

Harlem Village Academies Charter Schools

Financial Statements

June 30, 2025

Independent Auditors' Report

Board of Trustees
Harlem Village Academies Charter Schools

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harlem Village Academies Charter Schools (formerly "Harlem Village Academy West Charter School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 Academies Charter Schools as of June 30, 2025, 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 Academies Charter Schools 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Village Academies Charter Schools' 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 Academies Charter Schools' 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 Academies Charter Schools' 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, 2025 on pages 17 through 20 are presented for purposes of additional analysis and are 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 29, 2025, on our consideration of Harlem Village Academies Charter Schools' 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 Academies Charter Schools' 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 Academies Charter Schools' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2025

Harlem Village Academies Charter Schools

Statement of Financial Position June 30, 2025

ASSETS

Current Assets

Cash	\$ 4,033,532
Investments	58,970
Grants and contracts receivable	2,669,669
Prepaid expenses and other current assets	<u>69,861</u>
Total Current Assets	6,832,032

Right of use asset - operating lease, net	47,834,777
Property and equipment, net	1,134,575
Security deposits	57,128
Restricted cash	<u>225,174</u>
	<u>\$ 56,083,686</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 761,796
Accrued payroll and payroll taxes	1,115,818
Refundable advances	18,910
Due to related party	3,729,435
Operating lease liability, current portion	<u>735,063</u>
Total Current Liabilities	6,361,022

Operating lease liability	<u>48,934,568</u>
Total Liabilities	55,295,590

Net assets, without donor restrictions	<u>788,096</u>
	<u>\$ 56,083,686</u>

Harlem Village Academies Charter Schools

Statement of Activities Year Ended June 30, 2025

REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 24,036,793
Universal pre-kindergarten	1,891,157
State and local per pupil facilities funding	2,451,120
Federal grants	745,203
IDEA	186,835
State grants	96,734
Grant from Network	2,830,860
Contributions and grants	285,200
Interest and other income	<u>43,172</u>
Total Revenue and Support	<u>32,567,074</u>

EXPENSES

Program Services	
Regular education	30,313,425
Special education	2,019,126
Supplemental education	<u>774,604</u>
Total Program Services	33,107,155
Supporting Services	
Management and general	<u>1,557,008</u>
Total Expenses	<u>34,664,163</u>

Change in Net Assets (Deficit) (2,097,089)

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	1,661,535
Acquisition of net assets pursuant to merger of related charter school	<u>1,223,650</u>
End of year	<u>\$ 788,096</u>

Harlem Village Academies Charter Schools

Statement of Functional Expenses Year Ended June 30, 2025

	Program Services			Total	Management and	Total
	Regular Education	Special Education	Supplemental Education		General	
Salaries and benefits	\$ 15,771,746	\$ 1,432,098	\$ -	\$ 17,203,844	\$ 1,029,257	\$ 18,233,101
Management fee	2,693,799	-	-	2,693,799	-	2,693,799
Contracted services - temporary	267,490	17,609	-	285,099	12,462	297,561
Audit fees	-	-	-	-	42,000	42,000
Legal fees	-	-	-	-	7,465	7,465
Books and curriculum materials	522,351	-	-	522,351	-	522,351
Student testing	131,161	-	-	131,161	-	131,161
Staff development	3,967,338	-	-	3,967,338	-	3,967,338
Field trips	-	-	144,680	144,680	-	144,680
After school activities	-	-	629,924	629,924	-	629,924
Supplies and materials	365,320	33,120	-	398,440	23,916	422,356
Office and postage	229,705	20,818	-	250,523	15,047	265,570
Insurance	335,711	30,616	-	366,327	21,714	388,041
Telephone and communication	26,807	2,445	-	29,252	1,734	30,986
Repairs and maintenance	208,997	19,095	-	228,092	13,466	241,558
Facilities expense	4,468,821	410,955	-	4,879,776	284,020	5,163,796
Security	198,836	18,285	-	217,121	12,637	229,758
Depreciation and amortization	319,645	29,073	-	348,718	20,789	369,507
Food and travel	82,389	-	-	82,389	68,814	151,203
Equipment and furniture	28,524	2,592	-	31,116	1,858	32,974
Technology costs	666,185	-	-	666,185	-	666,185
Miscellaneous	28,600	2,420	-	31,020	1,829	32,849
Total Expenses	<u>\$ 30,313,425</u>	<u>\$ 2,019,126</u>	<u>\$ 774,604</u>	<u>\$ 33,107,155</u>	<u>\$ 1,557,008</u>	<u>\$ 34,664,163</u>

