

Harlem Village Academy West Charter School

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

June 30, 2023

Harlem Village Academy West Charter School

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

June 30, 2023

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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, 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.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Harlem Village Academy West 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 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, 2023 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 25, 2023, 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 25, 2023

Harlem Village Academy West Charter School

Statement of Financial Position June 30, 2023

ASSETS

Current Assets

Cash	\$ 1,422,877
Grants and contracts receivable	1,128,267
Prepaid expenses and other current assets	<u>69,071</u>
Total Current Assets	2,620,215

Right of use assets - operating lease, net	14,171,604
Property and equipment, net	1,115,248
Note receivable - related party	750,000
Security deposits	225,878
Restricted cash	<u>150,079</u>
	<u>\$ 19,033,024</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 447,595
Accrued payroll and payroll taxes	790,398
Due to related parties	1,068,238
Operating lease liabilities, current portion	<u>1,319,143</u>
Total Current Liabilities	3,625,374

Operating lease liabilities	<u>13,309,331</u>
Total Liabilities	16,934,705

Net assets, without donor restrictions	<u>2,098,319</u>
	<u>\$ 19,033,024</u>

See notes to financial statements

Harlem Village Academy West Charter School

Statement of Activities Year Ended June 30, 2023

REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 15,624,777
Universal pre-kindergarten	1,107,000
State and local per pupil facilities funding	1,609,291
Federal grants	2,162,751
Federal IDEA	186,728
State grants	75,383
Grant from Network	409,500
Other income	<u>422,062</u>
Total Revenue and Support	<u>21,597,492</u>

EXPENSES

Program Services	
Regular education	18,903,338
Special education	2,481,324
Supplemental education	<u>274,822</u>
Total Program Services	21,659,484
Supporting Services	
Management and general	<u>1,451,194</u>
Total Expenses	<u>23,110,678</u>

Change in Net Assets (1,513,186)

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	<u>3,611,505</u>
End of year	<u>\$ 2,098,319</u>

Harlem Village Academy West Charter School

Statement of Functional Expenses Year Ended June 30, 2023

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 9,662,620	\$ 1,535,199	\$ -	\$ 11,197,819	\$ -	\$ 11,197,819
Management fee	1,596,444	25,758	-	1,622,202	287,273	1,909,475
Contracted services - temporary	309,420	58,411	-	367,831	53,909	421,740
Audit fees	-	-	-	-	37,000	37,000
Legal fees	-	-	-	-	9,700	9,700
Books and curriculum materials	150,605	-	-	150,605	-	150,605
Student testing	86,539	-	-	86,539	-	86,539
Staff development	2,201,700	-	-	2,201,700	-	2,201,700
Field trips	-	-	44,649	44,649	-	44,649
After school activities	-	-	230,173	230,173	-	230,173
Supplies and materials	246,036	47,315	-	293,351	51,768	345,119
Office and postage	82,339	15,834	-	98,173	17,325	115,498
Insurance	186,892	35,942	-	222,834	39,324	262,158
Telephone and communication	6,248	1,201	-	7,449	1,315	8,764
Repairs and maintenance	124,352	23,914	-	148,266	26,165	174,431
Facilities expense	3,240,434	623,167	-	3,863,601	681,811	4,545,412
Security	302,015	58,080	-	360,095	63,546	423,641
Depreciation and amortization	188,900	36,328	-	225,228	39,745	264,973
Food and travel	61,899	-	-	61,899	120,237	182,136
Equipment and furniture	69,884	13,440	-	83,324	14,705	98,029
Technology costs	351,986	-	-	351,986	-	351,986
Miscellaneous	35,025	6,735	-	41,760	7,371	49,131
Total Expenses	<u>\$ 18,903,338</u>	<u>\$ 2,481,324</u>	<u>\$ 274,822</u>	<u>\$ 21,659,484</u>	<u>\$ 1,451,194</u>	<u>\$ 23,110,678</u>

