

Harlem Village Academy West Charter School

Financial Statements

June 30, 2020

Independent Auditors' Report

Board of Trustees
Harlem Village Academy West Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Harlem Village Academy West Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020, and the change 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities and functional expenses by school as of and for the year ended June 30, 2020 on pages 15 through 17 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 9, 2020, on our consideration of the 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 the 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 the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 9, 2020

Harlem Village Academy West Charter School

Statement of Financial Position June 30, 2020

ASSETS

Current Assets

Cash	\$ 4,206,092
Grants and contracts receivable	740,758
Prepaid expenses and other current assets	59,516
Due from related party	<u>286,290</u>
Total Current Assets	5,292,656

Property and equipment, net	915,104
Note receivable - related party	750,000
Security deposits	236,138
Restricted cash	<u>100,000</u>

\$ 7,293,898

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 647,632
Accrued payroll and payroll taxes	858,138
Refundable advances	1,948
Due to related party	<u>1,707,467</u>
Total Current Liabilities	3,215,185

Paycheck Protection Program loan payable	<u>2,738,897</u>
Total Liabilities	<u>5,954,082</u>

Net Assets

Without donor restrictions	1,061,608
With donor restrictions	<u>278,208</u>
Total Net Assets	<u>1,339,816</u>

\$ 7,293,898

Harlem Village Academy West Charter School

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 17,163,688	\$ -	\$ 17,163,688
State and local per pupil facilities funding	1,632,600	-	1,632,600
Federal grants	711,075	-	711,075
Federal IDEA	133,339	-	133,339
State and city grants	76,208	-	76,208
Donated services	25,934	-	25,934
Interest income	31,257	-	31,257
Net assets released from restrictions	8,974	(8,974)	-
Total Revenue and Support	19,783,075	(8,974)	19,774,101
EXPENSES			
Program Services			
Regular education	15,763,733	-	15,763,733
Special education	3,319,055	-	3,319,055
Supplemental education	26,930	-	26,930
Total Program Services	19,109,718	-	19,109,718
Supporting Services			
Management and general	1,363,066	-	1,363,066
Total Expenses	20,472,784	-	20,472,784
Change in Net Assets	(689,709)	(8,974)	(698,683)
NET ASSETS			
Beginning of year	1,751,317	287,182	2,038,499
End of year	\$ 1,061,608	\$ 278,208	\$ 1,339,816

Harlem Village Academy West Charter School

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services			Total	Management and	Total
	Regular Education	Special Education	Supplemental Education		General	
Salaries and benefits	\$ 10,511,101	\$ 2,380,810	\$ -	\$ 12,891,911	\$ 925,583	\$ 13,817,494
Consultants	33,623	25,000	-	58,623	-	58,623
Contracted services - temporary	223,125	50,539	-	273,664	19,648	293,312
Audit fees	-	-	-	-	27,000	27,000
Legal fees	-	-	-	-	29,642	29,642
Books and curriculum materials	220,935	-	-	220,935	-	220,935
Recruiting and marketing	90,193	-	-	90,193	-	90,193
Student testing	32,502	-	-	32,502	-	32,502
Staff development	388,102	-	-	388,102	-	388,102
Field trips	-	-	22,165	22,165	-	22,165
After school activities	-	-	4,765	4,765	-	4,765
Supplies and materials	266,794	60,430	-	327,224	23,529	350,753
Office and postage	21,344	4,834	-	26,178	1,879	28,057
Insurance	152,632	34,572	-	187,204	13,440	200,644
Telephone and communication	22,864	5,179	-	28,043	2,014	30,057
Repairs and maintenance	71,566	16,210	-	87,776	6,302	94,078
Facilities expense	2,640,267	598,032	-	3,238,299	232,461	3,470,760
Security	315,980	71,571	-	387,551	27,825	415,376
Depreciation and amortization	254,493	57,644	-	312,137	22,410	334,547
Food and travel	39,424	-	-	39,424	25,804	65,228
Equipment and furniture	44,313	10,037	-	54,350	3,902	58,252
Technology costs	415,945	-	-	415,945	-	415,945
Miscellaneous	18,530	4,197	-	22,727	1,627	24,354
Total Expenses	<u>\$ 15,763,733</u>	<u>\$ 3,319,055</u>	<u>\$ 26,930</u>	<u>\$ 19,109,718</u>	<u>\$ 1,363,066</u>	<u>\$ 20,472,784</u>

