

Harlem Link Charter School

Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 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 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 opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Harlem Link Charter School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective July 1, 2022. Our opinion is not modified with respect to that matter.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 27, 2023, 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 27, 2023

Harlem Link Charter School

Statements of Financial Position

| | June 30, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,721,205 | \$ 3,531,350 |
| Grants and contracts receivable | 138,949 | 341,395 |
| Prepaid expenses and other current assets | <u>3,975</u> | <u>1,908</u> |
| Total Current Assets | 3,864,129 | 3,874,653 |
| Property and equipment, net | 295,849 | 478,961 |
| Right of use assets - operating lease, net | 73,151 | - |
| Restricted cash | <u>75,000</u> | <u>75,305</u> |
| | <u>\$ 4,308,129</u> | <u>\$ 4,428,919</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 234,081 | \$ 355,775 |
| Accrued payroll and payroll taxes | 561,833 | 557,613 |
| Operating lease liabilities | 20,841 | - |
| Refundable advances | <u>-</u> | <u>10,106</u> |
| Total Current Liabilities | 816,755 | 923,494 |
| Operating lease liabilities, less current portion | <u>52,310</u> | <u>-</u> |
| Total Liabilities | 869,065 | 923,494 |
| Net assets, without donor restrictions | <u>3,439,064</u> | <u>3,505,425</u> |
| | <u>\$ 4,308,129</u> | <u>\$ 4,428,919</u> |

See notes to financial statements

Harlem Link Charter School

Statements of Activities

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| OPERATING REVENUE | | |
| Public School District | | |
| Regular student enrollment | \$ 6,328,192 | \$ 6,706,018 |
| Students with disabilities | 1,502,422 | 1,483,441 |
| Universal pre-kindergarten | 368,674 | 355,581 |
| Grants and Contracts | | |
| Federal | 706,985 | 649,862 |
| Federal ERate & IDEA | 140,400 | 239,483 |
| Total Operating Revenue | <u>9,046,673</u> | <u>9,434,385</u> |
| EXPENSES | | |
| Program Services | | |
| Regular education | 5,772,979 | 6,870,128 |
| Special education | <u>1,988,165</u> | <u>1,989,821</u> |
| Total Program Services | 7,761,144 | 8,859,949 |
| Supporting Services | | |
| Management and general | 1,298,220 | 1,161,282 |
| Fundraising | <u>255,462</u> | <u>223,038</u> |
| Total Expenses | <u>9,314,826</u> | <u>10,244,269</u> |
| (Deficit) from Operations | <u>(268,153)</u> | <u>(809,884)</u> |
| SUPPORT AND OTHER REVENUE | | |
| Gain on forgiveness of | | |
| Paycheck Protection Program loan | - | 1,132,500 |
| Contributions and grants | 158,138 | 121,579 |
| Interest and other income | <u>43,654</u> | <u>743</u> |
| Total Support and Other Revenue | <u>201,792</u> | <u>1,254,822</u> |
| Change in Net Assets | (66,361) | 444,938 |
| NET ASSETS, WITHOUT DONOR RESTRICTIONS | | |
| Beginning of year | <u>3,505,425</u> | <u>3,060,487</u> |
| End of year | <u>\$ 3,439,064</u> | <u>\$ 3,505,425</u> |

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses Year Ended June 30, 2023