See notes to financial statements

Harlem Village Academy West Charter School

Statement of Cash Flows Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,513,186)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	264,973
Amortization of right of use asset	1,423,166
Changes in operating assets and liabilities	
Grants and contracts receivable	1,867,040
Prepaid expenses and other current assets	(2,717)
Security deposits	(4,365)
Due to related parties	793,916
Accounts payable and accrued expenses	(690,248)
Accrued payroll and payroll taxes	47,296
Refundable advances	(132,121)
Operating lease liabilities	<u>(1,265,960)</u>
Net Cash from Operating Activities	787,794

CASH FLOWS FROM INVESTING ACTIVITY

Purchases of property and equipment	<u>(339,478)</u>
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Net Change in Cash and Restricted Cash	448,316
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CASH AND RESTRICTED CASH

Beginning of year	<u>1,124,640</u>
End of year	<u>\$ 1,572,956</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,740,584
ROU assets recognized upon adoption of new lease guidance	15,594,770

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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 72 students in Universal Pre-Kindergarten and 803 students in grades kindergarten through twelve during the 2022 -2023 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, 2028.

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.

Adoption of New Accounting Pronouncement

Leases

The School adopted the Financial Accounting Standards Board ("FASB") *Topic 842, Leases* ("Topic 842"), using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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

Adoption of New Accounting Pronouncement (continued)

Leases (continued)

As a result of the adoption of the new lease accounting guidance on July 1, 2022, the School recognized lease liabilities of \$15,894,434, that represents the present value of the remaining operating lease payments of \$20,045,515, discounted with risk free interest rates using the treasury bond rate for 20 years of 3.35%, 10 years of 2.88%, and 2 years of 2.84%, and right of use ("ROU") assets of \$15,594,770, that represent the discounted operating lease liability of \$15,894,434, adjusted for deferred rent of \$299,664.

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Net Assets Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2023.

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 at June 30, 2023:

Cash	\$ 1,422,877
Restricted cash	<u>150,079</u>
	<u>\$ 1,572,956</u>

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$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, 2023.

Refundable Advances

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

Revenue and Support

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

Contribution revenue is recognized when a donor makes a gift to the School or a promise to make a gift to the School which is, in substance, unconditional. Grants and other contributions of cash are reported as 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.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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 salaries and benefits, consultants, facilities expense, and security 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.

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. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. 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 asset 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 term. 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. The School applies the short-term lease exemption to all of its classes of underlying assets.

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 25, 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 has determined that such an allowance is not necessary.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

4. Related Party Transactions (not disclosed elsewhere)

The School is related to 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.

The School entered into a Memorandum of Understanding ("MOU") with the Network effective July 1, 2022, which calls for the Network to provide support to the School in the form of academic and business support services. The term of the MOU shall run concurrent with the term of the School's charters. As compensation to the Network for these services rendered during the year ended June 30, 2023, the School paid to the Network an amount equal to 10% of the School's federal, per pupil, and New York State textbook loan funding. During the year ended June 30, 2023, the School incurred \$1,909,475 in management fees to the Network.

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 (the "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, 2023, the School incurred \$213,698 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$1,528,551 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2023, the balance due to HVAE was \$70,252 and balance due to the Network was \$997,986.

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.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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

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. The School was unable to determine a value for the use of facility and did not record an amount for donated use of facility.

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, 2023:

Equipment	\$ 2,916,945
Furniture and fixtures	516,144
Software	3,999
Library books	73,427
Leasehold improvements	<u>1,457,703</u>
	4,968,218
Accumulated depreciation and amortization	<u>(3,852,970)</u>
	<u>\$ 1,115,248</u>

Depreciation and amortization expense was \$291,654 for the year ended June 30, 2023. Depreciation expense in the amount of \$26,681 was allocated to HVAE, resulting in the School’s net depreciation and amortization expense of \$264,973.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2023

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, 2023:

Cash	\$ 1,422,877
Grants and contracts receivable	<u>1,128,267</u>
	<u>\$ 2,551,144</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, 2023 amounted to \$170,020.

