The Equity Project Charter School

Financial Statements

June 30, 2017 and 2016

Independent Auditors' Report

Board of Trustees
The Equity Project Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of The Equity Project 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.

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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 September 28, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 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 16, 2017

The Equity Project Charter School

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

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 600,158	$ 4,061,606
Cash - reserves for facilities	2,019	4,284,725
Grants and contracts receivable	494,085	183,981
Pledges receivable	750,000	25,000
Due from related party	29,638	3,264,957
Prepaid expenses and other current assets	418,710	82,460
Total Current Assets	2,294,610	11,902,729
Property and equipment, net	3,570,954	439,585
Pledges receivable, net	46,250	70,500
Loan receivable	8,390,890	-
Restricted cash	76,644	76,262
Security deposit	125,000	125,000
	$ 14,504,348	$ 12,614,076
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 793,053	$ 211,485
Accrued payroll and payroll taxes	787,343	604,220
Refundable advances	10,450	-
Total Current Liabilities	1,590,846	815,705
Construction loan payable	1,217,369	-
Deferred rent	463,622	136,752
Total Liabilities	3,271,837	952,457
Net Assets		
Unrestricted	10,436,261	11,566,119
Temporarily restricted	796,250	95,500
Total Net Assets	11,232,511	11,661,619
	$ 14,504,348	$ 12,614,076

See notes to financial statements

The Equity Project Charter School

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

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and local per pupil operating revenue	$ 11,008,613	$ -	$ 11,008,613	$ 8,259,539
Federal grants	378,207	-	378,207	338,550
State and city grants	47,676	-	47,676	38,703
Total Operating Revenue	11,434,496	-	11,434,496	8,636,792
EXPENSES				
Program Services				
Regular education	8,232,911	-	8,232,911	6,287,630
Special education	1,968,217	-	1,968,217	1,287,050
Total Program Services	10,201,128	-	10,201,128	7,574,680
Supporting Services				
Management and general	961,957	-	961,957	715,078
Fundraising	82,885	-	82,885	71,075
Total Expenses	11,245,970	-	11,245,970	8,360,833
Surplus from operations	188,526	-	188,526	275,959
SUPPORT AND OTHER REVENUE				
Capital campaign	1,911,526	750,000	2,661,526	2,117,705
Grant to TEPCSA	(3,789,289)	-	(3,789,289)	
Other contributions	462,192	-	462,192	-
Donated services	-	-	-	18,400
Interest and other income	47,937	-	47,937	57,602
Net assets released from restrictions	49,250	(49,250)	-	-
Total Support and Other Revenue	(1,318,384)	700,750	(617,634)	2,193,707
Change in Net Assets	(1,129,858)	700,750	(429,108)	2,469,666
NET ASSETS				
Beginning of year	11,566,119	95,500	11,661,619	9,191,953
End of year	$ 10,436,261	$ 796,250	$ 11,232,511	$ 11,661,619

See notes to financial statements

The Equity Project 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			Support Services			
	No. of Positions	Regular Education	Special Education	Total	Management and General	Fundraising	Total	Total
Personnel services costs:								
Administrative staff personnel	18	$ 532,038	$ 134,185	$ 666,223	$ 474,623	$ 71,450	$ 1,212,296	$ 586,477
Instructional personnel	52	4,926,939	1,162,106	6,089,045	-	-	6,089,045	5,039,545
Non-instructional personnel	9	96,363	24,712	121,075	87,097	-	208,172	196,211
Total salaries and staff	79	5,555,340	1,321,003	6,876,343	561,720	71,450	7,509,513	5,822,233
Fringe benefits and payroll taxes		751,408	178,677	930,085	75,977	9,664	1,015,726	781,380
Retirement		44,248	10,522	54,770	4,474	569	59,813	66,934
Legal service		-	-	-	148	-	148	21,559
Accounting/audit services		-	-	-	20,250	-	20,250	20,250
Other purchased/professional/consulting services		141,474	33,718	175,192	135,678	-	310,870	174,120
Building and land rent/lease		608,613	144,721	753,334	69,366	-	822,700	145,301
Repairs and maintenance		73,187	17,403	90,590	8,341	-	98,931	124,841
Insurance		60,314	14,342	74,656	6,874	-	81,530	56,556
Utilities		35,975	8,554	44,529	4,100	-	48,629	3,957
Supplies/materials		263,246	70,200	333,446	-	-	333,446	339,555
Equipment Furnishings		26,247	6,241	32,488	2,992	-	35,480	-
Staff development		63,477	15,094	78,571	7,235	-	85,806	60,147
Marketing/recruitment		60,006	14,269	74,275	6,839	-	81,114	77,273
Technology		124,206	29,535	153,741	14,156	-	167,897	144,978
Food service		4,430	1,136	5,566	-	-	5,566	5,547
Student services		162,648	41,296	203,944	2,536	-	206,480	169,519
Office expense		93,438	22,219	115,657	9,448	1,202	126,307	122,354
Depreciation and amortization		157,491	37,450	194,941	17,950	-	212,891	198,342
Other		7,163	1,837	9,000	13,873	-	22,873	25,987
Total Expenses		$ 8,232,911	$ 1,968,217	$ 10,201,128	$ 961,957	$ 82,885	$ 11,245,970	$ 8,360,833

