

ELMWOOD VILLAGE CHARTER SCHOOL
CONSOLIDATED FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION

JUNE 30, 2017

Table of Contents

June 30, 2017

Consolidated Financial Statements

Independent Auditors' Report

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Additional Information

Consolidated Schedule of Expenses

Consolidating Balance Sheet

Consolidating Statement of Activities

Reporting Required by Government Auditing Standards

Independent Auditors' 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

The Board of Trustees
Elmwood Village Charter School

We have audited the accompanying consolidated balance sheets of Elmwood Village Charter School and Affiliate (the Organization) as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 31, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Sumner & McCormick, LLP". The signature is written in a cursive, flowing style.

October 31, 2017

ELMWOOD VILLAGE CHARTER SCHOOL

Consolidated Balance Sheets

June 30,	2017	2016
Assets		
Current assets:		
Cash	\$ 2,620,745	\$ 3,317,470
Grants and other receivables (Note 2)	404,541	167,255
Prepaid expenses and other	117,145	20,112
	<u>3,142,431</u>	<u>3,504,837</u>
Property and equipment, net (Note 3)	<u>11,828,594</u>	<u>5,961,358</u>
	<u>\$ 14,971,025</u>	<u>\$ 9,466,195</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 283,123	\$ 221,753
Accounts payable	1,080,377	98,382
Accrued expenses	602,063	559,681
Deferred revenue	84,550	-
	<u>2,050,113</u>	<u>879,816</u>
Long-term debt (Note 5)	6,251,101	3,224,338
Net assets:		
Unrestricted	<u>6,669,811</u>	<u>5,362,041</u>
	<u>\$ 14,971,025</u>	<u>\$ 9,466,195</u>

See accompanying notes.

ELMWOOD VILLAGE CHARTER SCHOOL

Consolidated Statements of Activities

For the years ended June 30,	2017	2016
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 4,953,325	\$ 4,595,903
Revenue - students with disabilities	619,387	586,027
Revenue - additional state aid	169,894	80,887
Federal grants	730,862	110,819
Contributions and local grants	206,273	79,130
Special event revenues, net of expenses of \$25,558 and \$21,592	19,459	14,598
Rental income	214,579	214,579
Other income	60,491	34,892
Total support and revenue	<u>6,974,270</u>	<u>5,716,835</u>
Expenses:		
Program expenses:		
Regular education	3,224,185	2,788,646
Special education	888,858	857,393
Other program	266,512	205,138
Supporting services:		
Management and general	1,286,945	1,025,315
Total expenses	<u>5,666,500</u>	<u>4,876,492</u>
Change in net assets	1,307,770	840,343
Net assets - beginning	<u>5,362,041</u>	4,521,698
Net assets - ending	<u>\$ 6,669,811</u>	<u>\$ 5,362,041</u>

See accompanying notes.

Consolidated Statements of Cash Flows

For the years ended June 30,	2017	2016
Operating activities:		
Cash received from public school districts	\$ 5,665,187	\$ 5,142,737
Cash received from federal grants	610,776	111,133
Cash received from contributions and local grants	250,823	79,130
Cash received from special events	45,017	36,190
Cash received from rents	214,579	214,579
Cash received from other sources	60,710	35,655
Payments to employees for services and benefits	(3,596,560)	(3,293,057)
Payments to vendors and suppliers	(1,636,993)	(1,063,404)
Interest paid	(192,112)	(174,979)
Net operating activities	1,421,427	1,087,984
Investing activities:		
Property and equipment expenditures	(5,206,285)	(499,687)
Financing activities:		
Proceeds from long-term debt	3,370,338	-
Principal payments on long-term debt	(282,205)	(211,030)
Net financing activities	3,088,133	(211,030)
Net change in cash	(696,725)	377,267
Cash - beginning	3,317,470	2,940,203
Cash - ending	\$ 2,620,745	\$ 3,317,470
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 1,307,770	\$ 840,343
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	324,139	315,734
Changes in other operating assets and liabilities:		
Grants and other receivables	(237,286)	(119,003)
Prepaid expenses and other	(97,033)	45,545
Accounts payable	(3,095)	40,581
Accrued expenses	42,382	(35,216)
Deferred revenue	84,550	-
Net operating activities	\$ 1,421,427	\$ 1,087,984

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

The consolidated financial statements of Elmwood Village Charter School (the Organization) include the accounts of Elmwood Village Charter School (EVCS) and Elmwood Village Charter School 2 (EVCS 2).

