

Harlem Link Charter School

Financial Statements

June 30, 2018 and 2017

Independent Auditors' Report

Board of Trustees Harlem Link Charter School

We have audited the accompanying financial statements of Harlem Link Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
September 12, 2018

Harlem Link Charter School

Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,587,506	\$ 1,705,983
Grants and contracts receivable	507,601	347,848
Pledges receivable	-	125,000
Prepaid expenses and other current assets	<u>45,277</u>	<u>27,292</u>
Total Current Assets	2,140,384	2,206,123
Property and equipment, net	174,743	82,474
Restricted cash	<u>75,245</u>	<u>75,222</u>
	<u>\$ 2,390,372</u>	<u>\$ 2,363,819</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 197,542	\$ 143,704
Accrued payroll and payroll taxes	450,816	421,559
Refundable advances	<u>45,804</u>	<u>15,079</u>
Total Liabilities	<u>694,162</u>	<u>580,342</u>
Net Assets		
Unrestricted	1,696,210	1,658,477
Temporarily restricted	<u>-</u>	<u>125,000</u>
Total Net Assets	<u>1,696,210</u>	<u>1,783,477</u>
	<u>\$ 2,390,372</u>	<u>\$ 2,363,819</u>

See notes to financial statements

Harlem Link Charter School

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
Public School District				
Regular student enrollment	\$ 5,645,186	\$ -	\$ 5,645,186	\$ 5,250,274
Students with disabilities	1,030,339	-	1,030,339	925,305
Universal pre-kindergarten	368,644	-	368,644	382,661
Grants and Contracts				
Federal - E-Rate, IDEA, and Titles	520,162	-	520,162	248,207
State and local	<u>29,563</u>	-	<u>29,563</u>	-
Total Operating Revenue	<u>7,593,894</u>	-	<u>7,593,894</u>	<u>6,806,447</u>
EXPENSES				
Program Services				
Regular education	5,429,463	-	5,429,463	4,568,867
Special education	<u>1,280,177</u>	-	<u>1,280,177</u>	<u>1,071,661</u>
Total Program Services	6,709,640	-	6,709,640	5,640,528
Supporting Services				
Management and general	954,619	-	954,619	836,686
Fundraising	<u>82,804</u>	-	<u>82,804</u>	<u>86,646</u>
Total Expenses	<u>7,747,063</u>	-	<u>7,747,063</u>	<u>6,563,860</u>
(Deficit) Surplus from Operations	<u>(153,169)</u>	-	<u>(153,169)</u>	<u>242,587</u>
SUPPORT AND OTHER REVENUE				
Contributions				
Foundations	5,066		5,066	230,022
Individuals	60,397	-	60,397	58,576
Corporations	-	-	-	163
Other income	439	-	439	9,096
Net assets released from restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	<u>190,902</u>	<u>(125,000)</u>	<u>65,902</u>	<u>297,857</u>
Change in Net Assets	37,733	(125,000)	(87,267)	540,444
NET ASSETS				
Beginning of year	<u>1,658,477</u>	<u>125,000</u>	<u>1,783,477</u>	<u>1,243,033</u>
End of year	<u>\$ 1,696,210</u>	<u>\$ -</u>	<u>\$ 1,696,210</u>	<u>\$ 1,783,477</u>

See notes to financial statements

Harlem Link Charter School

Statement of Functional Expenses
 Year Ended June 30, 2018
 (with summarized totals for the year ended June 30, 2017)

	No. of Positions	2018						2017
		Program Services			Supporting Services			Total
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel services costs								
Administrative staff personnel	20	\$ 738,532	\$ 173,236	\$ 911,768	\$ 501,046	\$ 64,385	\$ 1,477,199	\$ 1,469,110
Instructional personnel	40	<u>2,686,037</u>	<u>630,058</u>	<u>3,316,095</u>	-	-	<u>3,316,095</u>	<u>3,079,464</u>
Total salaries and staff	60	3,424,569	803,294	4,227,863	501,046	64,385	4,793,294	4,548,574
Fringe benefits and payroll taxes		698,662	163,884	862,546	102,221	13,135	977,902	1,037,174
Legal services		-	-	-	6,350	-	6,350	11,563
Accounting/audit services		-	-	-	25,250	-	25,250	22,250
Other purchased/professional/consulting services		609,805	143,041	752,846	100,684	-	853,530	390,733
Insurance		35,432	8,311	43,743	5,184	666	49,593	45,495
Instructional materials		29,362	8,393	37,755	-	-	37,755	5,880
Classroom and office supplies		272,810	63,992	336,802	45,045	-	381,847	154,696
Non-capitalized equipment/technology		19,565	4,589	24,154	2,863	368	27,385	42,259
Professional development		117,454	27,551	145,005	17,187	2,208	164,400	90,723
Marketing and recruitment		86,128	24,622	110,750	36,916	-	147,666	24,955
Telephone and internet		10,493	2,461	12,954	1,536	197	14,687	13,876
Staff lunches and team building		50,543	11,856	62,399	7,396	950	70,745	61,492
Student meals		4,459	1,275	5,734	-	-	5,734	17,839
Postage, printing, and shipping		8,681	2,482	11,163	3,721	-	14,884	22,064
Travel and conference		-	-	-	5,519	-	5,519	7,427
Maintenance and repairs		13,879	3,256	17,135	2,293	-	19,428	15,793
Depreciation and amortization		47,621	11,170	58,791	6,968	895	66,654	36,367
Miscellaneous		-	-	-	84,440	-	84,440	14,700
Total Expenses		<u>\$ 5,429,463</u>	<u>\$ 1,280,177</u>	<u>\$ 6,709,640</u>	<u>\$ 954,619</u>	<u>\$ 82,804</u>	<u>\$ 7,747,063</u>	<u>\$ 6,563,860</u>