See notes to financial statements

The Equity Project Charter School

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (429,108)	$ 2,469,666
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	212,891	198,342
Deferred rent	326,870	136,752
Loss on disposal of property and equipment	-	37,650
Changes in operating assets and liabilities		
Grants and contracts receivable	(310,104)	169,686
Pledges receivables	(700,750)	(95,500)
Due from related party	3,235,319	(252,635)
Prepaid expenses and other current assets	(336,250)	(34,152)
Security deposit	-	(125,000)
Accounts payable and accrued expenses	581,568	9,513
Accrued payroll and payroll taxes	183,123	156,508
Refundable advances	10,450	(11,876)
Net Cash from Operating Activities	2,774,009	2,658,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash reserves for facilities	4,282,706	(1,775,937)
Purchases of property and equipment	(3,344,260)	(250,098)
Loan receivable	(8,390,890)	-
Restricted cash	(382)	(381)
Net Cash from Investing Activities	(7,452,826)	(2,026,416)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from construction loan payable	1,217,369	-
Net Change in Cash and Cash Equivalents	(4,678,817)	632,538
CASH AND CASH EQUIVALENTS		
Beginning of year	4,061,606	3,429,068
End of year	$ 600,158	$ 4,061,606

See notes to financial statements

1. Organization and Tax Status

The Equity Project Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. During 2012, the Board of Regents extended the School's charter through June 30, 2018. The School's mission is focused on providing students from low-income families with equal access to outstanding teachers as a means of achieving educational equality. The School is uniquely focused on attracting and retaining master teachers. To do so, the School uses a three-pronged strategy of Rigorous Qualifications, Redefined Expectations, and Revolutionary Compensation.

Classes commenced in the Washington Heights neighborhood of New York City, in September 2009 and the School provided education to approximately 598 students in grades kindergarten and fifth through eighth during the 2016-2017 academic year.

Beginning in September 2009, the School has been operating in transportable classroom units ("TCUs") located on the campus of a New York City public school. The School pays for its own security guards and for a portion of maintenance and custodial costs. The School does not pay annual rent. The School is in the process of securing permanent facilities in Washington Heights and plans to start classes in the new facilities by September 2018. During the year ended June 30, 2016, the School began leasing additional space for its early childhood location and classes commenced at the new facility in September 2016 (see Note 13).

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

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

The School had no permanently restricted net assets as of 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.

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 which is five years. 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.

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

Property and Equipment (continued)

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

Equipment	4 to 5 years
Furniture and fixtures	5 years
Software	4 years
Musical instruments	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 grant revenue as refundable advances until it is expended for the purpose of the grant, at which time it is 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.

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.

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

Deferred Rent

The School records its rent in accordance with U.S. GAAP guidance whereby all rental payments, included fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentive, is reflected in the deferred rent in the accompanying financial statements.

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 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 16, 2017.

3. Grants and Contracts Receivable

Grants and contracts receivable consists of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year.

4. Pledges Receivable

Pledges receivable are due to be collected as follows as of June 30:

	2017	2016
Receivable in less than one year	$ 750,000	$ 25,000
Receivable in one to five years	50,000	75,000
Total pledges receivable	800,000	100,000
Discount to net present value at 3%	(3,750)	(4,500)
Total net pledges receivable	796,250	95,500
Current portion of pledges receivable	(750,000)	(25,000)
Total long-term pledges receivable	$ 46,250	$ 70,500

5. Property and Equipment

Property and equipment consists of the following as of June 30:

	2017	2016
Equipment	$ 661,558	$ 512,698
Furniture and fixtures	472,948	362,794
Software	143,485	98,149
Musical instruments	94,834	87,199
Leasehold improvements	164,952	105,632
	1,537,777	1,166,472
Accumulated depreciation and amortization	(1,042,726)	(837,634)
	495,051	328,838
Construction-in-progress	3,075,903	110,747
	$ 3,570,954	$ 439,585

During the year ended June 30, 2016, the School disposed of assets resulting in a loss of $37,650.

