

# **PAVE Academy Charter School**

Financial Statements

June 30, 2021 and 2020

## **Independent Auditors' Report**

**Board of Trustees**  
**PAVE Academy Charter School**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of PAVE Academy Charter School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 September 30, 2021, 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  
September 30, 2021

**PAVE Academy Charter School**

Statements of Financial Position

	June 30,	
	2021	2020
<b>ASSETS</b>		
Current Assets		
Cash	\$ 5,811,368	\$ 4,796,729
Grants and contracts receivable	420,887	362,310
Prepaid expenses and other current assets	56,990	42,174
Total Current Assets	6,289,245	5,201,213
Property and equipment, net	363,779	455,538
Restricted cash	76,490	76,467
	\$ 6,729,514	\$ 5,733,218
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 131,867	\$ 136,393
Accrued payroll and payroll taxes	319,639	330,805
Due to related party	-	380,684
Total Current Liabilities	451,506	847,882
Paycheck Protection Program Loan payable	-	1,144,300
Total Liabilities	451,506	1,992,182
Net Assets		
Without Donor Restrictions		
Undesignated	6,025,008	3,741,036
Board designated	198,000	-
	6,223,008	3,741,036
With donor restrictions	55,000	-
Total Net Assets	6,278,008	3,741,036
	\$ 6,729,514	\$ 5,733,218

See notes to financial statements

**PAVE Academy Charter School**

Statement of Activities  
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 9,602,301	\$ -	\$ 9,602,301
Federal grants	710,530	-	710,530
Federal E-rate and IDEA	89,236	-	89,236
State grants	45,038	-	45,038
Contributions and grants	219,072	170,196	389,268
In-kind legal services	6,450	-	6,450
Interest income	23	-	23
Net assets released from restrictions	<u>115,196</u>	<u>(115,196)</u>	<u>-</u>
Total Revenue and Support	<u>10,787,846</u>	<u>55,000</u>	<u>10,842,846</u>
<b>EXPENSES</b>			
Program Services			
Regular education	6,439,700	-	6,439,700
Special education	<u>1,881,416</u>	<u>-</u>	<u>1,881,416</u>
Total Program Services	8,321,116	-	8,321,116
Supporting Services			
Management and general	<u>1,130,682</u>	<u>-</u>	<u>1,130,682</u>
Total Expenses	<u>9,451,798</u>	<u>-</u>	<u>9,451,798</u>
Gain on forgiveness of Paycheck Protection Program Loan	<u>1,145,924</u>	<u>-</u>	<u>1,145,924</u>
Change in Net Assets	2,481,972	55,000	2,536,972
<b>NET ASSETS</b>			
Beginning of year	<u>3,741,036</u>	<u>-</u>	<u>3,741,036</u>
End of year	<u>\$ 6,223,008</u>	<u>\$ 55,000</u>	<u>\$ 6,278,008</u>

See notes to financial statements

**PAVE Academy Charter School**

Statement of Activities  
Year Ended June 30, 2020

**REVENUE AND SUPPORT**

State and local per pupil operating revenue	\$ 9,846,485
Federal grants	495,410
Federal E-rate and IDEA	139,824
State grants	49,044
Contributions and grants	20,095
Rental income	12,600
Interest income	<u>25</u>
Total Revenue and Support	<u>10,563,483</u>

**EXPENSES**

Program Services	
Regular education	7,002,107
Special education	<u>1,511,102</u>
Total Program Services	8,513,209
Supporting Services	
Management and general	<u>792,437</u>
Total Expenses	<u>9,305,646</u>

