

**Dr. Richard Izquierdo Health & Science Charter School**

Financial Statements

June 30, 2017

## Independent Auditors' Report

### Board of Trustees

#### Dr. Richard Izquierdo Health & Science Charter School

We have audited the accompanying financial statements of Dr. Richard Izquierdo Health & Science Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, 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 School'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 School'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, 2017, 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.

***Prior Period Financial Statements***

The summarized comparative financial statements as of June 30, 2016 and for the year then ended, were audited by other auditors who ceased operations. Those auditors expressed an unmodified opinion on those financial statements in their report dated October 18, 2016.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, 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  
October 10, 2017

**Dr. Richard Izquierdo Health & Science Charter School**

Statement of Financial Position  
June 30, 2017  
(with comparative amounts at June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,058,695	\$ 1,498,189
Grants and contracts receivable	368,561	414,730
Prepaid expenses and other current assets	54,164	80,055
Total Current Assets	<u>2,481,420</u>	<u>1,992,974</u>
Property and equipment, net	568,390	547,878
Restricted cash	<u>75,186</u>	<u>75,167</u>
	<u>\$ 3,124,996</u>	<u>\$ 2,616,019</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 306,420	\$ 250,927
Accrued payroll and payroll taxes	462,522	348,653
Refundable advances	78,530	16,999
Total Current Liabilities	<u>847,472</u>	<u>616,579</u>
Net Assets, Unrestricted		
Undesignated	1,553,806	1,276,475
Board-designated	723,718	722,965
Total Net Assets, Unrestricted	<u>2,277,524</u>	<u>1,999,440</u>
	<u>\$ 3,124,996</u>	<u>\$ 2,616,019</u>

**Dr. Richard Izquierdo Health & Science Charter School**

Statement of Activities  
Year Ended June 30, 2017  
(with comparative amounts for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>REVENUE AND SUPPORT</b>		
State and local per pupil operating revenue	\$ 13,190,724	\$ 10,909,944
Federal grants	583,660	467,454
State and city grants	55,549	49,822
Contributions	2,050	-
Interest and other income	<u>14,208</u>	<u>14,260</u>
Total Revenue and Support	<u>13,846,191</u>	<u>11,441,480</u>
<b>EXPENSES</b>		
Program Services		
Regular education	7,974,132	6,984,486
Special education	<u>3,956,544</u>	<u>3,415,122</u>
Total Program Services	11,930,676	10,399,608
Supporting Services		
Management and general	1,531,922	1,022,202
Fundraising	<u>105,509</u>	<u>43,013</u>
Total Expenses	<u>13,568,107</u>	<u>11,464,823</u>
Change in Net Assets	278,084	(23,343)
<b>NET ASSETS, UNRESTRICTED</b>		
Beginning of year	<u>1,999,440</u>	<u>2,022,783</u>
End of year	<u>\$ 2,277,524</u>	<u>\$ 1,999,440</u>

**Dr. Richard Izquierdo Health & Science Charter School**

Statement of Functional Expenses  
Year Ended June 30, 2017  
(with summarized totals for the year ended June 30, 2016)