| | No. of Positions | Program Services | | | Supporting Services | | Total |
|--|---------------------|----------------------|----------------------|--------------|---------------------------|-------------|--------------|
| | | Regular Education | Special Education | Total | Management and General | Fundraising | |
| Personnel Services Costs | | | | | | | |
| Administrative staff personnel | 35 | \$ 1,267,869 | \$ 377,171 | \$ 1,645,040 | \$ 895,254 | \$ 181,248 | \$ 2,721,542 |
| Instructional personnel | 60 | 2,776,812 | 1,011,090 | 3,787,902 | - | - | 3,787,902 |
| Total Personnel Services Costs | 95 | 4,044,681 | 1,388,261 | 5,432,942 | 895,254 | 181,248 | 6,509,444 |
| Fringe benefits and payroll taxes | | 988,038 | 339,125 | 1,327,163 | 178,664 | 44,275 | 1,550,102 |
| Retirement | | 55,311 | 18,984 | 74,295 | 10,002 | 2,479 | 86,776 |
| Legal services | | - | - | - | 31,961 | - | 31,961 |
| Accounting/audit services | | - | - | - | 39,565 | - | 39,565 |
| Other purchased/professional/consulting services | | 148,105 | 50,834 | 198,939 | 26,781 | 6,637 | 232,357 |
| Insurance | | 59,479 | 20,415 | 79,894 | 10,755 | 2,665 | 93,314 |
| Instructional materials | | 5,736 | 2,089 | 7,825 | - | - | 7,825 |
| Classroom and office supplies | | 166,108 | 57,013 | 223,121 | 30,037 | 7,444 | 260,602 |
| Non-capitalized equipment/technology | | 14,818 | 5,086 | 19,904 | 2,680 | 664 | 23,248 |
| Professional development | | 55,121 | 18,919 | 74,040 | 9,967 | 2,470 | 86,477 |
| Marketing and recruitment | | 54,077 | 23,919 | 77,996 | 25,998 | - | 103,994 |
| Telephone and internet | | 7,143 | 2,452 | 9,595 | 1,292 | 320 | 11,207 |
| Staff lunches and team building | | 36,048 | 12,373 | 48,421 | 6,519 | 1,615 | 56,555 |
| Postage, printing, and shipping | | 12,331 | 5,454 | 17,785 | 5,928 | - | 23,713 |
| Travel and conference | | 2,862 | 982 | 3,844 | 518 | 128 | 4,490 |
| Maintenance and repairs | | 2,317 | 795 | 3,112 | 419 | 104 | 3,635 |
| Depreciation and amortization | | 120,804 | 41,464 | 162,268 | 21,845 | 5,413 | 189,526 |
| Miscellaneous | | - | - | - | 35 | - | 35 |
| Total Expenses | | \$ 5,772,979 | \$ 1,988,165 | \$ 7,761,144 | \$ 1,298,220 | \$ 255,462 | \$ 9,314,826 |

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 | 90 | 4,852,870 | 1,397,405 | 6,250,275 | 691,280 | 159,882 | 7,101,437 |
| 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 | | \$ 6,870,128 | \$ 1,989,821 | \$ 8,859,949 | \$ 1,161,282 | \$ 223,038 | \$ 10,244,269 |

See notes to financial statements

Harlem Link Charter School

Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (66,361) | \$ 444,938 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 189,526 | 185,019 |
| Amortization of right-of-use asset | 20,250 | - |
| Gain on forgiveness of Paycheck Protection Program loan | - | (1,132,500) |
| Changes in operating assets and liabilities | | |
| Grants and contracts receivable | 202,446 | (93,438) |
| Prepaid expenses and other current assets | (2,067) | 11,231 |
| Accounts payable and accrued expenses | (121,694) | 190,296 |
| Accrued payroll and payroll taxes | 4,220 | (105,591) |
| Operating lease liabilities | (20,250) | - |
| Refundable advances | (10,106) | 10,106 |
| Net Cash from Operating Activities | 195,964 | (489,939) |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Purchases of property and equipment | (6,414) | (153,160) |
| Net Change in Cash, Cash Equivalents and Restricted Cash | 189,550 | (643,099) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | |
| Beginning of year | 3,606,655 | 4,249,754 |
| End of year | <u>\$ 3,796,205</u> | <u>\$ 3,606,655</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for amounts included in the measurement of lease liability | \$ 22,620 | \$ - |

