

PAVE Academy Charter School

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

June 30, 2022 and 2021

PAVE Academy Charter School

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

June 30, 2022 and 2021

TABLE OF CONTENTS	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
UNIFORM GUIDANCE REPORTS AND SCHEDULES	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	24

Independent Auditors' Report

Board of Trustees
PAVE Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of PAVE Academy Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 PAVE Academy Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 PAVE Academy Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 PAVE Academy 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 PAVE Academy 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 PAVE Academy 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 10, 2022, on our consideration of PAVE Academy 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 PAVE Academy 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 PAVE Academy Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 10, 2022

PAVE Academy Charter School

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 7,120,455	\$ 5,811,368
Grants and contracts receivable	1,119,241	420,887
Prepaid expenses and other current assets	<u>85,646</u>	<u>56,990</u>
Total Current Assets	8,325,342	6,289,245
Property and equipment, net	219,168	363,779
Restricted cash	<u>76,498</u>	<u>76,490</u>
	<u>\$ 8,621,008</u>	<u>\$ 6,729,514</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 195,302	\$ 131,867
Accrued payroll and payroll taxes	<u>322,862</u>	<u>319,639</u>
Total Current Liabilities	<u>518,164</u>	<u>451,506</u>
Net Assets		
Without Donor Restrictions		
Undesignated	7,768,165	6,025,008
Board designated	<u>209,039</u>	<u>198,000</u>
	7,977,204	6,223,008
With donor restrictions	<u>125,640</u>	<u>55,000</u>
Total Net Assets	<u>8,102,844</u>	<u>6,278,008</u>
	<u>\$ 8,621,008</u>	<u>\$ 6,729,514</u>

See notes to financial statements

PAVE Academy Charter School

Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 9,450,037	\$ -	\$ 9,450,037
Federal grants	1,659,594	-	1,659,594
Federal E-rate and IDEA	135,025	-	135,025
State grants	44,493	-	44,493
Contributions and grants	531,614	128,520	660,134
Other income	17,714	-	17,714
Net assets released from restrictions	<u>57,880</u>	<u>(57,880)</u>	<u>-</u>
Total Revenue and Support	<u>11,896,357</u>	<u>70,640</u>	<u>11,966,997</u>
EXPENSES			
Program Services			
Regular education	6,273,879	-	6,273,879
Special education	<u>2,685,591</u>	<u>-</u>	<u>2,685,591</u>
Total Program Services	8,959,470	-	8,959,470
Supporting Services			
Management and general	<u>1,182,691</u>	<u>-</u>	<u>1,182,691</u>
Total Expenses	<u>10,142,161</u>	<u>-</u>	<u>10,142,161</u>
 Change in Net Assets	 1,754,196	 70,640	 1,824,836
NET ASSETS			
Beginning of year	<u>6,223,008</u>	<u>55,000</u>	<u>6,278,008</u>
 End of year	 <u>\$ 7,977,204</u>	 <u>\$ 125,640</u>	 <u>\$ 8,102,844</u>

See notes to financial statements

PAVE Academy Charter School

Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 9,602,301	\$ -	\$ 9,602,301
Federal grants	710,530	-	710,530
Federal E-rate and IDEA	89,236	-	89,236
State grants	45,038	-	45,038
Contributions and grants	219,072	170,196	389,268
Other income	6,473	-	6,473
Net assets released from restrictions	<u>115,196</u>	<u>(115,196)</u>	<u>-</u>
Total Revenue and Support	<u>10,787,846</u>	<u>55,000</u>	<u>10,842,846</u>
EXPENSES			
Program Services			
Regular education	6,439,700	-	6,439,700
Special education	<u>1,881,416</u>	<u>-</u>	<u>1,881,416</u>
Total Program Services	8,321,116	-	8,321,116
Supporting Services			
Management and general	<u>1,130,682</u>	<u>-</u>	<u>1,130,682</u>
Total Expenses	<u>9,451,798</u>	<u>-</u>	<u>9,451,798</u>
Gain on forgiveness of Paycheck Protection Program Loan	<u>1,145,924</u>	<u>-</u>	<u>1,145,924</u>
Change in Net Assets	2,481,972	55,000	2,536,972
NET ASSETS			
Beginning of year	<u>3,741,036</u>	<u>-</u>	<u>3,741,036</u>
End of year	<u>\$ 6,223,008</u>	<u>\$ 55,000</u>	<u>\$ 6,278,008</u>