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. At June 30, 2023, approximately \$1,319,000 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, 2023, the School received approximately 85% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Commitments

On May 22, 2013, the School entered into a 25 year operating 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 operating 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.

Harlem Village Academy West Charter School

Notes to Financial Statements June 30, 2023

10. Commitments (*continued*)

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

ROU assets	\$ 15,594,770
Accumulated amortization	<u>(1,423,166)</u>
	<u>\$ 14,171,604</u>
Weighted average remaining lease term	14.13 years
Weighted average discount rate	3.14%

Future minimum payments under the operating leases are as follows:

2024	\$ 1,755,331
2025	1,053,600
2026	1,104,000
2027	1,104,000
2028	1,104,000
Thereafter	<u>12,184,000</u>
Total minimum lease payments	18,304,931
Present value discount	<u>(3,676,457)</u>
Present value of lease liabilities	14,628,474
Current portion	<u>(1,319,143)</u>
Lease liabilities, less current portion	<u>\$ 13,309,331</u>

Rental expense totaled \$1,941,051 for the year ended June 30, 2023 and is included in facilities expense in the accompanying statement of functional expenses. The components of lease cost are as follows for the year ended June 30, 2023:

Operating lease cost	\$ 1,897,789
Variable lease cost	<u>43,262</u>
	<u>\$ 1,941,051</u>

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.

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Harlem Village Academy West Charter School

Supplementary Information

June 30, 2023

Harlem Village Academy West Charter School

Schedule of Activities by School Year Ended June 30, 2023

	West 1	West 2	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 12,078,199	\$ 3,546,578	\$ 15,624,777
Universal pre-kindergarten	1,107,000	-	1,107,000
State and local per pupil facilities funding	672,461	936,830	1,609,291
Federal grants	1,970,988	191,763	2,162,751
Federal IDEA	158,070	28,658	186,728
State grants	62,209	13,174	75,383
Grant from Network	409,500	-	409,500
Other income	422,062	-	422,062
Total Revenue and Support	<u>16,880,489</u>	<u>4,717,003</u>	<u>21,597,492</u>
EXPENSES			
Program Services			
Regular education	14,937,910	3,965,428	18,903,338
Special education	1,960,247	521,077	2,481,324
Supplemental education	217,110	57,712	274,822
Total Program Services	17,115,267	4,544,217	21,659,484
Supporting Services			
Management and general	1,146,443	304,751	1,451,194
Total Expenses	<u>18,261,710</u>	<u>4,848,968</u>	<u>23,110,678</u>
 Change in Net Assets	 (1,381,221)	 (131,965)	 (1,513,186)
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS			
Beginning of year	<u>3,536,680</u>	<u>74,825</u>	<u>3,611,505</u>
End of year	<u>\$ 2,155,459</u>	<u>\$ (57,140)</u>	<u>\$ 2,098,319</u>

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 1 Year Ended June 30, 2023

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 7,633,470	\$ 1,212,807	\$ -	\$ 8,846,277	\$ -	\$ 8,846,277
Management fee	1,261,190	20,349	-	1,281,539	226,946	1,508,485
Contracted services - temporary	244,438	46,145	-	290,583	42,588	333,171
Audit fees	-	-	-	-	29,230	29,230
Legal fees	-	-	-	-	7,663	7,663
Books and curriculum materials	118,978	-	-	118,978	-	118,978
Student testing	68,366	-	-	68,366	-	68,366
Staff development	1,739,343	-	-	1,739,343	-	1,739,343
Field trips	-	-	35,273	35,273	-	35,273
After school activities	-	-	181,837	181,837	-	181,837
Supplies and materials	194,368	37,379	-	231,747	40,897	272,644
Office and postage	65,048	12,509	-	77,557	13,687	91,244
Insurance	147,645	28,394	-	176,039	31,066	207,105
Telephone and communication	4,936	949	-	5,885	1,039	6,924
Repairs and maintenance	98,238	18,892	-	117,130	20,670	137,800
Facilities expense	2,559,943	492,302	-	3,052,245	538,631	3,590,876
Security	238,592	45,883	-	284,475	50,201	334,676
Depreciation and amortization	149,231	28,699	-	177,930	31,398	209,328
Food and travel	48,900	-	-	48,900	94,987	143,887
Equipment and furniture	55,211	10,618	-	65,829	11,617	77,446
Technology costs	278,069	-	-	278,069	-	278,069
Miscellaneous	31,944	5,321	-	37,265	5,823	43,088
Total Expenses	\$ 14,937,910	\$ 1,960,247	\$ 217,110	\$ 17,115,267	\$ 1,146,443	\$ 18,261,710