See notes to financial statements

Harlem Link Charter School

Statement of Cash Flows

Year Ended June 30, 2018

(with summarized amounts for the year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (87,267)	\$ 540,444
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	66,654	36,367
Changes in operating assets and liabilities		
Grants and contracts receivable	(159,753)	202,715
Pledges receivable	125,000	(125,000)
Prepaid expenses and other current assets	(17,985)	45,899
Accounts payable and accrued expenses	53,838	43,258
Accrued payroll and payroll taxes	29,257	27,499
Refundable advances	30,725	15,079
Net Cash from Operating Activities	40,469	786,261
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(158,923)	(42,071)
Restricted cash	(23)	(22)
Net Cash from Investing Activities	(158,946)	(42,093)
 CASH FLOWS FROM FINANCING ACTIVITY		
Loan payment	-	(139,321)
Net Change in Cash and Cash Equivalents	(118,477)	604,847
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,705,983	1,101,136
End of year	\$ 1,587,506	\$ 1,705,983

Harlem Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status

Harlem Link Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on September 10, 2004 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on September 10, 2004, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued several renewals to the School's charter expiring on July 31, 2023. The School's mission is to provide its students with a solid foundation for academic success. The School provided education to approximately 378 students in kindergarten through fifth grade in the 2017-2018 academic year.

Beginning in July 2015, the School was awarded a contract with the New York City Department of Education to operate a universal pre-kindergarten program. The initial contract commenced July 1, 2015 and expired on June 30, 2018. The initial contract is renewable for two additional years at the option of the New York City Department of Education ("NYCDOE"). The NYCDOE renewed the School's contract through June 30, 2020. The School provided education to approximately 36 students in the 2017-2018 academic year.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Harlem Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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:

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used based upon stipulations by the donors.

The School had no permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

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

Restricted Cash

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

Harlem Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

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. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

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

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

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2018 and 2017.

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 temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

Functional Expense Allocation

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2015.

Prior Year Summarized Comparative Financial Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 12, 2018.

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.

Harlem Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Furniture and fixtures	\$ 133,771	\$ 60,195
Computers and equipment	439,719	354,372
Software	<u>25,345</u>	<u>25,345</u>
	598,835	439,912
Accumulated depreciation and amortization	<u>(424,092)</u>	<u>(357,438)</u>
	<u>\$ 174,743</u>	<u>\$ 82,474</u>

5. 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 is not required to, but at its discretion can match employee contributions. For the years ended June 30, 2018 and 2017, the School did not provide for matching contributions.

6. 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, 2018 and 2017, approximately \$1,290,000 and \$1,380,000 of cash was maintained with an institution in excess of FDIC limits.

7. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2018 and 2017, 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 Link Charter School

Notes to Financial Statements
June 30, 2018 and 2017

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$125,000 at June 30, 2017 were released from restrictions in fiscal 2018 by incurring expenses satisfying the restricted purpose of the grant.

9. Commitment

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

2019	\$ 27,600
2020	27,600
2021	27,600
2022	<u>23,000</u>
	<u>\$ 105,800</u>

10. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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

Independent Auditors' Report

**Board of Trustees
Harlem Link Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harlem Link Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-002.

The School's Response to the Findings

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

We identified certain matters that we reported to the management of the School in a separate letter dated September 12, 2018.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
September 12, 2018

Harlem Link Charter School

Schedule of Findings and Responses Year Ended June 30, 2018

Section I - Financial Statement Findings

2018-001- Credit Card Transactions (repeat finding)

Criteria

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

Condition

A substantial portion of charges were missing approvals and instances where sales tax was paid to vendors. We also noted that there was significant improvement pursuant to the hire of the School's new Director of Finance.

