

Harlem Link Charter School

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees
Harlem Link Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Harlem Link Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 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 5, 2020

Harlem Link Charter School

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,653,916	\$ 2,153,262
Grants and contracts receivable	307,991	154,354
Prepaid expenses and other current assets	<u>14,438</u>	<u>22,460</u>
Total Current Assets	2,976,345	2,330,076
Property and equipment, net	503,340	351,921
Restricted cash	<u>75,290</u>	<u>75,267</u>
	<u>\$ 3,554,975</u>	<u>\$ 2,757,264</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 88,287	\$ 162,688
Accrued payroll and payroll taxes	<u>552,461</u>	<u>472,840</u>
Total Liabilities	640,748	635,528
Net assets, without donor restrictions	<u>2,914,227</u>	<u>2,121,736</u>
	<u>\$ 3,554,975</u>	<u>\$ 2,757,264</u>

See notes to financial statements

Harlem Link Charter School

Statements of Activities

	Year Ended June 30,	
	2020	2019
OPERATING REVENUE		
Public School District		
Regular student enrollment	\$ 6,890,937	\$ 6,176,198
Students with disabilities	1,663,757	1,249,570
Universal pre-kindergarten	372,914	364,403
Grants and Contracts		
Federal - E-Rate, IDEA, and Titles	395,462	342,018
State and local	<u>27,422</u>	<u>27,776</u>
Total Operating Revenue	<u>9,350,492</u>	<u>8,159,965</u>
EXPENSES		
Program Services		
Regular education	5,663,164	5,119,140
Special education	<u>1,797,871</u>	<u>1,557,934</u>
Total Program Services	7,461,035	6,677,074
Supporting Services		
Management and general	1,162,086	1,222,190
Fundraising	<u>98,812</u>	<u>80,517</u>
Total Expenses	<u>8,721,933</u>	<u>7,979,781</u>
Surplus from Operations	<u>628,559</u>	<u>180,184</u>
SUPPORT AND OTHER REVENUE		
Contributions		
Foundations	75,000	100,000
Individuals	81,281	122,275
Other income	<u>7,651</u>	<u>23,067</u>
Total Support and Other Revenue	<u>163,932</u>	<u>245,342</u>
Change in Net Assets	792,491	425,526
NET ASSETS		
Beginning of year	<u>2,121,736</u>	<u>1,696,210</u>
End of year	<u>\$ 2,914,227</u>	<u>\$ 2,121,736</u>

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses Year Ended June 30, 2020

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	34	\$ 1,259,584	\$ 362,011	\$ 1,621,595	\$ 778,770	\$ 71,794	\$ 2,472,159
Instructional personnel	55	2,756,944	906,455	3,663,399	-	-	3,663,399
Non-Instructional personnel	2	20,846	6,854	27,700	-	-	27,700
Total Salaries and Staff	<u>91</u>	<u>4,037,374</u>	<u>1,275,320</u>	<u>5,312,694</u>	<u>778,770</u>	<u>71,794</u>	<u>6,163,258</u>
Fringe benefits and payroll taxes		823,935	260,263	1,084,198	158,929	14,652	1,257,779
Retirement		57,771	18,249	76,020	11,143	1,027	88,190
Legal services		-	-	-	19,885	-	19,885
Accounting/audit services		-	-	-	33,801	-	33,801
Other purchased/professional/consulting services		129,266	40,832	170,098	24,934	2,299	197,331
Insurance		40,335	12,741	53,076	7,780	717	61,573
Instructional materials		39,207	12,891	52,098	-	-	52,098
Classroom and office supplies		203,709	64,347	268,056	39,293	3,622	310,971
Non-capitalized equipment/technology		19,408	6,130	25,538	3,744	345	29,627
Professional development		78,830	24,901	103,731	15,206	1,402	120,339
Marketing and recruitment		54,375	24,050	78,425	26,142	-	104,567
Telephone and internet		7,974	2,519	10,493	1,538	142	12,173
Staff lunches and team building		48,806	15,417	64,223	9,414	868	74,505
Postage, printing, and shipping		12,810	5,666	18,476	6,159	-	24,635
Travel and conference		7,168	2,264	9,432	1,383	127	10,942
Maintenance and repairs		7,709	2,435	10,144	1,487	137	11,768
Depreciation and amortization		94,487	29,846	124,333	18,226	1,680	144,239
Miscellaneous		-	-	-	4,252	-	4,252
Total Expenses		<u>\$ 5,663,164</u>	<u>\$ 1,797,871</u>	<u>\$ 7,461,035</u>	<u>\$ 1,162,086</u>	<u>\$ 98,812</u>	<u>\$ 8,721,933</u>