See notes to financial statements

PAVE Academy Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	18	\$ 885,961	\$ 211,630	\$ 1,097,591	\$ 701,151	\$ 1,798,742
Instructional personnel	45	2,510,804	1,265,669	3,776,473	-	3,776,473
Total Personnel Services Costs	<u>63</u>	<u>3,396,765</u>	<u>1,477,299</u>	<u>4,874,064</u>	701,151	<u>5,575,215</u>
Fringe benefits and payroll taxes		863,493	375,545	1,239,038	178,240	1,417,278
Retirement		36,594	15,915	52,509	7,554	60,063
Legal service		2,419	1,052	3,471	499	3,970
Accounting / audit services		59,072	25,691	84,763	12,193	96,956
Other purchased / professional / consulting services		377,483	163,418	540,901	75,949	616,850
Repairs and maintenance		389,931	169,586	559,517	80,488	640,005
Insurance		94,030	40,895	134,925	19,409	154,334
Utilities		114,721	49,894	164,615	23,680	188,295
Supplies / materials		164,667	58,605	223,272	-	223,272
Equipment / furnishings		2,158	939	3,097	446	3,543
Staff development		35,272	12,553	47,825	-	47,825
Marketing / recruitment		60,266	24,539	84,805	8,072	92,877
Technology		82,719	35,976	118,695	17,075	135,770
Food service		309,391	110,114	419,505	-	419,505
Office expense		120,351	52,342	172,693	24,842	197,535
Depreciation and amortization		129,239	56,207	185,446	26,677	212,123
Other		<u>35,308</u>	<u>15,021</u>	<u>50,329</u>	<u>6,416</u>	<u>56,745</u>
Total Expenses		<u>\$ 6,273,879</u>	<u>\$ 2,685,591</u>	<u>\$ 8,959,470</u>	<u>\$ 1,182,691</u>	<u>\$ 10,142,161</u>

PAVE Academy Charter School

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 999,048	\$ 364,583	\$ 1,363,631	\$ 706,331	\$ 2,069,962
Instructional personnel	47	2,763,307	734,743	3,498,050	-	3,498,050
Total Personnel Services Costs	<u>67</u>	<u>3,762,355</u>	<u>1,099,326</u>	<u>4,861,681</u>	<u>706,331</u>	<u>5,568,012</u>
Fringe benefits and payroll taxes		929,060	271,463	1,200,523	174,418	1,374,941
Retirement		40,769	11,912	52,681	7,654	60,335
Legal service		4,966	1,451	6,417	932	7,349
Accounting / audit services		86,701	25,333	112,034	16,277	128,311
Other purchased / professional / consulting services		338,704	98,959	437,663	60,731	498,394
Repairs and maintenance		374,719	109,489	484,208	70,349	554,557
Insurance		91,667	26,784	118,451	17,210	135,661
Utilities		51,028	14,910	65,938	9,580	75,518
Supplies / materials		110,979	32,372	143,351	-	143,351
Equipment / furnishings		934	273	1,207	176	1,383
Staff development		40,416	11,789	52,205	-	52,205
Marketing / recruitment		41,331	12,069	53,400	4,718	58,118
Technology		65,924	19,263	85,187	12,376	97,563
Food service		187,921	54,816	242,737	-	242,737
Office expense		84,349	24,646	108,995	15,836	124,831
Depreciation and amortization		156,153	45,626	201,779	29,316	231,095
Loss on disposal of property and equipment		6,950	2,031	8,981	1,304	10,285
Other		64,774	18,904	83,678	3,474	87,152
Total Expenses		<u>\$ 6,439,700</u>	<u>\$ 1,881,416</u>	<u>\$ 8,321,116</u>	<u>\$ 1,130,682</u>	<u>\$ 9,451,798</u>

PAVE Academy Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,824,836	\$ 2,536,972
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	212,123	231,095
Loss on disposal of property and equipment	-	10,285
Gain on forgiveness of Paycheck Protection Program loan	-	(1,145,924)
Changes in operating assets and liabilities		
Grants and contracts receivable	(698,354)	(58,577)
Prepaid expenses and other current assets	(28,656)	(14,816)
Accounts payable and accrued expenses	63,435	(2,902)
Accrued payroll and payroll taxes	3,223	(11,166)
Due to related party	-	(380,684)
Net Cash from Operating Activities	1,376,607	1,164,283
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(67,512)	(149,621)
Net Change in Cash and Restricted Cash	1,309,095	1,014,662
CASH AND RESTRICTED CASH		
Beginning of year	5,887,858	4,873,196
End of year	\$ 7,196,953	\$ 5,887,858

See notes to financial statements

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

PAVE Academy Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued several renewals to the School's charter expiring on June 30, 2023. During March of 2017, the School applied to change their authorizer and transfer its charter from the New York City Department of Education to the State University of New York ("SUNY"). On October 11, 2017, SUNY approved the transfer of the School's charter effective beginning with the 2017-2018 school year. The School's mission is to prepare kindergarten through eighth grade students to thrive in competitive high schools and four year colleges and provide the children of Brooklyn with a rigorous academic program and a school community built on the School's core values of Perseverance, Achievement, Vibrance, and Excellent character ("PAVE"). Classes commenced in Red Hook, Brooklyn, New York, in August 2008 and the School provided education to approximately 463 students in kindergarten through eighth grade in the 2021-2022 academic year.