EVCS operates a charter school in the City of Buffalo, New York (the City) authorized by the Board of Regents of the University of the State of New York (Board of Regents). EVCS currently offers classes from kindergarten through eighth grade.

On August 29, 2016, the Board of Trustees of EVCS was authorized by the Board of Trustees of the State University of New York to replicate EVCS, and EVCS 2 was granted a charter to begin classes effective September 2017.

In April 2017, the Board of Regents authorized EVCS and EVCS 2 to merge under the amended name Elmwood Village Charter Schools (the Schools) and operate two public schools named Elmwood Village Charter School Days Park (formerly EVCS) and Elmwood Village Charter School Hertel (formerly EVCS 2) effective July 1, 2017. The Schools have been chartered through July 2022 and continued operations are contingent upon approval of its charter renewal.

All significant intercompany transactions and balances have been eliminated.

Cash:

Cash in financial institutions potentially subjects the Organization to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The Organization complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur.

Accounts Receivable:

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Enrollment Fees:

The Organization is reimbursed based on the approved operating expense per pupil of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the Charter School residing in the district. The Organization's enrollment fees are received primarily from the City.

Fees and Grants:

The Organization is the recipient of awards and reimbursements from federal and local sources. The awards and reimbursements are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Contributions:

Contributions are reported at fair value at the date the contribution is made. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as unrestricted revenue. There were no restricted contributions or net assets as of and for the years ended June 30, 2017 and 2016.

Income Taxes:

The Organization is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

Transportation and Food Services:

Several districts provide the Organization with certain transportation services without cost. The City of Buffalo School District also provides food services without cost. The value of these services has not been recorded in these financial statements.

Subsequent Events:

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 31, 2017 (the date the financial statements were available to be issued).

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation:

The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

The 2016 financial statements have been reclassified to conform to the presentation adopted in 2017.

2. Grants and Other Receivables:

	2017	2016
Resident student enrollment	\$ 233,729	\$ 156,310
Grants	170,812	10,726
Other	-	219
	<u>\$ 404,541</u>	<u>\$ 167,255</u>

In July 2017 and July 2016, all New York State charter schools serving students in the fiscal 2017 and 2016 school years received additional state aid. The additional aid received by each school was based on the number of students served and was paid directly from the New York Department of Education. Additional aid totaling \$169,894 and \$80,887 is included as resident student enrollment receivable on the accompanying balance sheets as of June 30, 2017 and June 30, 2016, respectively.

3. Property and Equipment:

	2017	2016
Land	\$ 236,400	\$ -
Buildings and improvements	9,272,231	6,043,632
Leasehold improvements	140,806	140,806
Instructional equipment	815,185	484,327
Office equipment	237,932	221,148
Building deposit (see below)	-	310,000
Construction in progress (see below)	2,703,750	15,016
	<u>13,406,304</u>	<u>7,214,929</u>
Less accumulated depreciation	1,577,710	1,253,571
	<u>\$ 11,828,594</u>	<u>\$ 5,961,358</u>

In connection with expansion plans described in Note 1, the Organization purchased a building for EVCS 2 on July 29, 2016 for \$3,100,000 which included an initial \$310,000 deposit. Construction in progress at June 30, 2017 is in relation to the new building for EVCS 2 which was completed in conjunction with the opening of the school year in September 2017.

4. Short-Term Borrowings:

At June 30, 2017, the Organization has available a \$200,000 bank demand line of credit for working capital with interest payable at prime plus .25%. The line is subject to the usual terms and conditions applied by the bank for working capital financing, secured by essentially all assets of the Organization, and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2017 and 2016.