See notes to financial statements

Harlem Link Charter School

Notes to Financial Statements June 30, 2023 and 2022

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"). The Board of Regents approved and issued several renewals to the School's charter expiring on July 31, 2028. The School's mission is to provide its students with a solid foundation for academic success. The School provided education to approximately 359 students in kindergarten through fifth grade in the 2022-2023 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, 2024. The School provided education to approximately 33 students in the 2022-2023 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, 2023 and 2022

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

Adoption of New Accounting Pronouncement

Leases (Topic 842)

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842), which requires schools that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

The School adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The School adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the School will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the School recognized a lease liability of \$93,402 that represents the present value of the operating lease payments of \$99,305, discounted with a risk-free interest rate using the treasury bond rate for 5 years of 2.88%, and a right of use (“ROU”) asset of \$93,402. The standard did not materially impact operating results or liquidity.

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, 2023 and 2022.

Harlem Link Charter School

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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>2023</u> | <u>2022</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 3,721,205 | \$ 3,531,350 |
| Restricted cash | <u>75,000</u> | <u>75,305</u> |
| | <u>\$ 3,796,205</u> | <u>\$ 3,606,655</u> |

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, 2023 and 2022.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statement of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months.

Harlem Link Charter School

Notes to Financial Statements June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Leases (continued)

ROU assets represent the right to use underlying assets for the lease terms and lease liabilities represent the obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at the lease commencement dates based on the present value of lease payments over the lease terms. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease terms. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components.

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, 2023 and 2022 was \$103,994 and \$108,623.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2023 and 2022

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 such as personnel service costs, fringe benefits and payroll taxes, other purchases/professional/consulting services, and classroom and office supplies 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, 2020.

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 27, 2023.

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, 2023 and 2022

4. Property and Equipment

Property and equipment consisted of the following at June 30:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Furniture and fixtures | \$ 292,543 | \$ 290,266 |
| Computers and equipment | 940,592 | 936,455 |
| Software | 29,345 | 29,345 |
| Leasehold improvements | 258,675 | 258,675 |
| | <u>1,521,155</u> | <u>1,514,741</u> |
| Accumulated depreciation and amortization | (1,225,306) | (1,035,780) |
| | <u>\$ 295,849</u> | <u>\$ 478,961</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:

| | 2023 | 2022 |
|---------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 3,721,205 | \$ 3,531,350 |
| Grants and contracts receivable | <u>138,949</u> | <u>341,395</u> |
| | <u>\$ 3,860,154</u> | <u>\$ 3,872,745</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, 2023 and 2022, the School provided matching contributions of \$86,776 and \$108,298.

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, 2023 and 2022, approximately \$3,046,000 and \$2,994,000 of cash was maintained with an institution in excess of FDIC limits.

Harlem Link Charter School

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022, the School received approximately 89% and 80% 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.

ROU assets consist of the following at June 30, 2023:

| | |
|-----------------------------|------------------|
| ROU asset - operating lease | \$ 93,402 |
| Accumulated amortization | <u>(20,251)</u> |
| | <u>\$ 73,151</u> |

| | |
|---------------------------------------|------------|
| Weighted average remaining lease term | 3.38 years |
| Weighted average discount rate | 2.88% |

The future minimum lease payments under the leases are as follows for the years ending June 30:

| | |
|---|------------------|
| 2024 | \$ 22,620 |
| 2025 | 22,620 |
| 2026 | 22,620 |
| 2027 | <u>8,825</u> |
| Total minimum lease payments | 76,685 |
| Present value discount | <u>(3,534)</u> |
| Present value of operating lease liability | 73,151 |
| Current portion | <u>(20,841)</u> |
| Operating lease liabilities, less current portion | <u>\$ 52,310</u> |

Copier lease expense for the years ended June 30, 2023 and 2022 was \$23,248 and \$34,974.

Harlem Link Charter School

Notes to Financial Statements June 30, 2023 and 2022

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.

* * * * *

**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, 2023, 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 27, 2023.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 27, 2023

**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, 2023, 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 27, 2023

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