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 2 Year Ended June 30, 2023

	Program Services				Management and General	Total
	Regular Education	Special Education	Supplemental Education	Total		
Salaries and benefits	\$ 2,029,150	\$ 322,392	\$ -	\$ 2,351,542	\$ -	\$ 2,351,542
Management fee	335,254	5,409	-	340,663	60,327	400,990
Contracted services - temporary	64,982	12,266	-	77,248	11,321	88,569
Audit fees	-	-	-	-	7,770	7,770
Legal fees	-	-	-	-	2,037	2,037
Books and curriculum materials	31,627	-	-	31,627	-	31,627
Student testing	18,173	-	-	18,173	-	18,173
Staff development	462,357	-	-	462,357	-	462,357
Field trips	-	-	9,376	9,376	-	9,376
After school activities	-	-	48,336	48,336	-	48,336
Supplies and materials	51,668	9,936	-	61,604	10,871	72,475
Office and postage	17,291	3,325	-	20,616	3,638	24,254
Insurance	39,247	7,548	-	46,795	8,258	55,053
Telephone and communication	1,312	252	-	1,564	276	1,840
Repairs and maintenance	26,114	5,022	-	31,136	5,495	36,631
Facilities expense	680,491	130,865	-	811,356	143,180	954,536
Security	63,423	12,197	-	75,620	13,345	88,965
Depreciation and amortization	39,669	7,629	-	47,298	8,347	55,645
Food and travel	12,999	-	-	12,999	25,250	38,249
Equipment and furniture	14,673	2,822	-	17,495	3,088	20,583
Technology costs	73,917	-	-	73,917	-	73,917
Miscellaneous	3,081	1,414	-	4,495	1,548	6,043
Total Expenses	\$ 3,965,428	\$ 521,077	\$ 57,712	\$ 4,544,217	\$ 304,751	\$ 4,848,968

See independent auditors' report

Harlem Village Academy West Charter School

Uniform Guidance
Schedules and Reports

June 30, 2023

Harlem Village Academy West Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

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	\$ -	\$ 23,016
Title I Grants to Local Educational Agencies	84.010	0021-23-4286	-	281,240
Title I Grants to Local Educational Agencies	84.010	0021-23-5500	-	70,809
			-	375,065
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4286	-	3,444
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4286	-	28,922
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-5500	-	9,117
			-	41,483
Student Support and Academic Enrichment Program	84.424	0204-23-4286	-	23,203
Student Support and Academic Enrichment Program	84.424	0204-23-5500	-	10,000
			-	33,203
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4286	-	504,917
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5500	-	67,160
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4286	-	1,102,393
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5500	-	34,677
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218-21-4286	-	3,853
			-	1,713,000
Total U.S. Department of Education			-	2,162,751
Total Expenditures of Federal Awards			\$ -	\$ 2,162,751

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, 2023

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, 2023. 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, 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 25, 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 25, 2023

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's (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, 2023. 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, 2023.

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 25, 2023

Harlem Village Academy West Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

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

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

84.425W

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II

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

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

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, 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, 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 25, 2023