	2017			2016			
	Program Services			Supporting Services			
	Regular Education	Special Education	Total	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 5,127,821	\$ 2,653,939	\$ 7,781,760	\$ 934,778	\$ 38,918	\$ 8,755,456	\$ 7,492,703
Employee benefits and payroll taxes	1,154,674	597,609	1,752,283	210,491	8,764	1,971,538	1,673,269
Audit and accounting fees	-	-	-	22,250	-	22,250	22,250
Legal fees	15,485	8,014	23,499	2,823	118	26,440	4,375
Professional development	112,347	37,831	150,178	53,021	289	203,488	163,695
Consultants	520,387	269,330	789,717	200,566	53,672	1,043,955	753,216
Student field trips	123,654	30,194	153,848	-	-	153,848	115,662
Office supplies and expense	140,560	72,748	213,308	25,621	1,067	239,996	151,522
Student food services	37,174	9,077	46,251	-	-	46,251	45,470
Information and technology	35,632	18,441	54,073	6,495	270	60,838	73,094
Telephone and internet services	18,408	9,527	27,935	3,357	140	31,432	26,164
Insurance	45,139	23,362	68,501	8,228	343	77,072	68,958
Instructional materials	172,334	42,081	214,415	-	-	214,415	301,695
Non-capitalized furniture and equipment	605	148	753	17,946	-	18,699	11,280
Classroom supplies	207,066	50,562	257,628	-	-	257,628	186,632
Conferences	2,602	635	3,237	-	-	3,237	550
Postage and delivery	8,888	4,600	13,488	1,621	67	15,176	11,482
Repairs and maintenance	15,509	8,027	23,536	2,828	118	26,482	2,105
Dues and subscriptions	12,405	4,872	17,277	1,229	51	18,557	18,008
Marketing and recruitment	26,345	13,536	39,881	4,737	197	44,815	36,604
Depreciation and amortization	196,935	101,925	298,860	35,900	1,495	336,255	306,089
Miscellaneous	162	86	248	31	-	279	-
<b>Total Expenses</b>	<b>\$ 7,974,132</b>	<b>\$ 3,956,544</b>	<b>\$ 11,930,676</b>	<b>\$ 1,531,922</b>	<b>\$ 105,509</b>	<b>\$ 13,568,107</b>	<b>\$ 11,464,823</b>

**Dr. Richard Izquierdo Health & Science Charter School**

Statement of Cash Flows  
 Year Ended June 30, 2017  
 (with comparative amounts for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 278,084	\$ (23,343)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	336,255	306,089
Changes in operating assets and liabilities		
Grants and contracts receivable	46,169	(398,851)
Prepaid expenses and other current assets	25,891	103,562
Accounts payable and accrued expenses	55,493	115,698
Accrued payroll and payroll taxes	113,869	51,048
Refundable advances	<u>61,531</u>	<u>7,589</u>
Net Cash from Operating Activities	<u>917,292</u>	<u>161,792</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(356,767)	(273,677)
Restricted cash	<u>(19)</u>	<u>(38)</u>
Net Cash from Investing Activities	<u>(356,786)</u>	<u>(273,715)</u>
 Net Change in Cash and Cash Equivalents	560,506	(111,923)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,498,189</u>	<u>1,610,112</u>
 End of year	<u>\$ 2,058,695</u>	<u>\$ 1,498,189</u>

# Dr. Richard Izquierdo Health & Science Charter School

Notes to Financial Statements  
June 30, 2017

## 1. Organization and Tax Status

Dr. Richard Izquierdo Health & Science Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated 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 December 15, 2009 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. During 2016, the Board of Regents extended the School's charter through June 30, 2019. The School's mission is to provide its students with a nurturing and challenging educational experience to develop their abilities and address the health and economic disparities in the community. Upon graduation, students will be prepared for the highest levels of college achievement, gainful employment as certified health care professionals, and a commitment to serve others as they pursue rewarding lives and respected careers for themselves. Classes commenced in the South Bronx neighborhood of New York, in September, 2010, and the School provided education to approximately 738 students in grades six through twelve during the 2016-2017 academic year.

The School shares space with a New York City public school. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than the 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 use of donated facilities.

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.

## Dr. Richard Izquierdo Health & Science Charter School

Notes to Financial Statements  
June 30, 2017

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

#### ***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:

*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. Board-designated net assets were established by the Board of Trustees to provide a reserve for unforeseen facility, personnel, and other issues.

*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 in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2017 and 2016.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt 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.

## Dr. Richard Izquierdo Health & Science Charter School

Notes to Financial Statements  
June 30, 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. 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, whereby 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:

Computers	3 years
Equipment	5 years
Furniture and fixtures	7 years
Website development	3 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 the fair value. There were no asset impairments for the years ended June 30, 2017 and 2016.