See notes to financial statements

Harlem Village Academies Charter Schools

Statement of Cash Flows Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets (deficit)	\$ (2,097,089)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	369,507
Amortization of right of use asset	1,826,458
Changes in operating assets and liabilities	
Grants and contracts receivable	(1,701,206)
Prepaid expenses and other current assets	45,218
Security deposits	168,750
Accounts payable and accrued expenses	(621,645)
Accrued payroll and payroll taxes	102,556
Refundable advances	2,836
Due to related party	1,900,071
Operating lease liability	<u>(590,931)</u>
Net Cash from Operating Activities	<u>(595,475)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(410,707)
Proceeds from notes receivable	1,500,000
Proceeds from sale of investments	1,206,971
Cash acquired from merger of related charter school	<u>1,347,559</u>
Net Cash from Investing Activities	<u>3,643,823</u>

Net Change in Cash and Restricted Cash 3,048,348

CASH AND RESTRICTED CASH

Beginning of year	<u>1,210,358</u>
End of year	<u>\$ 4,258,706</u>

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

1. Organization and Tax Status

Harlem Village Academies Charter Schools (formerly “Harlem Village Academy West Charter School”) was incorporated on September 13, 2002 and is a New York State, not-for-profit educational corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools (collectively referred to as the “School”):

Harlem Village Academy North Charter School (“North”) (formerly “Harlem Village Academy West Charter School”) operates a charter school in the borough of Manhattan, New York City. Classes commenced in Harlem, New York, in September 2003 and in fiscal 2022 North added three sections of Universal Pre-Kindergarten. The Board of Trustees of the State University of New York (“SUNY”) originally approved the application for North on September 13, 2002. SUNY approved and issued several renewals to North’s charter expiring on July 31, 2028.

On June 6, 2018, SUNY approved North to operate a new charter school, Harlem Village Academy West Charter School (“West”) (formerly “Harlem Village Academy West 2 Charter School”). Classes for West commenced in Harlem, New York in August 2019.

Harlem Village Academy East Charter School (“East”) operates a charter school in the borough of Manhattan, New York City. Classes commenced in East Harlem, New York, in September 2005 and in fiscal 2022 East added three sections of Universal Pre-Kindergarten. The Board of Trustees of the State University of New York (“SUNY”) originally approved the application for East on September 13, 2002. SUNY approved and issued several renewals to East’s charter expiring on July 31, 2028.

North and East merged into a single not-for-profit legal entity under North, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on January 30, 2024 and became effective for financial purposes on July 1, 2024. Each school is authorized by the Charter Schools Institute of the State University of New York under North’s provisional charter, as amended to effect the merger, and the surviving entity’s name was changed to Harlem Village Academies Charter Schools. East was dissolved in conjunction with this merger. In addition, upon the effective date of the merger, North was renamed from Harlem Village Academy West Charter School and West was renamed from Harlem Village Academy West 2 Charter School.

The mission of the School is to provide high quality college preparatory education to primarily disadvantaged students. The School provided education to approximately 126 students in Universal Pre-Kindergarten and 1,137 students in grades kindergarten through twelve during the 2024 – 2025 school year.

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.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Assets Presentation

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

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

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, 2025.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are measured at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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

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, 2025:

Cash	\$	4,033,532
Restricted cash		<u>225,174</u>
	\$	<u><u>4,258,706</u></u>

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.

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, 2025.

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.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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

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.

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 Accounting Standards Codification Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use ("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. The School has elected the practical expedient not to separate non-lease components from lease components for its facility lease. The School's lease agreements do not contain any variable lease components.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2022.

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 29, 2025.

3. Investments

The School's investments at June 30, 2025 consisted of a U.S. Treasury money market fund in the amount of \$58,970, categorized as level 1 in the fair value hierarchy.

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. The Network supports the School by providing educational and operating materials, training, financial support and other services.

The School entered into Memorandums of Understanding ("MOUs") 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 terms of the MOUs 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, 2025, 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, 2025, the School incurred \$2,768,322 in management fees to the Network.

