

Harlem Village Academy West Charter School

Financial Statements

June 30, 2024

Independent Auditors' Report

Board of Trustees
Harlem Village Academy West Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harlem Village Academy West Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Village Academy West Charter School as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harlem Village Academy West Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Village Academy West Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harlem Village Academy West Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Village Academy West Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2024 on pages 17 through 19 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 30, 2024, on our consideration of Harlem Village Academy West Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harlem Village Academy West Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harlem Village Academy West Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2024

Harlem Village Academy West Charter School

Statement of Financial Position June 30, 2024

ASSETS

Current Assets

Cash	\$ 1,060,249
Investments	759,351
Grants and contracts receivable	551,192
Prepaid expenses and other current assets	114,485
Due from related party	<u>24,833</u>
Total Current Assets	2,510,110

Right of use assets - operating lease, net	12,710,003
Property and equipment, net	953,064
Note receivable - related party	750,000
Security deposits	225,878
Restricted cash	<u>150,109</u>
	<u><u>\$ 17,299,164</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 805,579
Accrued payroll and payroll taxes	737,438
Refundable advances	16,074
Due to related party	769,208
Operating lease liabilities, current portion	<u>645,998</u>
Total Current Liabilities	2,974,297

Operating lease liabilities	<u>12,663,332</u>
Total Liabilities	15,637,629

Net assets, without donor restrictions	<u>1,661,535</u>
	<u><u>\$ 17,299,164</u></u>

Harlem Village Academy West Charter School

Statement of Activities
Year Ended June 30, 2024

REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 15,641,460
Universal pre-kindergarten	1,106,200
State and local per pupil facilities funding	1,465,554
Federal grants	600,937
State grants	66,003
Grant from Network	1,404,950
Contributions and grants	229,080
Interest and other income	9,619
Total Revenue and Support	<u>20,523,803</u>

EXPENSES

Program Services	
Regular education	17,119,549
Special education	1,420,464
Supplemental education	579,141
Total Program Services	<u>19,119,154</u>
Supporting Services	
Management and general	1,278,901
Total Expenses	<u>20,398,055</u>
Change in Net Assets Before Other Loss	<u>125,748</u>
Other Loss (See Note 13)	<u>562,532</u>
Change in Net Assets	(436,784)

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	<u>2,098,319</u>
End of year	<u>\$ 1,661,535</u>

Harlem Village Academy West Charter School

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 8,615,055	\$ 895,268	\$ -	\$ 9,510,323	\$ 553,510	\$ 10,063,833
Management fee	1,477,911	-	-	1,477,911	260,808	1,738,719
Contracted services - temporary	167,739	17,431	-	185,170	10,777	195,947
Audit fees	-	-	-	-	27,000	27,000
Legal fees	-	-	-	-	14,556	14,556
Books and curriculum materials	126,283	-	-	126,283	-	126,283
Student testing	49,120	-	-	49,120	-	49,120
Staff development	1,309,697	-	-	1,309,697	-	1,309,697
Field trips	-	-	71,048	71,048	-	71,048
After school activities	-	-	508,093	508,093	-	508,093
Supplies and materials	292,083	30,353	-	322,436	18,767	341,203
Office and postage	115,435	11,996	-	127,431	7,416	134,847
Insurance	235,636	24,487	-	260,123	15,140	275,263
Telephone and communication	9,787	1,017	-	10,804	629	11,433
Repairs and maintenance	77,333	8,036	-	85,369	4,968	90,337
Facilities expense	3,510,989	364,858	-	3,875,847	225,578	4,101,425
Security	386,207	40,135	-	426,342	24,813	451,155
Depreciation and amortization	223,060	23,180	-	246,240	14,331	260,571
Food and travel	92,251	-	-	92,251	93,277	185,528
Equipment and furniture	11,608	1,207	-	12,815	745	13,560
Technology costs	395,332	-	-	395,332	-	395,332
Miscellaneous	24,023	2,496	-	26,519	6,586	33,105
Total Expenses	<u>\$ 17,119,549</u>	<u>\$ 1,420,464</u>	<u>\$ 579,141</u>	<u>\$ 19,119,154</u>	<u>\$ 1,278,901</u>	<u>\$ 20,398,055</u>

Harlem Village Academy West Charter School

Statement of Cash Flows Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (436,784)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	260,571
Amortization of right of use asset	1,461,601
Changes in operating assets and liabilities	
Grants and contracts receivable	577,075
Prepaid expenses and other current assets	(45,414)
Due from related parties	(24,833)
Accounts payable and accrued expenses	357,984
Accrued payroll and payroll taxes	(52,960)
Refundable advances	16,074
Due to related parties	(265,102)
Operating lease liabilities	<u>(1,319,144)</u>
Net Cash from Operating Activities	<u>529,068</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(132,315)
Purchases of investments	<u>(759,351)</u>
Net Cash from Investing Activities	<u>(891,666)</u>