#### ***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.

## **Dr. Richard Izquierdo Health & Science Charter School**

Notes to Financial Statements  
June 30, 2017

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

#### ***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, 2017 and 2016 was \$44,815 and \$36,604.

#### ***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, 2014.

#### ***Prior Year Summarized Comparative Financial Information***

The financial statements include prior-year summarized comparative information in total but not by natural and functional classification. 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, 2016, 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 October 10, 2017.

### **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 and has not provided an allowance for doubtful accounts.

## Dr. Richard Izquierdo Health & Science Charter School

Notes to Financial Statements  
June 30, 2017

### 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Computers	\$ 655,477	\$ 490,988
Equipment	668,556	560,519
Furniture and fixtures	338,020	300,057
Website development	43,000	37,500
Software	21,762	18,534
Leasehold improvements	<u>208,539</u>	<u>170,989</u>
	1,935,354	1,578,587
Accumulated depreciation and amortization	<u>(1,366,964)</u>	<u>(1,030,709)</u>
	<u>\$ 568,390</u>	<u>\$ 547,878</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 provided contributions of up to 3% of the participant's annual compensation. Employee contributions for the years ended June 30, 2017 and 2016 amounted to \$161,204 and \$129,213.

### 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, 2017, approximately \$1,900,000 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, 2017 and 2016, the School received approximately 95% of 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.

### 8. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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.

**Dr. Richard Izquierdo Health & Science Charter School**

Notes to Financial Statements  
June 30, 2017

**9. Commitments**

The School leases office equipment under non-cancelable lease agreements expiring on various dates through July 2020.

The future minimum lease payments are as follows:

Year ending June 30,		
2018	\$	40,932
2019		27,207
2020		16,031
2021		<u>943</u>
	\$	<u>85,113</u>

Equipment rental expense was \$49,758 and \$48,110 for the years ended June 30, 2017 and 2016.

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

**Independent Auditor's Report**

**Board of Trustees**

**Dr. Richard Izquierdo Health & Science 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 Dr. Richard Izquierdo Health & Science Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, 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, 2017.

***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 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, 2017

**Dr. Richard Izquierdo Health & Science Charter School**

Schedule of Findings and Responses  
Year Ended June 30, 2017

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**Current Year Findings**

During our audit, we noted no material findings for the year ended June 30, 2017

**Prior Year Findings**

**2016-001- Maintenance of Student Records**

Condition:

The School bills the New York City Department of Education (“NYCDOE”) on a bi-monthly basis a total per-pupil amount based on a Full Time Equivalent (“FTE”) student enrollment for general and special education. During our 2016 audit, we noted one instance where a student appeared on the roster twice and another instance where the student was no longer at the School, but appeared on the roster. Student enrollment is used to calculate per-pupil revenue.

Status:

This condition has been corrected in fiscal 2017.

**Dr. Richard Izquierdo Health & Science  
Charter School**

Auditors' Communication on Internal Control

June 30, 2017



**Board of Trustees  
Dr. Richard Izquierdo Health & Science Charter School**

In planning and performing our audit of the financial statements of Dr. Richard Izquierdo Health & Science Charter School (the "School") as of and for the year ended June 30, 2017, 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, audit committee, Board of Trustees, The Department of Education of the City 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*

Harrison, New York  
October 10, 2017



October 10, 2017

To the Board of Trustees  
Dr. Richard Izquierdo Health & Science Charter School

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of Dr. Richard Izquierdo Health & Science Charter School (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated October 10, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 31, 2017. This letter provides additional required communications related to our audit.

### **Our responsibility under professional standards**

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the School are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to such supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## **Qualitative aspects of significant accounting practices**

### *Significant accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant accounting estimates*

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as collectability of grants receivable, useful lives of fixed assets, and functional allocation of expenses. Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

### *Financial statement disclosures*

The financial statement disclosures are consistent and clear.

## **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and corrected misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Our audit did not identify misstatements that were corrected by management.

### **Disagreements with management**

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other matters discussed with management**

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

### **Auditor independence**

We affirm that PKF O'Connor Davies, LLP is independent with respect to the School in accordance with the AICPA's *Code of Professional Conduct*.

This communication is intended solely for the information and use of the Board of Trustees and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**