

**Harlem Village Academy West Charter School**

Financial Statements and  
Uniform Guidance Schedules  
Together With Independent Auditors' Reports

June 30, 2019

# Harlem Village Academy West Charter School

## Financial Statements and Uniform Guidance Schedules Together With Independent Auditors' Reports

June 30, 2019

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## **Independent Auditors' Report**

### **Board of Trustees Harlem Village Academy West Charter School**

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

We have audited the accompanying financial statements of Harlem Village Academy West Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Harlem Village Academy West Charter School adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities and functional expenses by school as of and for the year ended June 30, 2019 on pages 14 to 16 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 17 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is 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 22, 2019, 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*

## Harlem Village Academy West Charter School

### Statement of Financial Position June 30, 2019

#### ASSETS

##### Current Assets

Cash and cash equivalents	\$ 2,085,821
Grants and contracts receivable	837,164
Prepaid expenses and other current assets	47,662
Due from related party	<u>498,964</u>
Total Current Assets	3,469,611

Property and equipment, net	863,075
Note receivable - related party	750,000
Security deposits	225,433
Restricted cash	<u>75,010</u>
	<u>\$ 5,383,129</u>

#### LIABILITIES AND NET ASSETS

##### Current Liabilities

Accounts payable and accrued expenses	\$ 670,187
Accrued payroll and payroll taxes	689,243
Refundable advances	40,793
Due to related party	<u>1,944,407</u>
Total Liabilities	<u>3,344,630</u>

##### Net Assets

Without donor restrictions	1,751,317
With donor restrictions	<u>287,182</u>
Total Net Assets	<u>2,038,499</u>
	<u>\$ 5,383,129</u>

## Harlem Village Academy West Charter School

### Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 14,505,425	\$ -	\$ 14,505,425
State and local per pupil facilities funding	912,000	-	912,000
Federal grants	1,000,017	-	1,000,017
Federal IDEA	137,868	-	137,868
State and city grants	65,263	-	65,263
Grant from network	152,000	-	152,000
Donated services	42,690	-	42,690
Interest income	12,904	-	12,904
Net assets released from restrictions	8,974	(8,974)	-
Total Revenue and Support	16,837,141	(8,974)	16,828,167
<b>EXPENSES</b>			
Program Services			
Regular education	12,668,458	-	12,668,458
Special education	2,940,924	-	2,940,924
Supplemental education	262,173	-	262,173
Total Program Services	15,871,555	-	15,871,555
Supporting Services			
Management and general	934,905	-	934,905
Total Expenses	16,806,460	-	16,806,460
Change in Net Assets	30,681	(8,974)	21,707
<b>NET ASSETS</b>			
Beginning of year	1,720,636	296,156	2,016,792
End of year	\$ 1,751,317	\$ 287,182	\$ 2,038,499

See notes to financial statements

**Harlem Village Academy West Charter School**

Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services			Total	Management	Total
	Regular Education	Special Education	Supplemental Education		and General	
Salaries and benefits	\$ 8,774,825	\$ 2,211,066	\$ -	\$ 10,985,891	\$ 645,631	\$ 11,631,522
Consultants	3,644	25,000	-	28,644	-	28,644
Contracted services - temporary	135,689	34,191	-	169,880	9,984	179,864
Audit fees	-	-	-	-	15,000	15,000
Legal fees	-	-	-	-	45,641	45,641
Books and curriculum materials	204,356	-	-	204,356	-	204,356
Recruiting and marketing	3,969	-	-	3,969	-	3,969
Student testing	86,265	-	-	86,265	-	86,265
Staff development	337,589	-	-	337,589	-	337,589
Field trips	-	-	45,014	45,014	-	45,014
After school activities	-	-	217,159	217,159	-	217,159
Supplies and materials	248,256	62,556	-	310,812	18,266	329,078
Office and postage	14,670	3,696	-	18,366	1,079	19,445
Insurance	140,513	35,406	-	175,919	10,338	186,257
Telephone and communication	18,303	4,612	-	22,915	1,347	24,262
Repairs and maintenance	213,773	53,866	-	267,639	15,729	283,368
Facilities expense	1,583,432	398,990	-	1,982,422	116,505	2,098,927
Security	141,197	35,579	-	176,776	10,390	187,166
Depreciation and amortization	195,106	49,163	-	244,269	14,355	258,624
Food and travel	55,376	-	-	55,376	22,814	78,190
Equipment and furniture	60,471	15,237	-	75,708	4,449	80,157
Technology costs	405,140	-	-	405,140	-	405,140
Miscellaneous	45,884	11,562	-	57,446	3,377	60,823
<b>Total Expenses</b>	<b>\$ 12,668,458</b>	<b>\$ 2,940,924</b>	<b>\$ 262,173</b>	<b>\$ 15,871,555</b>	<b>\$ 934,905</b>	<b>\$ 16,806,460</b>