Net Change in Cash and Restricted Cash (362,598)

CASH AND RESTRICTED CASH

Beginning of year	<u>1,572,956</u>
End of year	<u>\$ 1,210,358</u>

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

1. Organization and Tax Status

Harlem Village Academy West Charter School (the "School") is a New York State, not-for-profit corporation that was incorporated on September 13, 2002 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. Classes commenced in Harlem, New York, in September 2003 and in fiscal 2022 the School added three sections of Universal Pre-Kindergarten. The School provided education to approximately 72 students in Universal Pre-Kindergarten and 766 students in grades kindergarten through twelve during the 2023 - 2024 school year.

The Board of Trustees of the State University of New York ("SUNY") originally approved the application for the School on September 13, 2002. SUNY approved and issued several renewals to the School's charter expiring on July 31, 2028.

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

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

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 Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

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

Net Assets Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2024.

Fair Value Measurements

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

Investment Valuation

Investments are measured at market value.

Investment Income Recognition

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

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2024

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

Restricted Cash

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

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows at June 30, 2024:

Cash	\$ 1,060,249
Restricted cash	150,109
	<u>\$ 1,210,358</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. 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, 2024.

Refundable Advances

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

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2024

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

Revenue and Support

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

Contribution revenue is recognized when a donor makes a gift to the School or a promise to make a gift to the School which is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. In-kind donations are recorded at the estimated fair value at the date the services and goods are received.

Functional Expense Allocation

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

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statement of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2021.

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 30, 2024.

Effective July 1, 2024, the School and HVAE merged into a single not-for-profit legal entity under Harlem Village Academies Charter Schools, which serves as the sole surviving educational corporation.

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. Investments

The School's investments at June 30, 2024 consisted of a U.S. Treasury money market fund in the amount of \$759,351, categorized as level 1 in the fair value hierarchy.

5. Related Party Transactions (*not disclosed elsewhere*)

The School is related to Village Academies Network, Inc. (the "Network"), a New York State not-for-profit corporation with common management, and Harlem Village Academy East Charter School ("HVAE"), a charter school with common management and Board of Trustees. The School was not required to consolidate with HVAE as the School does not have an economic interest in the net assets of HVAE. The Network supports the School by providing educational and operating materials, training, financial support and other services.

The School entered into a Memorandum of Understanding ("MOU") with the Network effective July 1, 2022, which calls for the Network to provide support to the School in the form of academic and business support services. The term of the MOU shall run concurrent with the term of the School's charters. As compensation to the Network for these services rendered during the year ended June 30, 2024, the School paid to the Network an amount equal to 10% of the School's federal, per pupil, and New York State textbook loan funding. During the year ended June 30, 2024, the School incurred \$1,738,719 in management fees to the Network.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

5. 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, 2024 (the "Repayment Date"). If the note is repaid on or before the Repayment Date, there will be no interest accrued on the note. If the note is paid back after the Repayment Date, the Network shall pay interest at the lower of ten percent (10%) per annum or the maximum rate per annum permitted by applicable law on the outstanding principal amount of the note. The note may be repaid by the Network in whole or in part, without premium or penalty, at any time upon five (5) days advance written notice to the School. The School and the Network are currently renegotiating a new Repayment Date.

For operational efficiency and purchasing power, the School shares certain expenses with HVAE and the Network. During the year ended June 30, 2024, the School incurred \$236,151 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$1,284,833 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2024, the balance due from HVAE was \$24,833 and balance due to the Network was \$769,208.

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

On July 1, 2019, the Network entered into a three year lease for elementary and middle school activities with The Refuge Church of Our Lord Jesus Christ of the Apostolic Faith, Inc., with an option to extend the lease for an additional two years. Effective July 1, 2019, the Network assigned this lease to the School. Lease payments commenced July 1, 2019 and expired on June 30, 2022. During the year ended June 30, 2019, the Network paid a security deposit for this lease on behalf of the School in the amount of \$168,750 and is included in security deposits on the accompanying statement of financial position. During the year ended June 30, 2022, the lease was extended for an additional two years and was expired as of June 30, 2024. The School relocated to existing space upon termination of the lease. The security deposit was returned to the Network during the year ending June 30, 2025.