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses Year Ended June 30, 2019

	No. of Positions	Program Services			Supporting Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	31	\$ 928,376	\$ 261,850	\$ 1,190,226	\$ 762,754	\$ 64,070	\$ 2,017,050
Instructional personnel	45	2,604,840	815,040	3,419,880	-	-	3,419,880
Total Salaries and Staff	<u>76</u>	3,533,216	1,076,890	4,610,106	762,754	64,070	5,436,930
Fringe benefits and payroll taxes		707,661	215,688	923,349	152,772	12,832	1,088,953
Legal services		-	-	-	3,536	-	3,536
Accounting/audit services		-	-	-	29,250	-	29,250
Other purchased/professional/consulting services		172,101	52,455	224,556	40,275	-	264,831
Insurance		36,034	10,983	47,017	7,779	653	55,449
Instructional materials		23,551	6,643	30,194	-	-	30,194
Classroom and office supplies		282,551	86,119	368,670	66,120	-	434,790
Non-capitalized equipment/technology		24,457	7,454	31,911	5,280	444	37,635
Professional development		111,061	33,850	144,911	25,991	-	170,902
Marketing and recruitment		63,267	17,844	81,111	27,038	-	108,149
Telephone and internet		10,969	3,343	14,312	2,368	199	16,879
Staff lunches and team building		52,951	16,139	69,090	11,431	960	81,481
Student meals		1,245	351	1,596	-	-	1,596
Postage, printing, and shipping		14,373	4,054	18,427	6,141	-	24,568
Travel and conference		-	-	-	10,158	-	10,158
Maintenance and repairs		10,762	3,280	14,042	2,521	-	16,563
Depreciation and amortization		74,941	22,841	97,782	16,179	1,359	115,320
Miscellaneous		-	-	-	52,597	-	52,597
Total Expenses		<u>\$ 5,119,140</u>	<u>\$ 1,557,934</u>	<u>\$ 6,677,074</u>	<u>\$ 1,222,190</u>	<u>\$ 80,517</u>	<u>\$ 7,979,781</u>

See notes to financial statements

Harlem Link Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 792,491	\$ 425,526
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	144,239	115,320
Changes in operating assets and liabilities		
Grants and contracts receivable	(153,637)	353,247
Prepaid expenses and other current assets	8,022	22,817
Accounts payable and accrued expenses	(74,401)	(34,854)
Accrued payroll and payroll taxes	79,621	22,024
Refundable advances	-	(45,804)
Net Cash from Operating Activities	796,335	858,276
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(295,658)	(292,498)
Net Change in Cash and Cash Equivalents	500,677	565,778
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	2,228,529	1,662,751
End of year	\$ 2,729,206	\$ 2,228,529
The following table provides a reconciliation of cash, cash equivalents and restricted cash within the statements of financial position:		
Cash and cash equivalents	\$ 2,653,916	\$ 2,153,262
Restricted cash	75,290	75,267
	\$ 2,729,206	\$ 2,228,529

See notes to financial statements

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Harlem Link Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on September 10, 2004 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on September 10, 2004, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued several renewals to the School's charter expiring on July 31, 2023. The School's mission is to provide its students with a solid foundation for academic success. The School provided education to approximately 422 students in kindergarten through fifth grade in the 2019-2020 academic year.

Beginning in July 2015, the School was awarded a contract with the New York City Department of Education to operate a universal pre-kindergarten program. The initial contract commenced July 1, 2015 and has been renewed through June 30, 2021. The School provided education to approximately 36 students in the 2019-2020 academic year.

The School shares space with a New York City public school beginning in May 2005. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for the use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

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

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.

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 statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements 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 consolidated statements of cash flows.

Net Asset Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2020 and 2019.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

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

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial instruments with maturities of three months or less at the time of purchase.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,500 and a useful life in excess of one year. Leasehold improvements are amortized over the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. 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 it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture and fixtures	7 years
Computers and equipment	3 - 5 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

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 Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

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.

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the years ended June 30, 2020 and 2019 was \$104,567 and \$108,149.

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.