5. Long Term Debt:

	2017	2016
Bank mortgage notes payable, monthly installments of \$28,409 including interest at 3.675%, secured by related building and equipment, balloon payment of approximately \$2,236,000 due July 2021.	\$ 3,192,534	\$ 3,406,081
Bank construction mortgage and term notes payable, interest only payments through an expected conversion date of February 2018, followed by expected monthly installments of \$28,269 including interest at 3.675%, secured by Organization property and equipment. Additional drawdowns of approximately \$730,000 are expected; an estimated balloon payment of \$3,397,000 due August 2021.	3,370,338	-
Equipment loans, varying monthly installments and interest rates, secured by related equipment, due through November 2019.	33,736	51,477
	<u>6,596,608</u>	<u>3,457,558</u>
Less unamortized debt issuance costs	62,384	11,467
	<u>6,534,224</u>	<u>3,446,091</u>
Less current portion	283,123	221,753
	<u>\$ 6,251,101</u>	<u>\$ 3,224,338</u>

Estimated aggregate maturities of long-term debt balances at June 30, 2017 are:

	Principal	Debt Issuance Costs
2018	\$ 294,989	\$ (11,866)
2019	416,629	(16,384)
2020	424,088	(16,384)
2021	433,964	(16,384)
2022	5,026,938	(1,366)
	<u>\$ 6,596,608</u>	<u>\$ (62,384)</u>

Debt issuance costs are amortized as interest expense over the remaining term of these arrangements. Amortization expense of debt issuance costs for each of the years ended June 30, 2017 and 2016 was \$6,428.

The bank loan agreements contain certain covenants relating to, among other things, the maintenance of levels of debt service coverage and various other restrictions. Management believes it complies with pertinent covenants.

6. Retirement Plan:

The Organization participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.

TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between July 1976 and December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants hired on or after April 1, 2012 are required to contribute 3.5% of compensation through March 31, 2013. Beginning April 1, 2013, those participants contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 11.72% of the annual covered payroll for the year ended June 30, 2017, and 13.26% for the year ended June 30, 2016.

The Organization's required contributions for the years ended June 30, 2017 and 2016 were \$263,737 and \$266,186.

The Organization also has a contributory defined contribution pension plan covering essentially all employees. The Organization contributes a percentage of non-instructional employees' salaries to the plan, subject to certain limitations. The Organization's pension expenses for the years ended June 30, 2017 and 2016 were \$11,020 and \$10,662.

7. Operating Lease:

The Organization leases property under the terms of a non-cancelable operating lease. Rental expense under this lease was \$277,009 and \$260,313 for the years ended June 30, 2017 and 2016. The Organization purchased a building from the City during fiscal 2012, and entered into a non-cancellable sub lease for this property.

Future minimum annual rentals due are:

2018	\$ 265,100
2019	265,100
2020	265,100
2021	265,100
2022	289,200
Thereafter	<u>1,156,800</u>
	<u>\$ 2,506,400</u>

Future minimum annual rentals to be received under the sublease are:

2018	\$ 232,400
2019	235,900
2020	19,700
	<u>\$ 488,000</u>

8. Cash Flows Information:

The 2017 statement of cash flows also excludes the effect of property and equipment additions included in accounts payable totaling \$985,090.

Additional Information
Consolidated Schedule of Expenses

For the year ended June 30, 2017 (with comparative totals for 2016)

	No. of Positions	Program Services			Supporting Services	2017 Total	2016 Total
		Regular Education	Special Education	Other Program	Management and General		
Salaries							
Administrative Staff	10	\$ -	\$ -	\$ -	\$ 451,269	\$ 451,269	\$ 398,543
Instructional	56	1,643,455	448,130	-	-	2,091,585	1,880,846
Non-Instructional	2	-	-	146,920	-	146,920	107,372
Total Salaries	68	1,643,455	448,130	146,920	451,269	2,689,774	2,386,761
Employee benefits and taxes		590,437	160,998	52,783	144,950	949,168	871,080
Advertising		-	-	-	20,143	20,143	3,015
Contracted services		124,471	183,034	-	-	307,505	270,037
Dues and subscriptions		3,897	1,063	348	861	6,169	6,686
Fieldtrips		30,335	-	-	-	30,335	40,774
Insurance		-	-	-	82,631	82,631	74,317
Interest		-	-	-	192,112	192,112	174,979
Occupancy		176,913	48,239	15,817	42,613	283,582	260,313
Postage		-	-	-	5,480	5,480	3,275
Student activities		16,577	-	-	-	16,577	11,703
Printing		-	-	-	8,202	8,202	6,039
Supplies and materials		65,846	-	-	-	65,846	38,985
Meetings		1,222	-	-	-	1,222	-
Office expense		-	-	-	34,289	34,289	15,053
Other expenses		-	-	-	21,347	21,347	12,533
Professional fees		-	-	-	166,925	166,925	88,539
Recruitment		-	-	-	2,568	2,568	4,407
Repairs and maintenance		67,489	18,403	6,033	45,055	136,980	107,743
Staff development		29,428	-	-	-	29,428	14,304
Technology		90,729	-	-	-	90,729	57,979
Telephone		13,494	3,679	1,206	2,983	21,362	9,747
Testing and assessments		27,736	-	-	-	27,736	11,577
Textbooks		47,538	-	-	-	47,538	11,280
Travel		1,915	-	-	-	1,915	2,006
Transportation		-	-	24,213	-	24,213	22,703
Utilities		33,392	9,105	2,985	33,103	78,585	54,923
		2,964,874	872,651	250,305	1,254,531	5,342,361	4,560,758
Depreciation		259,311	16,207	16,207	32,414	324,139	315,734
Total		\$ 3,224,185	\$ 888,858	\$ 266,512	\$ 1,286,945	\$ 5,666,500	\$ 4,876,492