See notes to financial statements

## Harlem Village Academy West Charter School

### Statement of Cash Flows Year Ended June 30, 2019

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 21,707
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	258,624
Depreciation charged to related party	38,242
Changes in operating assets and liabilities	
Grants and contracts receivable	(55,926)
Prepaid expenses and other current assets	20,825
Security deposit	(166,660)
Due from related party	(37,350)
Accounts payable and accrued expenses	406,786
Accrued payroll and payroll taxes	(111,926)
Refundable advances	40,793
Due to related party	<u>873,120</u>
Net Cash from Operating Activities	<u>1,288,235</u>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	(441,107)
Restricted cash	<u>(75,010)</u>
Net Cash from Investing Activities	<u>(516,117)</u>

Net Change in Cash and Cash Equivalents 772,118

#### **CASH AND CASH EQUIVALENTS**

Beginning of year	<u>1,313,703</u>
End of year	<u>\$ 2,085,821</u>



# Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2019

## 1. Organization and Tax Status

Harlem Village Academy West Charter School (the "School") is a New York State, not-for-profit corporation that was incorporated on September 13, 2002 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. Classes commenced in Harlem, New York, in September 2003 and the School provided education to approximately 830 students in grades kindergarten through twelve during the 2018-2019 school year.

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

On June 6, 2018, SUNY approved the School to operate a new charter school, Harlem Village Academy West 2 Charter School ("West 2"). Classes for West 2 commenced in Harlem, New York, in August 2019. West 2 incurred start-up and planning expenses during the year ended June 30, 2019.

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

## 2. Summary of Significant Accounting Policies

### ***Basis of Presentation and Use of Estimates***

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

### ***Change in Accounting Principle***

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to the liquidity of financial assets, and expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified as net assets without donor restrictions.

## Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2019

### 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.

#### ***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 a reserve fund of \$75,000 to cover debts in the event of the School's dissolution.

#### ***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

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2019

### 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 year ended June 30, 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.

#### ***Revenue and Support***

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

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

#### ***Donated Services***

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

One entity provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$42,690. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

#### ***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.

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2019

### 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, 2016.

#### ***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 22, 2019.

### 3. Grants and Contracts Receivable

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

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

The School is an affiliate of Harlem Village Academies (the "Network"), a New York State not-for-profit corporation 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.

On May 21, 2010, the School signed a promissory note for \$750,000 with the Network. The note was due May 31, 2013. The Board of Trustees approved an extension to September 30, 2021 (Repayment Date). If the note is repaid on or before the Repayment Date, there will be no interest accrued on the note. If the note is paid back after the Repayment Date, the Network shall pay interest at the lower of ten percent (10%) per annum or the maximum rate per annum permitted by applicable law on the outstanding principal amount of the note. The note may be repaid by the Network in whole or in part, without premium or penalty, at any time upon five (5) days advance written notice to the School.

For operational efficiency and purchasing power, the School shares certain expenses with HVAE and the Network. During the year ended June 30, 2019, the School incurred \$1,236,992 of net operating expenses paid by the Network on behalf of the School, and HVAE incurred \$2,059,144 of net operating expenses paid by the School on behalf of HVAE. At June 30, 2019, the balance due from HVAE was \$498,964 and the balance due to the Network was \$1,944,407.

During the year ended June 30, 2019, the Network granted \$152,000 to support the School's operations.