Change in Net Assets 1,257,837

**NET ASSETS WITHOUT DONOR RESTRICTIONS**

Beginning of year	<u>2,483,199</u>
End of year	<u>\$ 3,741,036</u>

See notes to financial statements

**PAVE Academy Charter School**

Statement of Functional Expenses  
Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 999,048	\$ 364,583	\$ 1,363,631	\$ 706,331	\$ 2,069,962
Instructional personnel	47	2,763,307	734,743	3,498,050	-	3,498,050
Total Salaries and Staff	<u>67</u>	<u>3,762,355</u>	<u>1,099,326</u>	<u>4,861,681</u>	<u>706,331</u>	<u>5,568,012</u>
Fringe benefits and payroll taxes		929,060	271,463	1,200,523	174,418	1,374,941
Retirement		40,769	11,912	52,681	7,654	60,335
Legal service		4,966	1,451	6,417	932	7,349
Accounting / audit services		86,701	25,333	112,034	16,277	128,311
Other purchased / professional / consulting services		338,704	98,959	437,663	60,731	498,394
Repairs and maintenance		374,719	109,489	484,208	70,349	554,557
Insurance		91,667	26,784	118,451	17,210	135,661
Utilities		51,028	14,910	65,938	9,580	75,518
Supplies / materials		110,979	32,372	143,351	-	143,351
Equipment / furnishings		934	273	1,207	176	1,383
Staff development		40,416	11,789	52,205	-	52,205
Marketing / recruitment		41,331	12,069	53,400	4,718	58,118
Technology		65,924	19,263	85,187	12,376	97,563
Food service		187,921	54,816	242,737	-	242,737
Office expense		84,349	24,646	108,995	15,836	124,831
Depreciation and amortization		156,153	45,626	201,779	29,316	231,095
Loss on disposal of property and equipment		6,950	2,031	8,981	1,305	10,286
Other		64,774	18,904	83,678	3,473	87,151
Total Expenses		<u>\$ 6,439,700</u>	<u>\$ 1,881,416</u>	<u>\$ 8,321,116</u>	<u>\$ 1,130,682</u>	<u>\$ 9,451,798</u>

**PAVE Academy Charter School**

Statement of Functional Expenses  
Year Ended June 30, 2020

	Program Services			Management and General	Total
	No. of Positions	Regular Education	Special Education		
Personnel Services Costs					
Administrative staff personnel	18	\$ 873,841	\$ 336,705	\$ 1,210,546	\$ 463,699
Instructional personnel	46	2,895,457	461,390	3,356,847	5,721
Total Salaries and Staff	64	3,769,298	798,095	4,567,393	469,420
Fringe benefits and payroll taxes		873,458	184,942	1,058,400	108,779
Retirement		30,585	6,476	37,061	3,809
Management company fees		660,570	139,866	800,436	82,266
Legal service		621	131	752	77
Accounting / audit services		35,543	7,526	43,069	4,427
Other purchased / professional / consulting services		196,530	43,869	240,399	18,174
Repairs and maintenance		403,731	85,484	489,215	50,280
Insurance		78,630	16,649	95,279	9,792
Utilities		81,281	17,210	98,491	10,123
Supplies / materials		267,129	68,477	335,606	-
Equipment / furnishings		1,103	234	1,337	137
Staff development		46,786	11,993	58,779	-
Marketing / recruitment		53,893	12,715	66,608	3,071
Technology		43,178	9,142	52,320	5,377
Food service		230,108	58,986	289,094	-
Student services		11,313	2,900	14,213	-
Office expense		96,961	20,530	117,491	12,075
Depreciation and amortization		99,446	21,056	120,502	12,385
Other		21,943	4,821	26,764	2,245
<b>Total Expenses</b>		<b>\$ 7,002,107</b>	<b>\$ 1,511,102</b>	<b>\$ 8,513,209</b>	<b>\$ 792,437</b>
					<b>\$ 9,305,646</b>

**PAVE Academy Charter School**

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,536,972	\$ 1,257,837
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	231,095	132,887
Loss on disposal of property and equipment	10,285	-
Gain on forgiveness of Paycheck Protection Program Loan	(1,145,924)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(58,577)	(164,347)
Prepaid expenses and other current assets	(14,816)	(19,509)
Accounts payable and accrued expenses	(2,902)	(41,029)
Accrued payroll and payroll taxes	(11,166)	53,592
Due to related party	(380,684)	142,858
Net Cash from Operating Activities	1,164,283	1,362,289
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchases of property and equipment	(149,621)	(274,040)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from Paycheck Protection Program Loan	-	1,144,300
Net Change in Cash and Restricted Cash	1,014,662	2,232,549
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	4,873,196	2,640,647
End of year	\$ 5,887,858	\$ 4,873,196