ELMWOOD VILLAGE CHARTER SCHOOL

Additional Information
Consolidating Balance Sheet

June 30, 2017

	EVCS	EVCS 2	Eliminations	Consolidated Totals
Assets				
Current assets:				
Cash	\$ 2,259,374	\$ 361,371	\$ -	\$ 2,620,745
Grants and other receivables	481,807	133,550	(210,816)	404,541
Prepaid expenses and other	110,343	6,802	-	117,145
	<u>2,851,524</u>	<u>501,723</u>	<u>(210,816)</u>	<u>3,142,431</u>
Property and equipment, net	11,439,150	389,444	-	11,828,594
	<u>\$ 14,290,674</u>	<u>\$ 891,167</u>	<u>\$ (210,816)</u>	<u>\$ 14,971,025</u>
Liabilities and Net Assets				
Current liabilities:				
Current portion of long-term debt	\$ 283,123	\$ -	\$ -	\$ 283,123
Accounts payable	843,360	447,833	(210,816)	1,080,377
Accrued expenses	602,063	-	-	602,063
Deferred revenue	44,550	40,000	-	84,550
	<u>1,773,096</u>	<u>487,833</u>	<u>(210,816)</u>	<u>2,050,113</u>
Long-term debt	6,251,101	-	-	6,251,101
Net assets:				
Unrestricted	<u>6,266,477</u>	<u>403,334</u>	<u>-</u>	<u>6,669,811</u>
	<u>\$ 14,290,674</u>	<u>\$ 891,167</u>	<u>\$ (210,816)</u>	<u>\$ 14,971,025</u>

Additional Information
Consolidating Statement of Activities

For the year ended June 30, 2017

	EVCS	EVCS 2	Eliminations	Consolidated Totals
Changes in unrestricted net assets:				
Support and revenue:				
Public school districts:				
Revenue - resident student enrollment	\$ 4,953,325	\$ -	\$ -	\$ 4,953,325
Revenue - students with disabilities	619,387	-	-	619,387
Revenue - additional state aid	169,894	-	-	169,894
Federal grants	121,416	609,446	-	730,862
Contributions	206,273	-	-	206,273
Special event revenues, net of expenses of \$25,558	19,459	-	-	19,459
Rental income	214,579	-	-	214,579
Other income	59,503	988	-	60,491
Total support and revenue	6,363,836	610,434	-	6,974,270
Expenses:				
Program expenses:				
Regular education	3,204,507	19,678	-	3,224,185
Special education	888,858	-	-	888,858
Other program	266,512	-	-	266,512
Supporting services:				
Management and general	1,099,523	187,422	-	1,286,945
Total expenses	5,459,400	207,100	-	5,666,500
Change in net assets	904,436	403,334	-	1,307,770
Net assets - beginning	5,362,041	-	-	5,362,041
Net assets - ending	\$ 6,266,477	\$ 403,334	\$ -	\$ 6,669,811

INDEPENDENT AUDITORS' 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

The Board of Trustees
Elmwood Village 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 Elmwood Village Charter School and Affiliate (the Organization), which comprise the balance sheet as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 31, 2017