## Harlem Village Academy West Charter School

Notes to Financial Statements

June 30, 2019

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

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

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

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

### 5. Property and Equipment

Property and equipment consists of the following at June 30, 2019:

Equipment	\$ 1,912,946
Furniture and fixtures	504,501
Software	3,999
Library books	73,427
Leasehold improvements	<u>735,487</u>
	3,230,360
Accumulated depreciation and amortization	<u>(2,367,285)</u>
	<u>\$ 863,075</u>

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2019

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

Depreciation and amortization expense was \$296,866 for the year ended June 30, 2019. Depreciation expense in the amount of \$38,242 was allocated to HVAE, resulting in the School's net depreciation and amortization expense of \$258,624.

### 6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash and cash equivalents	\$ 2,085,821
Grants and contracts receivable	837,164
Due from related party	<u>498,964</u>
	<u>\$ 3,421,949</u>

As part of the School's liquidity management plan, the status of grants and accounts receivable is monitored regularly and any excess cash is invested in highly liquid instruments. Net assets with donor restrictions of \$287,182 represent the net book value of leasehold improvements at June 30, 2019. This amount will be released from restriction at the same rate as recognition of amortization expense (see Note 9).

### 7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employer match for the year ended June 30, 2019 amounted to \$137,496.

### 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, 2019, approximately \$1,910,000 of cash was maintained with an institution in excess of FDIC limits.

### 9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the year ended June 30, 2019, the School received approximately 92% 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.

## Harlem Village Academy West Charter School

Notes to Financial Statements  
June 30, 2019

### 10. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 consists of a State Stimulus Fund grant for \$350,000 to help pay for the development costs of its permanent high school facility. The School expended and capitalized \$350,000 during the year ended June 30, 2009 related to this grant. These costs are classified as leasehold improvements under property and equipment on the School's statement of financial position. Net assets with donor restrictions are reclassified to net assets without donor restrictions as amortization expense is recognized over the life of the leasehold improvements. During the year ended June 30, 2019, \$8,974 was released from restriction. At June 30, 2019, net assets with donor restrictions were \$287,182.

### 11. Commitments

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

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

Future minimum payments under the operating leases are as follows:

2020	\$ 1,632,600
2021	1,691,700
2022	1,705,470
2023	1,003,200
2024	1,003,200
Thereafter	<u>16,549,600</u>
	<u>\$ 23,585,770</u>

### 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.

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**Harlem Village Academy West Charter School**

Supplementary Information

June 30, 2019



**Harlem Village Academy West Charter School**

Schedule of Activities by School  
Year Ended June 30, 2019

	West 1			West 2	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>					
State and local per pupil operating revenue	\$ 14,505,425	\$ -	\$ 14,505,425	\$ -	\$ 14,505,425
State and local per pupil facilities funding	912,000	-	912,000	-	912,000
Federal grants	468,017	-	468,017	532,000	1,000,017
Federal IDEA	137,868	-	137,868	-	137,868
State and city grants	65,263	-	65,263	-	65,263
Grant from network	152,000	-	152,000	-	152,000
Donated services	42,690	-	42,690	-	42,690
Interest and other income	12,904	-	12,904	-	12,904
Net assets released from restrictions	8,974	(8,974)	-	-	-
Total Revenue and Support	<u>16,305,141</u>	<u>(8,974)</u>	<u>16,296,167</u>	<u>532,000</u>	<u>16,828,167</u>
<b>EXPENSES</b>					
Program Services					
Regular education	12,471,006	-	12,471,006	197,452	12,668,458
Special education	2,940,924	-	2,940,924	-	2,940,924
Supplemental education	262,173	-	262,173	-	262,173
Total Program Services	<u>15,674,103</u>	<u>-</u>	<u>15,674,103</u>	<u>197,452</u>	<u>15,871,555</u>
Supporting Services					
Management and general	<u>885,395</u>	<u>-</u>	<u>885,395</u>	<u>49,510</u>	<u>934,905</u>
Total Expenses	<u>16,559,498</u>	<u>-</u>	<u>16,559,498</u>	<u>246,962</u>	<u>16,806,460</u>
Change in Net Assets	(254,357)	(8,974)	(263,331)	285,038	21,707
<b>NET ASSETS</b>					
Beginning of year	<u>1,720,636</u>	<u>296,156</u>	<u>2,016,792</u>	<u>-</u>	<u>2,016,792</u>
End of year	<u>\$ 1,466,279</u>	<u>\$ 287,182</u>	<u>\$ 1,753,461</u>	<u>\$ 285,038</u>	<u>\$ 2,038,499</u>