See notes to financial statements

# PAVE Academy Charter School

Notes to Financial Statements  
June 30, 2021 and 2020

## 1. Organization and Tax Status

PAVE Academy Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 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 January 15, 2008 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 June 30, 2023. During March of 2017, the School applied to change their authorizer and transfer its charter from the New York City Department of Education to the State University of New York ("SUNY"). On October 11, 2017, SUNY approved the transfer of the School's charter effective beginning with the 2017-2018 school year. The School's mission is to prepare kindergarten through eighth grade students to thrive in competitive high schools and four year colleges and provide the children of Brooklyn with a rigorous academic program and a school community built on the School's core values of Perseverance, Achievement, Vibrance, and Excellent character ("PAVE"). Classes commenced in Red Hook, Brooklyn, New York, in August 2008 and the School provided education to approximately 499 students in kindergarten through eighth grade in the 2020-2021 academic year.

The New York City Department of Education provides free transportation directly to some of the School's students. Such costs are not included in these financial statements.

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.

### ***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. Board designated net assets were established by the Board of Trustees to provide a cash reserve for unseen operating and capital expenses.

## PAVE Academy Charter School

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***Net Assets Presentation (continued)***

*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 classified 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.

#### ***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 statements of financial position that sum to the totals of the same such amounts presented in the statements of cash flows for the years ended June 30:

	2021	2020
Cash	\$ 5,811,368	\$ 4,796,729
Restricted cash	76,490	76,467
	<u>\$ 5,887,858</u>	<u>\$ 4,873,196</u>

#### ***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 ranging from two to three years. 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:

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

## **PAVE Academy Charter School**

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***Property and Equipment (continued)***

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, 2021 and 2020.

#### ***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. Rental income is recognized when received in accordance to the agreement.

#### ***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.

#### ***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, 2021 and 2020 was \$58,118 and \$69,679.

#### ***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, 2018.

## PAVE Academy Charter School

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***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 September 30, 2021.

### 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. Property and Equipment

Property and equipment, net consists of the following as of June 30,

	2021	2020
Computers and equipment	\$ 906,067	\$ 803,808
Furniture and fixtures	83,218	83,218
Software	141,258	128,552
Leasehold improvements	190,231	178,436
	<u>1,320,774</u>	<u>1,194,014</u>
Accumulated depreciation and amortization	<u>(956,995)</u>	<u>(738,476)</u>
	<u>\$ 363,779</u>	<u>\$ 455,538</u>

Assets with a cost basis of \$22,861 and accumulated depreciation of \$12,576 were disposed of during the year ended June 30, 2021. Loss on disposal of property and equipment was \$10,285 for the year ended June 30, 2021.

### 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,

	2021	2020
Cash	\$ 5,811,368	\$ 4,796,729
Grants and contracts receivable	420,887	362,310
	6,232,255	5,159,039
Less amounts unavailable for general expenditures:		
Net assets with donor restrictions	(55,000)	-
	<u>\$ 6,177,255</u>	<u>\$ 5,159,039</u>

## **PAVE Academy Charter School**

Notes to Financial Statements  
June 30, 2021 and 2020

### **5. Liquidity and Availability of Financial Assets (continued)**

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 securities. At June 30, 2021, the Board of Trustees has designated \$198,000 of net assets without donor restrictions that could be drawn upon through board resolution and can be made available for facility improvements or repairs.

### **6. Related Party Transactions (not disclosed elsewhere)**

The School is an affiliate of PAVE Schools, Inc. ("PAVE Schools"), a New York State not-for-profit corporation. PAVE Schools supported the School through financial, fundraising and facility development efforts. Effective July 1, 2015, PAVE Schools acted as a Charter Management Organization. During the years ended June 30, 2021 and 2020, PAVE Schools made grants to the School in the amount of \$115,196 and \$0 and included in contributions and grants revenue in the statements of activities. The net balance due to PAVE Schools at June 30, 2021 and 2020 was \$0 and \$380,684.