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

6. Property and Equipment

Property and equipment consists of the following at June 30, 2024:

Equipment	\$ 3,017,068
Furniture and fixtures	519,894
Software	3,999
Library books	73,427
Leasehold improvements	<u>1,486,145</u>
	5,100,533
Accumulated depreciation and amortization	<u>(4,147,469)</u>
	<u>\$ 953,064</u>

Depreciation and amortization expense was \$294,499 for the year ended June 30, 2024. Depreciation expense in the amount of \$33,928 was allocated to HVAE, resulting in the School's net depreciation and amortization expense of \$260,571.

7. 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, 2024:

Cash	\$ 1,060,249
Investments	759,351
Grants and contracts receivable	551,192
Due from related party	<u>24,833</u>
	<u>\$ 2,395,625</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments. In the event of unanticipated liquidity need, the School could drawn down upon investments to cover any unanticipated shortfall in funding. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 10).

8. 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, 2024 amounted to \$199,239.

Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2024

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation (“SIPC”). The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2024, approximately \$960,000 of cash was maintained with an institution in excess of FDIC limits. At June 30, 2024, approximately \$260,000 of investments was maintained with an institution in excess of SIPC limits.

10. 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, 2024, the School received approximately 89% 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.

11. Commitments

On May 22, 2013, the School entered into a 25 year operating lease for elementary school facilities with HVA 124 LLC, a related party (see Note 5). Lease payments commenced September 1, 2013 and will expire on April 30, 2038.

On July 1, 2019, the School was assigned a 3 year operating lease for elementary school facilities by the Network, a related party (see Note 5). During the year ended June 30, 2022, the lease was extended for an additional two years . Lease payments commenced July 1, 2019 and will expire on June 30, 2024. The School relocated to existing space upon termination of the lease.

ROU assets consist of the following at June 30, 2024:

ROU assets	\$ 15,594,770
Accumulated amortization	<u>(2,884,767)</u>
	<u>\$ 12,710,003</u>
Weighted average remaining lease term	13.83 years
Weighted average discount rate	3.15%

Harlem Village Academy West Charter School

Notes to Financial Statements
June 30, 2024

11. Commitments (continued)

Future minimum payments under the operating leases are as follows:

2025	\$ 1,053,600
2026	1,104,000
2027	1,104,000
2028	1,104,000
2029	1,104,000
Thereafter	11,080,000
Total minimum lease payments	16,549,600
Present value discount	(3,240,270)
Present value of lease liabilities	13,309,330
Current portion	(645,998)
Lease liabilities, less current portion	<u>\$ 12,663,332</u>

Rental expense totaled \$1,963,208 for the year ended June 30, 2024 and is included in facilities expense in the accompanying statement of functional expenses. The components of lease cost are as follows for the year ended June 30, 2024:

Operating lease cost	\$ 1,897,789
Variable lease cost	65,419
	<u>\$ 1,963,208</u>

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$1,755,331 for the year ended June 30, 2024.

12. 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.

13. Other Loss

During the year ended June 30, 2024, the School was the victim of cyberfraud, where funds were misdirected to a third party impersonating a vendor used by the School. The School has informed authorities and commenced a formal investigation. The School was reimbursed \$150,000 by its insurance carrier. Net stolen funds amounted to \$562,532. Management believes that these amounts are uncollectable and has written them off to other loss in the accompanying statement of activities.

Harlem Village Academy West Charter School

Supplementary Information

June 30, 2024

Harlem Village Academy West Charter School

Schedule of Activities by School
Year Ended June 30, 2024

	<u>West 1</u>	<u>West 2</u>	<u>Total</u>
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 11,055,389	\$ 4,586,071	\$ 15,641,460
Universal pre-kindergarten	1,106,200	-	1,106,200
State and local per pupil facilities funding	587,888	877,666	1,465,554
Federal grants	476,833	124,104	600,937
State grants	66,003	-	66,003
Grant from Network	1,404,950	-	1,404,950
Contributions and grants	229,080	-	229,080
Interest and other income	9,619	-	9,619
Total Revenue and Support	<u>14,935,962</u>	<u>5,587,841</u>	<u>20,523,803</u>
EXPENSES			
Program Services			
Regular education	12,839,660	4,279,889	17,119,549
Special education	1,065,348	355,116	1,420,464
Supplemental education	434,356	144,785	579,141
Total Program Services	<u>14,339,364</u>	<u>4,779,790</u>	<u>19,119,154</u>
Supporting Services			
Management and general	959,177	319,724	1,278,901
Total Expenses	<u>15,298,541</u>	<u>5,099,514</u>	<u>20,398,055</u>
Change in Net Assets (Deficit) Before Other Loss	<u>(362,579)</u>	<u>488,327</u>	<u>125,748</u>
Other Loss			
Theft of Funds (See Note 13)	421,899	140,633	562,532
Change in Net Assets (Deficit)	<u>(784,478)</u>	<u>347,694</u>	<u>(436,784)</u>
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS			
Beginning of year	<u>2,155,459</u>	<u>(57,140)</u>	<u>2,098,319</u>
End of year	<u>\$ 1,370,981</u>	<u>\$ 290,554</u>	<u>\$ 1,661,535</u>