On May 21, 2010, North and East each signed a promissory note for \$750,000 with the Network. The note was due September 30, 2024. If the note was repaid on or before the Repayment Date, there would be no interest accrued on the note. If the note was 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 Network repaid the promissory notes to the School in full during the year ended June 30, 2025.

For operational efficiency and purchasing power, the School shares certain expenses with the Network. During the year ended June 30, 2025, the School incurred \$3,128,977 of net operating expenses paid by the Network on behalf of the School. At June 30, 2025, the balance due to the Network was \$3,729,435.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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

On April 4, 2012, HVA 124 LLC, a limited liability company in which the Network is the sole member, closed on the purchase of the former Rice High School building on West 124th Street. Renovations of the building were substantially completed in August 2013. Elementary school classes began in the newly renovated facility at the start of the 2013-14 school year. 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 (see Note 10).

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 the School. 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.

5. Property and Equipment

Property and equipment consists of the following at June 30, 2025:

Equipment	\$ 4,823,438
Furniture and fixtures	983,229
Software	7,998
Library books	73,427
Leasehold improvements	<u>2,344,695</u>
	8,232,787
Accumulated depreciation and amortization	<u>(7,098,212)</u>
	<u>\$ 1,134,575</u>

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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, 2025:

Cash	\$ 4,033,532
Investments	58,970
Grants and contracts receivable	<u>2,669,669</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,762,171</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. In the event of unanticipated liquidity need, the School could drawn down upon investments to cover any unanticipated shortfall in funding. 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 10).

7. Employee Benefit Plan

The School maintains a benefit 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 eligible annual compensation. Employer match for the year ended June 30, 2025 amounted to \$409,920.

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. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation ("SIPC"). The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2025, approximately \$4,010,000 of cash was maintained with an institution in excess of FDIC limits. There were no balances in excess of SIPC coverage limits at June 30, 2025.

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 ("NYCDOE"). For the year ended June 30, 2025, the School received approximately 87% of its total revenue and support from the New York City Department of Education. At June 30, 2025, approximately 76% of grants and contracts receivable were due from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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 5). Lease payments commenced September 1, 2013 and were set to expire on April 30, 2038. Effective July 1, 2024, the lease was amended and will expire on June 30, 2043. In addition, West was named as the new tenant per the lease amendment. As a result, the net ROU asset and lease liability balance of \$599,327 was transferred from North to West on July 1, 2024.

ROU asset consists of the following at June 30, 2025:

ROU asset	\$ 51,096,443
Accumulated amortization	<u>(3,261,666)</u>
	<u>\$ 47,834,777</u>
Weighted average remaining lease term	18.00 years
Weighted average discount rate	4.76%

Future minimum lease payments are as follows for the years ending June 30:

2026	\$ 3,071,256
2027	3,187,956
2028	3,309,096
2029	3,434,844
2030	3,565,368
Thereafter	<u>60,764,508</u>
Total minimum lease payments	77,333,028
Present value discount	<u>(27,663,397)</u>
Present value of lease liability	49,669,631
Current portion	<u>(735,063)</u>
Lease liability, less current portion	<u>\$ 48,934,568</u>

Operating lease cost totaled \$4,194,343 for the year ended June 30, 2025 and is included in facilities expense in the accompanying statement of functional expenses.

Supplemental cash flows

Cash paid for amounts in the measurement of lease liabilities	\$ 2,958,816
Change in operating right-of-use asset recognized due to lease modification	36,951,232

Harlem Village Academies Charter Schools

Notes to Financial Statements
June 30, 2025

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.

12. Merger Information

As stated in Note 1, the State University of New York Charter School Committee approved the merger of East into North effective July 1, 2024. East ceased to exist as a separate legal entity in conjunction with the merger. The surviving entity's name was changed to Harlem Village Academies Charter Schools. Below is a summary of opening balances at July 1, 2024 for East:

ASSETS

Cash	\$ 1,272,531
Investments	506,590
Grants and contracts receivable	417,271
Prepaid expenses and other current assets	594
Property and equipment, net	140,311
Note receivable - related party	750,000
Restricted cash	<u>75,028</u>
	<u>\$ 3,162,325</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 577,862
Accrued payroll and payroll taxes	275,824
Due to related parties	<u>1,084,989</u>
Total Liabilities	1,938,675
Net assets, without donor restrictions	<u>1,223,650</u>
	<u>\$ 3,162,325</u>

