68,717	-	597,522	51,036	648,558
Security	56,192	7,302	-	63,494	5,423	68,917
Depreciation and amortization	55,441	7,204	-	62,645	5,351	67,996
Food and travel	4,491	-	-	4,491	3,717	8,208
Equipment and furniture	15,471	2,010	-	17,481	1,493	18,974
Technology costs	106,071	-	-	106,071	-	106,071
Miscellaneous	2,125	276	-	2,401	205	2,606
<b>Total Expenses</b>	<b>\$ 3,078,308</b>	<b>\$ 352,352</b>	<b>\$ 239,957</b>	<b>\$ 3,670,617</b>	<b>\$ 271,294</b>	<b>\$ 3,941,911</b>

See independent auditors' report

# **Harlem Village Academy West Charter School**

Uniform Guidance  
Schedules and Reports

June 30, 2022

# Harlem Village Academy West Charter School

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-22-4286	\$ -	\$ 312,489
Title I Grants to Local Educational Agencies	84.010	0021-22-5500	-	50,420
			-	362,909
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4286	-	38,979
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5500	-	7,247
			-	46,226
Student Support and Academic Enrichment Program	84.424	0204-22-4286	-	25,634
Student Support and Academic Enrichment Program	84.424	0204-22-5500	-	10,000
			-	35,634
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4286	-	594,514
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5500	-	64,775
			-	659,289
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4286	-	1,104,036
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5500	-	304,107
			-	1,408,143
Total U.S. Department of Education			-	2,512,201
Department of Homeland Security				
Pass-Through New York State Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4480DRNYP00000001	-	25,828
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	89,934
Total Department of Homeland Security			-	115,762
Total Expenditures of Federal Awards			\$ -	\$ 2,627,963

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, 2022**

#### **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, 2022. 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.

#### **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") (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 26, 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 26, 2022

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

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

We have audited Harlem Village Academy West Charter School (the "School") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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*

Harrison, New York  
October 26, 2022

## Harlem Village Academy West Charter School

### Schedule of Findings and Questioned Costs Year Ended June 30, 2022

#### **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 X no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes X none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes X no

##### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes X 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 X no

Identification of major federal programs:

##### **Federal Assistance Listing Number(s)**

##### **Name of Federal Program or Cluster**

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes X no

#### **Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2022.

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

During our audit, we noted no material instance 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 Findings**

There were no findings in the prior year.

**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, 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, 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 26, 2022