See independent auditor's report

**Harlem Village Academy West Charter School**

Schedule of Functional Expenses - West 1  
Year Ended June 30, 2019

	Program Services			Total	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and benefits	\$ 8,704,608	\$ 2,211,066	\$ -	\$ 10,915,674	\$ 609,848	\$ 11,525,522
Consultants	3,644	25,000	-	28,644	-	28,644
Contracted services - temporary	135,689	34,191	-	169,880	9,984	179,864
Audit fees	-	-	-	-	15,000	15,000
Legal fees	-	-	-	-	45,641	45,641
Books and curriculum materials	142,650	-	-	142,650	-	142,650
Recruiting and marketing	3,969	-	-	3,969	-	3,969
Student testing	86,265	-	-	86,265	-	86,265
Staff development	329,184	-	-	329,184	-	329,184
Field trips	-	-	45,014	45,014	-	45,014
After school activities	-	-	217,159	217,159	-	217,159
Supplies and materials	248,256	62,556	-	310,812	18,266	329,078
Office and postage	14,670	3,696	-	18,366	1,079	19,445
Insurance	140,513	35,406	-	175,919	10,338	186,257
Telephone and communication	18,303	4,612	-	22,915	1,347	24,262
Repairs and maintenance	213,773	53,866	-	267,639	15,729	283,368
Facilities expense	1,563,683	398,990	-	1,962,673	106,441	2,069,114
Security	141,197	35,579	-	176,776	10,390	187,166
Depreciation and amortization	195,106	49,163	-	244,269	14,355	258,624
Food and travel	55,376	-	-	55,376	22,814	78,190
Equipment and furniture	53,283	15,237	-	68,520	786	69,306
Technology costs	374,953	-	-	374,953	-	374,953
Miscellaneous	45,884	11,562	-	57,446	3,377	60,823
<b>Total Expenses</b>	<b>\$ 12,471,006</b>	<b>\$ 2,940,924</b>	<b>\$ 262,173</b>	<b>\$ 15,674,103</b>	<b>\$ 885,395</b>	<b>\$ 16,559,498</b>

See independent auditor's report

**Harlem Village Academy West Charter School**

Schedule of Functional Expenses - West 2  
Year Ended June 30, 2019

	Program Services Regular Education	Management and General	Total
Salaries and benefits	\$ 70,217	\$ 35,783	\$ 106,000
Books and curriculum materials	61,706	-	61,706
Staff development	8,405	-	8,405
Facilities expense	19,749	10,064	29,813
Equipment and furniture	7,188	3,663	10,851
Technology costs	<u>30,187</u>	<u>-</u>	<u>30,187</u>
 Total Expenses	 <u>\$ 197,452</u>	 <u>\$ 49,510</u>	 <u>\$ 246,962</u>

**Harlem Village Academy West Charter School**

Uniform Guidance Schedules and Reports

June 30, 2019

**Harlem Village Academy West Charter School**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education</u>				
Pass-through the New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021194286	\$ -	\$ 413,462
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	00147194286	-	54,555
Charter Schools	84.282	0089191005	-	<u>532,000</u>
Total U.S. Department of Education			-	<u>1,000,017</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,000,017</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

## Harlem Village Academy West Charter School

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Harlem Village Academy West Charter School (the "School") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

**Independent Auditors' Report**

**Board of Trustees  
Harlem Village Academy West Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harlem Village Academy West Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 22, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2019



**Report on Compliance for Each Major Federal Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance**

**Independent Auditors' Report**

**Board of Trustees  
Harlem Village Academy West Charter School**

**Report on Compliance for Each Major Federal Program**

We have audited Harlem Village Academy West Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Harlem Village Academy West Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

***Report on Internal Control over Compliance***

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

## Harlem Village Academy West Charter School

### Schedule of Findings and Questioned Costs Year Ended June 30, 2019

#### Section I - Summary of Auditors' Results

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

##### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
84.010	Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

#### Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

#### Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

#### Section IV - Prior Year's Findings

There were no prior year audit findings.



**Board of Trustees  
Harlem Village Academy West Charter School**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Harlem Village Academy West Charter School (the "School") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 22, 2019