Harlem Village Academies Charter Schools

Supplementary Information

June 30, 2025

Harlem Village Academies Charter Schools

Schedule of Activities by School

Year Ended June 30, 2025

	<u>North</u>	<u>West</u>	<u>East</u>	<u>Total</u>
REVENUE AND SUPPORT				
State and local per pupil operating revenue	\$ 7,978,512	\$ 9,133,843	\$ 6,924,438	\$ 24,036,793
Universal pre-kindergarten	-	1,107,000	784,157	1,891,157
State and local per pupil facilities funding	-	2,451,120	-	2,451,120
Federal grants	176,037	284,649	284,517	745,203
IDEA	47,783	88,741	50,311	186,835
State grants	31,161	33,579	31,994	96,734
Grant from Network	2,296,552	100,000	434,308	2,830,860
Contributions and grants	-	238,280	46,920	285,200
Interest and other income	<u>22,448</u>	<u>102</u>	<u>20,622</u>	<u>43,172</u>
Total Revenue and Support	<u>10,552,493</u>	<u>13,437,314</u>	<u>8,577,267</u>	<u>32,567,074</u>
EXPENSES				
Program Services				
Regular education	9,489,649	12,572,565	8,251,211	30,313,425
Special education	816,156	762,724	440,246	2,019,126
Supplemental education	<u>342,054</u>	<u>265,750</u>	<u>166,800</u>	<u>774,604</u>
Total Program Services	10,647,859	13,601,039	8,858,257	33,107,155
Supporting Services				
Management and general	<u>507,057</u>	<u>662,208</u>	<u>387,743</u>	<u>1,557,008</u>
Total Expenses	<u>11,154,916</u>	<u>14,263,247</u>	<u>9,246,000</u>	<u>34,664,163</u>
Change in Net Assets (Deficit)				
Before Other Revenue and Expense	(602,423)	(825,933)	(668,733)	(2,097,089)
OTHER REVENUE AND EXPENSE				
Transfer of lease	<u>599,327</u>	<u>(599,327)</u>	<u>-</u>	<u>-</u>
Change in Net Assets (Deficit)	(3,096)	(1,425,260)	(668,733)	(2,097,089)
NET ASSETS, WITHOUT DONOR RESTRICTIONS				
Beginning of year	1,370,981	290,554	-	1,661,535
Acquisition of net assets pursuant to merger of related charter school	<u>-</u>	<u>-</u>	<u>1,223,650</u>	<u>1,223,650</u>
End of year	<u>\$ 1,367,885</u>	<u>\$ (1,134,706)</u>	<u>\$ 554,917</u>	<u>\$ 788,096</u>

See independent auditors' report

Harlem Village Academies Charter Schools

Schedule of Functional Expenses - North Year Ended June 30, 2025

	Program Services			Total	Management and	Total
	Regular Education	Special Education	Supplemental Education		General	
Salaries and benefits	\$ 5,493,745	\$ 647,116	\$ -	\$ 6,140,861	\$ 357,404	\$ 6,498,265
Management fee	856,962	-	-	856,962	-	856,962
Contracted services - temporary	115,418	11,701	-	127,119	7,398	134,517
Audit fees	-	-	-	-	8,000	8,000
Legal fees	-	-	-	-	2,204	2,204
Books and curriculum materials	162,512	-	-	162,512	-	162,512
Student testing	63,155	-	-	63,155	-	63,155
Staff development	1,002,633	-	-	1,002,633	-	1,002,633
Field trips	-	-	91,446	91,446	-	91,446
After school activities	-	-	250,608	250,608	-	250,608
Supplies and materials	100,479	12,878	-	113,357	6,598	119,955
Office and postage	100,374	10,552	-	110,926	6,456	117,382
Insurance	141,577	16,246	-	157,823	9,185	167,008
Telephone and communication	8,962	1,140	-	10,102	588	10,690
Repairs and maintenance	82,630	9,964	-	92,594	5,389	97,983
Facilities expense	799,442	74,456	-	873,898	50,862	924,760
Security	198,836	18,285	-	217,121	12,637	229,758
Depreciation and amortization	94,987	12,322	-	107,309	6,246	113,555
Food and travel	21,663	-	-	21,663	33,350	55,013
Equipment and furniture	6,676	967	-	7,643	445	8,088
Technology costs	235,061	-	-	235,061	-	235,061
Miscellaneous	4,537	529	-	5,066	295	5,361
Total Expenses	<u>\$ 9,489,649</u>	<u>\$ 816,156</u>	<u>\$ 342,054</u>	<u>\$ 10,647,859</u>	<u>\$ 507,057</u>	<u>\$ 11,154,916</u>