See notes to financial statements

Harlem Village Academy West Charter School

Statement of Cash Flows
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (698,683)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	334,547
Depreciation charged to related party	24,302
Changes in operating assets and liabilities	
Grants and contracts receivable	96,406
Prepaid expenses and other current assets	(11,854)
Security deposits	(10,705)
Due from related party	212,674
Accounts payable and accrued expenses	(22,555)
Accrued payroll and payroll taxes	168,895
Refundable advances	(38,845)
Due to related party	<u>(236,940)</u>
Net Cash from Operating Activities	(182,758)

CASH FLOWS FROM INVESTING ACTIVITY

Purchases of property and equipment	(410,878)
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CASH FLOWS FROM FINANCING ACTIVITY

Proceeds from Paycheck Protection Program loan	<u>2,738,897</u>
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Net Change in Cash and Restricted Cash	2,145,261
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CASH AND RESTRICTED CASH

Beginning of year	<u>2,160,831</u>
End of year	<u><u>\$ 4,306,092</u></u>

The following table provides a reconciliation of cash and restricted cash within the statement of financial position:

Cash	\$ 4,206,092
Restricted cash	<u>100,000</u>
	<u><u>\$ 4,306,092</u></u>

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

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 the School provided education to approximately 928 students in grades kindergarten through twelve during the 2019-2020 school year.

The Board of Trustees of the State University of New York ("SUNY") originally approved the application for the School on September 13, 2002. SUNY approved and issued several renewals to the School's charter expiring on July 31, 2023.

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

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the School adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

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

Adoption of New Accounting Policies (continued)

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statement of cash flows, 2) provide a reconciliation between the statement of financial position and the statement of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statement of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statement of cash flows.

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.

Restricted Cash

Under the provisions of its charter, the School established a reserve fund of \$100,000 to cover debts in the event of the School's dissolution.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

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, 2020.

Refundable Advances

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

Revenue and Support

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Donor restricted contributions and grants that are made to support the School's current period activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Donated Services

The School recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the School, and are measurable.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

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

Donated Services (continued)

One entity provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$25,934. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2020 was \$90,193.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

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, 2017.

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 9, 2020.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

4. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Harlem Village Academies (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.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

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

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, 2021 (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, 2020, the School incurred \$2,548,219 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$2,800,447 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2020, the balance due from HVAE was \$286,290 and the balance due to the Network was \$1,707,467.

On April 4, 2012, HVA 124 LLC, a limited liability company in which the Network is the sole member, closed on the purchase of the former Rice High School building on West 124th Street. Renovations of the building were substantially completed in August 2013. The elementary school started the 2013-14 school year in the newly renovated facility. Renovations on the building were partially funded through New Markets Tax Credit loans to HVA 124, LLC which leases the building to the School. The School pays rent monthly as stipulated in the lease agreement.

The Network, with partial funding through a grant from the New York City Department of Education (which grant is administered by the School Construction Authority or "SCA"), completed the building of a new school facility (the "High School") in August 2012 to be used by both the School and HVAE (the "Schools"). The High School opened in August 2012. Civic Builders, a non-profit charter school developer, served as developer of the project under a development agreement with the Network. On June 23, 2017, the conveyance of the school portion of the building to SCA was completed, SCA leased it to Civic Builders, which subleased it to HVA 125 LLC. Under the sublease terms, the Schools that occupy the premises are required to meet certain academic performance targets, which are less rigorous than the targets of the Schools' authorizer. There is no rent, but the Schools will pay operating expenses and fund a replacement reserve maintained by the Network. The lease and sublease have at least a 30 year term, which may be extended by the Network under certain conditions.