Cause

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

Effect

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

Recommendation

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

The School is a 501(c)(3) organization that is generally exempt from payment of sales and use tax on its purchases. We recommend that the Director of Finance review all invoices to ensure that there is no sales tax being charged. The School may be entitled to a refund of sales tax previously paid by using NYS Form AU-11 to request a refund of taxes paid.

Views of Responsible Officials

See management corrective action plan in Exhibit A.

Harlem Link Charter School

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2018

Section II - Compliance Findings

2018-002 – Maintenance of Student Records (repeat finding)

Criteria

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

Condition

The following exceptions were identified during our test of 40 student files:

- One file was missing copy of birth certificate
- Two files were missing home language identification forms
- One file was missing ethnicity identification form
- Three files were missing prior school records
- Three files were missing proof of residency
- One file was missing photo/media release form

Cause

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

Effect

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

Recommendation

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized to insure that information is complete and up to date for each student file. A log book should be maintained to track any files that are removed from the cabinet.

Views of Responsible Officials

See management corrective action plan in Exhibit A.

Harlem Link Charter School

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2018

Section III – Status of Prior Year Findings

2017-001 - Credit Card Transactions

Condition

A substantial portion of charges were not supported by receipts or other supporting documentation, missing approvals, and instances where sales tax was paid to vendors.

Status

This condition was not corrected in fiscal 2018, see 2018-001.

2017-002 - Maintenance of Student Records

Condition

Various exceptions were noted during our test of 25 student files.

Status

This condition was not corrected in fiscal 2018, see 2018-002.

2017-003 - Maintenance of Employee Records

Condition

Various exceptions were noted during our test of 15 employee files.

Status

This condition was corrected in fiscal 2018.



www.harlemlink.org

Board of Trustees

October 22, 2018

Laura Agrusti
NYC DOE

The Charter School Institute of the State University of New York

Jonathan Barrett
Luminus Management

The State Education Department of the State University of New York

Peter Carry
Time, Inc., Ret.

Exhibit A: Management Corrective Action Plan

Ken Catandella
Columbia University

2018-001 – Credit Card Transactions

Harlem Link will ensure all credit card transaction will be supported with approvals by following the Financial Policy and Procedures. Harlem Link will also track all taxes paid to vendors by creating a separate GL account and filing for a refund for all taxes paid to New York State.

Brandilyn Dumas
Greenberg Traurig LLP

Rachel Field
Women's World Banking

2018-002 – Maintenance of Student Records

In direct response to the audit findings around student records, Harlem Link will take the following actions to avoid any further findings:

Naheem Harris
Alston & Bird LLP

John Reddick
Founding Board Member

1. Creating a Student File collection project plan outlining
 - a. Progress Benchmarks
 - b. Internal Audit Cycles
 - c. Follow-Up Messaging

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

2. Tighten-up Student Enrollment Cycle
 - a. Digital enrollment document submission
 - b. No admission granted until all required documents submitted



Steve Evangelista Principal



Doug Anderson Director of Finance

Graduating Articulate Scholars and Active Citizens

21 West 111th Street • New York, NY 10026 • Phone: 212-289-3249 • Fax: 212-289-3686

Harlem Link Charter School

Independent Auditors' Report on Communication of
Internal Control Matters Identified in the Audit

June 30, 2018

The Board of Trustees
Harlem Link Charter School

In planning and performing our audit of the financial statements of Harlem Link Charter School (the "School") as of and for the year ended June 30, 2018, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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. We consider the deficiencies in the School's internal control presented in Addendum A to this letter to be significant deficiencies.

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

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

PKF O'Connor Davies, LLP

September 12, 2018

Harlem Link Charter School

Addendum A

Deficiencies in Internal Control that We Consider to be Significant Deficiencies

1. Credit Card Transactions (Prior Year Comment)

During our test of credit card transactions, we noted that a substantial portion of charges were missing approvals and instances where sales tax was paid to vendors. We also noted that there was significant improvement pursuant to the hire of the School's new Director of Finance.

The School should enforce the approval process for credit card charges by authorized School personnel. The School should document in writing all decisions that are not consistent with its fiscal policies and procedures ("FPP") and consideration should also be given to modifying the FPP when appropriate and practical.

2. Maintenance of Student Records (Prior Year Comment)

We noted the following exceptions during our test of 40 student files:

- One file was missing copy of birth certificate
- Two files were missing home language identification forms
- One file was missing ethnicity identification form
- Three files were missing prior school records
- Three files were missing proof of residency
- One file was missing photo/media release form

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized to insure that information is complete and up to date for each student file. A log book should be maintained to track any files that are removed from the cabinet.

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