See independent auditors' report

Harlem Village Academies Charter Schools

Schedule of Functional Expenses - West Year Ended June 30, 2025

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 5,709,594	\$ 383,167	\$ -	\$ 6,092,761	\$ 354,605	\$ 6,447,366
Management fee	1,025,059	-	-	1,025,059	-	1,025,059
Contracted services - temporary	118,277	2,936	-	121,213	2,717	123,930
Audit fees	-	-	-	-	19,000	19,000
Legal fees	-	-	-	-	1,305	1,305
Books and curriculum materials	153,739	-	-	153,739	-	153,739
Student testing	47,532	-	-	47,532	-	47,532
Staff development	1,003,051	-	-	1,003,051	-	1,003,051
Field trips	-	-	17,642	17,642	-	17,642
After school activities	-	-	248,108	248,108	-	248,108
Supplies and materials	146,390	9,824	-	156,214	9,092	165,306
Office and postage	53,158	3,567	-	56,725	3,302	60,027
Insurance	129,811	8,712	-	138,523	8,062	146,585
Telephone and communication	12,690	852	-	13,542	788	14,330
Repairs and maintenance	95,155	6,386	-	101,541	5,910	107,451
Facilities expense	3,667,560	336,339	-	4,003,899	233,032	4,236,931
Depreciation and amortization	144,340	9,687	-	154,027	8,965	162,992
Food and travel	28,179	-	-	28,179	14,269	42,448
Equipment and furniture	14,193	952	-	15,145	881	16,026
Technology costs	217,838	-	-	217,838	-	217,838
Miscellaneous	5,999	302	-	6,301	280	6,581
Total Expenses	<u>\$ 12,572,565</u>	<u>\$ 762,724</u>	<u>\$ 265,750</u>	<u>\$ 13,601,039</u>	<u>\$ 662,208</u>	<u>\$ 14,263,247</u>

See independent auditors' report

Harlem Village Academies Charter Schools

Schedule of Functional Expenses - East Year Ended June 30, 2025

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 4,568,407	\$ 401,815	\$ -	\$ 4,970,222	\$ 317,248	\$ 5,287,470
Management fee	811,778	-	-	811,778	-	811,778
Contracted services - temporary	33,795	2,972	-	36,767	2,347	39,114
Audit fees	-	-	-	-	15,000	15,000
Legal fees	-	-	-	-	3,956	3,956
Books and curriculum materials	206,100	-	-	206,100	-	206,100
Student testing	20,474	-	-	20,474	-	20,474
Staff development	1,961,654	-	-	1,961,654	-	1,961,654
Field trips	-	-	35,592	35,592	-	35,592
After school activities	-	-	131,208	131,208	-	131,208
Supplies and materials	118,451	10,418	-	128,869	8,226	137,095
Office and postage	76,173	6,699	-	82,872	5,289	88,161
Insurance	64,323	5,658	-	69,981	4,467	74,448
Telephone and communication	5,155	453	-	5,608	358	5,966
Repairs and maintenance	31,212	2,745	-	33,957	2,167	36,124
Facilities expense	1,819	160	-	1,979	126	2,105
Depreciation and amortization	80,318	7,064	-	87,382	5,578	92,960
Food and travel	32,547	-	-	32,547	21,195	53,742
Equipment and furniture	7,655	673	-	8,328	532	8,860
Technology costs	213,286	-	-	213,286	-	213,286
Miscellaneous	18,064	1,589	-	19,653	1,254	20,907
Total Expenses	\$ 8,251,211	\$ 440,246	\$ 166,800	\$ 8,858,257	\$ 387,743	\$ 9,246,000

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 Academies Charter Schools

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 Academies Charter Schools (the "School") (formerly "Harlem Village Academy West Charter School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 29, 2025.

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 29, 2025