On July 1, 2019, the Network entered into a three year lease for elementary and middle school activities with The Refuge Church of Our Lord Jesus Christ of the Apostolic Faith, Inc., with an option to extend the lease for an additional two years. Effective July 1, 2019, the Network assigned this lease to the School. Lease payments commenced July 1, 2019 and will expire 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.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

5. Property and Equipment

Property and equipment consists of the following at June 30, 2020:

Equipment	\$ 2,258,021
Furniture and fixtures	495,359
Software	3,999
Library books	73,427
Leasehold improvements	<u>810,432</u>
	3,641,238
Accumulated depreciation and amortization	<u>(2,726,134)</u>
	<u>\$ 915,104</u>

Depreciation and amortization expense was \$358,849 for the year ended June 30, 2020. Depreciation expense in the amount of \$24,302 was allocated to HVAE, resulting in the School's net depreciation and amortization expense of \$334,547.

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, 2020:

Cash	\$ 4,206,092
Grants and contracts receivable	740,758
Due from related party	<u>286,290</u>
	<u>\$ 5,233,140</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. Net assets with donor restrictions of \$278,208 represent the net book value of leasehold improvements at June 30, 2020. This amount will be released from restriction at the same rate as recognition of amortization expense (see Note 10).

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, 2020 amounted to \$185,618.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020, approximately \$4,070,000 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, 2020, the School received approximately 95% 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. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 consists of a State Stimulus Fund grant for \$350,000 to help pay for the development costs of its permanent high school facility. The School expended and capitalized \$350,000 during the year ended June 30, 2009 related to this grant. These costs are classified as leasehold improvements under property and equipment on the School's statement of financial position. Net assets with donor restrictions are reclassified to net assets without donor restrictions as amortization expense is recognized over the life of the leasehold improvements. During the year ended June 30, 2020, \$8,974 was released from restriction. At June 30, 2020, net assets with donor restrictions were \$278,208.

11. Paycheck Protection Program Loan Payable

On April 30, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$2,738,897 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The School believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan through the date principal is repaid in full or maturity date.

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

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2020

12. Commitments

On May 22, 2013, the School entered into a 25 year lease for elementary school facilities with HVA 124 LLC, a related party (see Note 4). Lease payments commenced September 1, 2013 and will expire on April 30, 2038.

On July 1, 2019, the School was assigned a 3 year lease for elementary school facilities by the Network, a related party (see Note 4). Lease payments commenced July 1, 2019 and will expire on June 30, 2022.

Future minimum payments under the operating leases are as follows:

2021	\$ 1,691,700
2022	1,705,470
2023	1,003,200
2024	1,003,200
2025	1,053,600
Thereafter	<u>15,496,000</u>
	<u>\$ 21,953,170</u>

13. 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.

14. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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Harlem Village Academy West Charter School

Supplementary Information

June 30, 2020

Harlem Village Academy West Charter School

Schedule of Activities by School
Year Ended June 30, 2020

	West 1			West 2	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total
REVENUE AND SUPPORT					
State and local per pupil operating revenue	\$ 15,208,473	\$ -	\$ 15,208,473	\$ 1,955,215	\$ 17,163,688
State and local per pupil facilities funding	1,144,224	-	1,144,224	488,376	1,632,600
Federal grants	410,781	-	410,781	300,294	711,075
Federal IDEA	123,819	-	123,819	9,520	133,339
State and city grants	64,015	-	64,015	12,193	76,208
Donated services	21,785	-	21,785	4,149	25,934
Interest and other income	26,256	-	26,256	5,001	31,257
Net assets released from restrictions	8,974	(8,974)	-	-	-
Total Revenue and Support	<u>17,008,327</u>	<u>(8,974)</u>	<u>16,999,353</u>	<u>2,774,748</u>	<u>19,774,101</u>
EXPENSES					
Program Services					
Regular education	13,241,535	-	13,241,535	2,522,198	15,763,733
Special education	2,788,004	-	2,788,004	531,051	3,319,055
Supplemental education	22,622	-	22,622	4,308	26,930
Total Program Services	<u>16,052,161</u>	<u>-</u>	<u>16,052,161</u>	<u>3,057,557</u>	<u>19,109,718</u>
Supporting Services					
Management and general	1,144,975	-	1,144,975	218,091	1,363,066
Total Expenses	<u>17,197,136</u>	<u>-</u>	<u>17,197,136</u>	<u>3,275,648</u>	<u>20,472,784</u>
Change in Net Assets	(188,809)	(8,974)	(197,783)	(500,900)	(698,683)
NET ASSETS (DEFICIT)					
Beginning of year	<u>1,466,279</u>	<u>287,182</u>	<u>1,753,461</u>	<u>285,038</u>	<u>2,038,499</u>
End of year	<u>\$ 1,277,470</u>	<u>\$ 278,208</u>	<u>\$ 1,555,678</u>	<u>\$ (215,862)</u>	<u>\$ 1,339,816</u>