#### ***Facility Lease***

On March 13, 2014, the School entered into a sub-sublease agreement with PACS 732 Henry LLC ("PACS 732") (a single member LLC under PAVE Schools Inc., a related party) to occupy a new facility located at 732 Henry Street in Brooklyn, New York. The School pays for all facility expenses, upkeep, and insurance. The sub-sublease agreement will terminate on March 13, 2034. PACS 732's sublease with Civic Builders, a non-profit charter school developer, expires on March 13, 2113 and it is envisioned that the School will continue to periodically renew its sub-sublease agreement with PACS 732. Rent is payable at \$1 per year, pursuant to the Ultimate Prime Lease that PACS 732 has with Civic Builders and the New York City School Construction Authority. On May 21, 2014, the School paid \$20 to PACS 732 as prepayment of its 20 year lease. The School did not record an amount for donated use of facilities.

#### ***Management Agreement***

On June 15, 2015, the School entered into a management agreement with PAVE Schools to provide the School with educational management services and designs that expired June 30, 2018. The Management agreement was renewed in September 2018 and was mutually terminated on June 30, 2020. PAVE Academy Charter School has transitioned all applicable responsibilities including implementation of educational programs, coaching, professional development and business administration support, to the School. This change necessitated a charter revision, which was approved by the School's authorizer in March 2020.

For the year ended June 30, 2020, as compensation to PAVE Schools for these services, the School paid an annual fee of 9.1% of the School's funding provided by the State of New York and the New York City Department of Education. Management fee expense for the year ended June 30, 2020 was \$882,702.

## **PAVE Academy Charter School**

Notes to Financial Statements  
June 30, 2021 and 2020

### **7. Employee Benefit Plan**

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School provided matching contributions of 2% to the plan. The amount charged to operations for fees and matching contributions to this plan amounted to \$60,335 and \$40,869 for the years ended June 30, 2021 and 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, 2021 and 2020, approximately \$5,593,000 and \$4,544,000 of cash was maintained with institutions in excess of FDIC limits.

### **9. Concentration of Revenue and Support**

The School receives a substantial portion of its support and revenue from the New York City Department of Education. For the years ended June 30, 2021 and 2020, the School received approximately 80% 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.

### **10. Donated Services**

Donated services are recognized as contributions in accordance with U.S. GAAP, if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, would otherwise be purchased by the School, and are measurable. One entity has provided legal services to the School at no charge.

The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value. For the years ended June 30, 2021 and 2020, the value of such donated services amounted to \$6,450 and \$0.

The value of these donated services is allocated accordingly between program, management and general services in the accompanying statements of activities and functional expenses.

## **PAVE Academy Charter School**

Notes to Financial Statements  
June 30, 2021 and 2020

### **11. Paycheck Protection Program Loan Payable**

On May 5, 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 ("CARES Act"), from a qualified PPP lender, for an aggregate principal and interest amount of \$1,145,924 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of five years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were 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 applied for full forgiveness of the PPP Loan with respect to these covered expenses.

On June 18, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$1,145,924 is included on the accompanying statement of activities under gain of forgiveness of Paycheck Protection Program Loan.

### **12. Net Assets with Donor Restrictions**

For the year ended June 30, 2021, net assets with donor restrictions in the amount of \$55,000 were restricted for a summer school program. Net assets with donor restrictions in the amount of \$115,196 were released from donor restriction for staff salaries.

### **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 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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**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**  
**PAVE Academy 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 PAVE Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 September 30, 2021.

***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 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 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 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  
September 30, 2021

**Board of Trustees**  
**PAVE Academy Charter School**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of PAVE Academy Charter School (the "School") as of and for the year ended June 30, 2021, 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 the management, the Board of Trustees, federal and local awarding agencies, The Charter School Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 30, 2021