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 1 Year Ended June 30, 2024

	Program Services			Total	Management and	Total
	Regular Education	Special Education	Supplemental Education		General	
Salaries and benefits	\$ 6,461,291	\$ 671,451	\$ -	\$ 7,132,742	\$ 415,133	\$ 7,547,875
Management fee	1,108,433	-	-	1,108,433	195,606	1,304,039
Contracted services - temporary	125,804	13,073	-	138,877	8,083	146,960
Audit fees	-	-	-	-	20,250	20,250
Legal fees	-	-	-	-	10,917	10,917
Books and curriculum materials	94,712	-	-	94,712	-	94,712
Student testing	36,840	-	-	36,840	-	36,840
Staff development	982,273	-	-	982,273	-	982,273
Field trips	-	-	53,286	53,286	-	53,286
After school activities	-	-	381,070	381,070	-	381,070
Supplies and materials	219,062	22,765	-	241,827	14,075	255,902
Office and postage	86,576	8,997	-	95,573	5,562	101,135
Insurance	176,727	18,365	-	195,092	11,355	206,447
Telephone and communication	7,340	763	-	8,103	472	8,575
Repairs and maintenance	58,000	6,027	-	64,027	3,726	67,753
Facilities expense	2,633,242	273,644	-	2,906,886	169,184	3,076,070
Security	289,655	30,101	-	319,756	18,610	338,366
Depreciation and amortization	167,295	17,385	-	184,680	10,748	195,428
Food and travel	69,188	-	-	69,188	69,958	139,146
Equipment and furniture	8,706	905	-	9,611	559	10,170
Technology costs	296,499	-	-	296,499	-	296,499
Miscellaneous	18,017	1,872	-	19,889	4,939	24,828
Total Expenses	<u>\$ 12,839,660</u>	<u>\$ 1,065,348</u>	<u>\$ 434,356</u>	<u>\$ 14,339,364</u>	<u>\$ 959,177</u>	<u>\$ 15,298,541</u>

See independent auditors' report

Harlem Village Academy West Charter School

Schedule of Functional Expenses - West 2
Year Ended June 30, 2024

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 2,153,764	\$ 223,817	\$ -	\$ 2,377,581	\$ 138,377	\$ 2,515,958
Management fee	369,478	-	-	369,478	65,202	434,680
Contracted services - temporary	41,935	4,358	-	46,293	2,694	48,987
Audit fees	-	-	-	-	6,750	6,750
Legal fees	-	-	-	-	3,639	3,639
Books and curriculum materials	31,571	-	-	31,571	-	31,571
Student testing	12,280	-	-	12,280	-	12,280
Staff development	327,424	-	-	327,424	-	327,424
Field trips	-	-	17,762	17,762	-	17,762
After school activities	-	-	127,023	127,023	-	127,023
Supplies and materials	73,021	7,588	-	80,609	4,692	85,301
Office and postage	28,859	2,999	-	31,858	1,854	33,712
Insurance	58,909	6,122	-	65,031	3,785	68,816
Telephone and communication	2,447	254	-	2,701	157	2,858
Repairs and maintenance	19,333	2,009	-	21,342	1,242	22,584
Facilities expense	877,747	91,214	-	968,961	56,394	1,025,355
Security	96,552	10,034	-	106,586	6,203	112,789
Depreciation and amortization	55,765	5,795	-	61,560	3,583	65,143
Food and travel	23,063	-	-	23,063	23,319	46,382
Equipment and furniture	2,902	302	-	3,204	186	3,390
Technology costs	98,833	-	-	98,833	-	98,833
Miscellaneous	6,006	624	-	6,630	1,647	8,277
Total Expenses	\$ 4,279,889	\$ 355,116	\$ 144,785	\$ 4,779,790	\$ 319,724	\$ 5,099,514

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

Independent Auditors' Report

Board of Trustees
Harlem Village Academy West Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harlem Village Academy West Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2024