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 1 Year Ended June 30, 2020

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 8,829,325	\$ 1,999,881	\$ -	\$ 10,829,206	\$ 777,490	\$ 11,606,696
Consultants	28,243	21,000	-	49,243	-	49,243
Contracted services - temporary	187,425	42,453	-	229,878	16,504	246,382
Audit fees	-	-	-	-	22,680	22,680
Legal fees	-	-	-	-	24,899	24,899
Books and curriculum materials	185,585	-	-	185,585	-	185,585
Recruiting and marketing	75,762	-	-	75,762	-	75,762
Student testing	27,302	-	-	27,302	-	27,302
Staff development	326,006	-	-	326,006	-	326,006
Field trips	-	-	18,619	18,619	-	18,619
After school activities	-	-	4,003	4,003	-	4,003
Supplies and materials	230,092	52,117	-	282,209	20,297	302,506
Office and postage	11,944	2,704	-	14,648	1,051	15,699
Insurance	128,211	29,040	-	157,251	11,290	168,541
Telephone and communication	19,206	4,350	-	23,556	1,692	25,248
Repairs and maintenance	60,115	13,616	-	73,731	5,294	79,025
Facilities expense	2,217,824	502,346	-	2,720,170	195,262	2,915,432
Security	265,423	60,120	-	325,543	23,373	348,916
Depreciation and amortization	213,774	48,421	-	262,195	18,824	281,019
Food and travel	33,116	-	-	33,116	21,675	54,791
Equipment and furniture	37,223	8,431	-	45,654	3,278	48,932
Technology costs	349,394	-	-	349,394	-	349,394
Miscellaneous	15,565	3,525	-	19,090	1,366	20,456
Total Expenses	<u>\$ 13,241,535</u>	<u>\$ 2,788,004</u>	<u>\$ 22,622</u>	<u>\$ 16,052,161</u>	<u>\$ 1,144,975</u>	<u>\$ 17,197,136</u>

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 2
Year Ended June 30, 2020

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 1,681,776	\$ 380,929	\$ -	\$ 2,062,705	\$ 148,093	\$ 2,210,798
Consultants	5,380	4,000	-	9,380	-	9,380
Contracted services - temporary	35,700	8,086	-	43,786	3,144	46,930
Audit fees	-	-	-	-	4,320	4,320
Legal fees	-	-	-	-	4,743	4,743
Books and curriculum materials	35,350	-	-	35,350	-	35,350
Recruiting and marketing	14,431	-	-	14,431	-	14,431
Student testing	5,200	-	-	5,200	-	5,200
Staff development	62,096	-	-	62,096	-	62,096
Field trips	-	-	3,546	3,546	-	3,546
After school activities	-	-	762	762	-	762
Supplies and materials	36,702	8,313	-	45,015	3,232	48,247
Office and postage	9,400	2,130	-	11,530	828	12,358
Insurance	24,421	5,532	-	29,953	2,150	32,103
Telephone and communication	3,658	829	-	4,487	322	4,809
Repairs and maintenance	11,451	2,594	-	14,045	1,008	15,053
Facilities expense	422,443	95,686	-	518,129	37,199	555,328
Security	50,557	11,451	-	62,008	4,452	66,460
Depreciation and amortization	40,719	9,223	-	49,942	3,586	53,528
Food and travel	6,308	-	-	6,308	4,129	10,437
Equipment and furniture	7,090	1,606	-	8,696	624	9,320
Technology costs	66,551	-	-	66,551	-	66,551
Miscellaneous	2,965	672	-	3,637	261	3,898
Total Expenses	\$ 2,522,198	\$ 531,051	\$ 4,308	\$ 3,057,557	\$ 218,091	\$ 3,275,648

See independent auditors' report

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"), which comprise the statement of financial position as of June 30, 2020, 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 9, 2020.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 9, 2020



**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, 2020, 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 9, 2020