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net Asset Presentation

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

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees. Board designated net assets were established by the Board of Trustees to provide a cash reserve for unseen operating and capital expenses.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Net Asset Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Restricted Cash

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

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts presented in the statements of cash flows at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 7,120,455	\$ 5,811,368
Restricted cash	<u>76,498</u>	<u>76,490</u>
	<u>\$ 7,196,953</u>	<u>\$ 5,887,858</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 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. Costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

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

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

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Revenue and Support

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

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

Functional Expense Allocation

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2022 and 2021 was \$92,877 and \$58,118.

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, 2019.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 10, 2022.

3. Grants and Contracts Receivable

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

4. Property and Equipment

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

	2022	2021
Computers and equipment	\$ 944,654	\$ 906,067
Furniture and fixtures	83,218	83,218
Software	141,258	141,258
Leasehold improvements	219,156	190,231
	<u>1,388,286</u>	<u>1,320,774</u>
Accumulated depreciation and amortization	<u>(1,169,118)</u>	<u>(956,995)</u>
	<u>\$ 219,168</u>	<u>\$ 363,779</u>

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

5. Liquidity and Availability of Financial Assets

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

	2022	2021
Cash	\$ 7,120,455	\$ 5,811,368
Grants and contracts receivable	<u>1,119,421</u>	<u>420,887</u>
	8,239,876	6,232,255
Less amounts unavailable for general expenditures:		
Net assets with donor restrictions	(125,640)	(55,000)
Board designated net assets	<u>(209,039)</u>	<u>(198,000)</u>
	<u>\$ 7,905,197</u>	<u>\$ 5,979,255</u>

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

5. Liquidity and Availability of Financial Assets (continued)

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid securities. At June 30, 2022 and 2021, the Board of Trustees has designated \$209,039 and \$198,000 of net assets without donor restrictions that could be drawn upon through board resolution and can be made available for facility improvements or repairs. The School will continue to rely on funding received from the New York Department of Education to cover its future operating costs (see note 9).

6. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of PAVE Schools, Inc. ("PAVE Schools"), a New York State not-for-profit corporation. PAVE Schools supported the School through financial, fundraising and facility development efforts. Effective July 1, 2015, PAVE Schools acted as a Charter Management Organization. During the years ended June 30, 2022 and 2021, PAVE Schools made grants to the School in the amount of \$0 and \$115,196 and included in contributions and grants revenue in the statements of activities.

Facility Lease

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

Management Agreement

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

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School provided matching contributions of 2% to the plan. The amount charged to operations for fees and matching contributions to this plan amounted to \$60,063 and \$60,335 for the years ended June 30, 2022 and 2021.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, approximately \$6,921,000 and \$5,593,000 of cash was maintained with institutions in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its support and revenue from the New York City Department of Education. For the years ended June 30, 2022 and 2021, the School received approximately 79% and 80% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Paycheck Protection Program Loan Payable

On May 5, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), from a qualified PPP lender, for an aggregate principal and interest amount of \$1,145,924 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered expenses.

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

11. Net Assets with Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions in the amount of \$125,640 and \$55,000 were restricted for a summer school program. For the years ended June 30, 2022 and 2021, net assets with donor restrictions in the amount of \$57,880 and \$115,196 were released from donor restriction for staff salaries and summer program costs.

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.

PAVE Academy Charter School

Notes to Financial Statements
June 30, 2022 and 2021

13. Risks and Uncertainties

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

PAVE Academy Charter School

Uniform Guidance
Schedules and Reports

June 30, 2022

PAVE Academy Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-Through New York State Education Department:				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	not available	\$ -	\$ 91,424
National School Lunch Program	10.555	not available	-	300,273
Covid-19 - Emergency Operational Cost Reimbursement Program	10.555	not available	-	56,794
Covid-19 - Supply Chain Assistance Funds	10.555	not available	-	14,046
Summer Food Service Program for Children	10.559	not available	-	5,502
Total Child Nutrition Cluster			-	468,039
Total U.S. Department of Agriculture			-	468,039
 <u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021224450	-	205,891
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147224450	-	27,368
Student Support and Academic Enrichment Program	84.424	0204224450	-	15,369
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214450	-	427,683
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214450	-	499,350
Total U.S. Department of Education			-	1,643,700
Total Expenditures of Federal Awards			\$ -	\$ 1,643,700

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

PAVE Academy Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of PAVE Academy Charter School (the "School"), under programs of the federal government for the year ended June 30, 2022. 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.

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
PAVE Academy Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of PAVE Academy Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 10, 2022.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 10, 2022

**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
PAVE Academy Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited PAVE Academy Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Harrison, New York
October 10, 2022

PAVE Academy Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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 X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X 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 X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2022.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance 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 Findings

There were no findings in the prior year.