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 and has not provided an allowance for doubtful accounts.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2020	2019
Furniture and fixtures	\$ 283,222	\$ 207,153
Computers and equipment	619,749	469,635
Software	25,345	25,345
Leasehold improvements	<u>258,675</u>	<u>189,200</u>
	1,186,991	891,333
Accumulated depreciation and amortization	<u>(683,651)</u>	<u>(539,412)</u>
	<u>\$ 503,340</u>	<u>\$ 351,921</u>

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 2,653,916	\$ 2,153,262
Grants and contracts receivable	<u>307,991</u>	<u>154,354</u>
	<u>\$ 2,961,907</u>	<u>\$ 2,307,616</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in money market accounts and other liquid instruments until it is required for operational use.

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provides matching contributions up to 3% of participants' annual compensation with one year of service. For the years ended June 30, 2020 and 2019, the School provided matching contributions of \$88,190 and \$0.

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020 and 2019, approximately \$2,120,000 and \$1,870,000 of cash was maintained with an institution in excess of FDIC limits.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

8. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 94% and 93% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

9. Commitment

The School leases office copiers under non-cancelable operating leases expiring at various times through April 2022. The future minimum lease payments under the copier lease are as follows for years ending June 30:

2021	\$	30,336
2022		<u>24,596</u>
	\$	<u>54,932</u>

10. 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.

11. 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.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2020 and 2019

12. Subsequent Event

On July 24, 2020, the School received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of \$1,132,500. In accordance with the requirements under the CARES Act, the loan may be forgiven based on the associated spending in accordance with regulations under the CARES Act. For amounts under the loan that are not forgiven, these amounts are due 2 years from the date of the loan and interest would accrue on the unforgiven loan balance at 1% per year. The debt forgiveness will be recognized at the time that the financial institution that issued the loan has reviewed and approved the associated spending and determined the forgivable portion. Management believes that most or all of the loan will be forgiven based on the current understanding of the legislative guidance.

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 5, 2020.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Harlem Link Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harlem Link Charter School (the "School"), 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 5, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-002.

The School's Response to the Findings

The School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 5, 2020

Harlem Link Charter School

Schedule of Findings and Responses Year Ended June 30, 2020

Section I – Financial Statement Findings

2020-001- Credit Card Transactions

Criteria

The fiscal policies and procedures manual (“FPP”) states that all credit card transactions should be supported by duly approved receipts or other supporting documentation.

Condition

A substantial portion of charges were missing receipts and approvals.

Cause

This condition is caused by lack of oversight over credit card transactions.

Effect

Lack of control over credit card transactions could result in the payment of unauthorized expenses.

Recommendation

The School should support all credit card charges with receipts, invoices, or other supporting documentation. The School should also enforce the approval process for credit card charges by authorized School personnel. The School should document in writing all decisions that are not consistent with its FPP and consideration should also be given to modifying the FPP when appropriate and practical.

Views of Responsible Officials

See management corrective action plan in Appendix A.

Harlem Link Charter School

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2020

Section II - Compliance Findings

2020-002 – Maintenance of Student Records

Criteria

Appropriate records of student enrollment should be properly maintained in student files.

Condition

The following exceptions were identified during our test of 13 student files:

- Three files were missing copies of birth certificates
- Two files were missing home language identification forms
- Nine files were missing ethnicity identification forms
- Four files were missing proof of residency
- One file was missing medical forms

Cause

This condition is caused by management's lack of oversight and inability to prepare and maintain adequate records.

Effect

The School is not in compliance with its FPP and with City and State laws and regulations.

Recommendation

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized to insure that information is complete and up to date for each student file. The School should periodically review student files and follow up on obtaining missing information for students.

Views of Responsible Officials

See management corrective action plan in Exhibit A.



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Board of Trustees

October 16, 2020

Laura Agrusti
NYC DOE

The Charter School Institute of the State University of New York

Jonathan Barrett
Luminus Management

The State Education Department of State University of New York

Bianna Cardinale
NYC DOE

Exhibit A: Management Corrective Action Plan

Peter Carry
Time, Inc., ret.

2020-0001 – Credit Card Transaction

Harlem Link will ensure all credit card transactions will be supported with approvals and all receipts will be provided to the Director of Finance in a timely manner. The school will also limit the use of it's credit card when a school check can be issued.

Ken Catandella
Columbia University

Brandilyn Dumas
Greenberg Traurig LLP

Voyka Soto

2020-002 – Maintenance of Student Records

Harlem Link will implement the following procedures to ensure student files are compliant;

Naheem Harris
Vinson & Elkins

1. All students will have a physical and digital file in accordance with NYS student privacy policy.
2. Student file tracker will monitor all outstanding documents.
3. Periodic review of files.

Edward Robinson
Paul, Weiss, Rifkind, Wharton & Garrison LLP



Doug Anderson Director of Finance

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