Construction-in-progress consists of building improvements and other capital costs related to the new early childhood facility which opened in September 2016.

6. Loan Receivable

The School received funds through a capital campaign and proceeds were used by the School to make an $8,390,890 loan to an investment fund on August 4, 2016. Interest only at the rate of 1.472% per annum is to be paid quarterly through October 1, 2023. Thereafter, through the note's maturity on July 1, 2044, interest at 1.472% per annum and principal payments are due quarterly in equal installments of $117,503.50.

The investment fund used the loan proceeds, together with funds provided by the New Markets Tax Credit ("NMTC") Investor, to make an equity investment in an entity which then made three loans totaling $12,400,000 to TEP Charter School Assistance, Inc, a related entity. These loans were made under the New Markets Tax Credit Program, a federally funded program to encourage community development.

The School and the 99.99% owner of the investment fund entered into a put/call option agreement whereby the owner has the option to sell its interest in the investment fund to the School for $1,000 for a period of 180 days after the end of the NMTC compliance period. If the owner does not exercise its option, the School has the option to purchase the interest at its fair value as defined in the agreement.

7. Employee Benefit Plan

The School maintains a retirement plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 3% of annual compensation. The employer match was $59,812 and $66,934 for the years ended June 30, 2017 and 2016.

8. Construction Loan

Construction Loan payable at June 30, 2017 consists of the following two construction loan notes:

(a) Civic Charter Lender, Inc.	$ 676,316
(b) The New York Pooled PRI Fund	541,053
	$ 1,217,369

(a) On June 5, 2017, the School entered into a $1,000,000 construction loan payable for the purpose of financing the cost of renovations and build out of the early childhood facility. The Loan matures on the earlier of (i) 15 days after the School's fiscal year 2022 audit is finalized or (ii) December 15, 2022. The term of the loan may be extended for up to six months, at the sole discretion of the lender. Loan advances shall be made at the School's request through December 1, 2017.

The Loan shall be payable annual, within 15 days of receipt of the School's fiscal year end audited financial statements, starting with the June 30, 2018 fiscal year. Principal payments shall be equal to the lesser of (i) 50% of the School's unrestricted cash in excess of 1/12th of the total annual expenses as calculated in such audited financial statements or (ii) the amount required to reduce the outstanding principal balance of the loan to the amount listed in the amortization schedule of the agreement. Interest is payable on a quarterly basis at 5% per annum. As of June 30, 2017, the School requested and received advances totaling $676,316.

(b) On June 5, 2017, the School entered into a $800,000 construction loan payable for the purpose of financing the cost of renovations and build out of the early childhood facility The Loan matures on the earlier of (i) 15 days after the School's fiscal year 2022 audit is finalized or (ii) December 15, 2022. The term of the loan may be extended for up to six months, at the sole discretion of the lender. Loan advances shall be made at the School's request through December 1, 2017. The Loan shall be payable annual, within 15 days of receipt of the School's fiscal year end audited financial statements, starting with the June 30, 2018 fiscal year. Principal payments shall be equal to the lesser of (i) 50% of the School's unrestricted cash in excess of 1/12th of the total annual expenses as calculated in such audited financial statements or (ii) the amount required to reduce the outstanding principal balance of the loan to the amount listed in the amortization schedule of the agreement. Interest is payable on a quarterly basis at 5% per annum. As of June 30, 2017, the School requested and received advances totaling $541,053.

9. Related Party Transactions (not disclosed elsewhere)

The School is closely connected to TEP Charter School Assistance, Inc. ("TEPCSA"), a New York State not-for-profit corporation, an entity related by one common Board member. During the year ended June 30, 2011, the School entered into a demand note for expenses paid on behalf of TEPCSA related to the development of permanent facilities. Pursuant to an agreement under the New Markets Tax Credit Program, dated August 4, 2016, the School converted $3,254,469 from a loan receivable to a grant expense for TEPCSA. An additional grant in the amount of $534,820 was provided by TEP bringing the total grant amount to $3,789,289. At June 30, 2017 and 2016, the balance due from TEPCSA amounted to $29,638 and $3,264,957.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 consists of $796,250 due to time restriction. Net assets released from restriction amounted to $49,250 and $150,000 for the years ended June 30, 2017 and 2016.

11. 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.

12. 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 75% and 76% 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.

13. 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 $80,000 of cash was maintained with an institution in excess of FDIC limits.

14. Commitments

Facility Lease

On May 4, 2016, the School entered into an operating lease with Regents Associates to lease the second floor of a building located at 4280-98 Broadway in Washington Heights, New York. The lease term commenced on May 4, 2016 and expires on June 30, 2026, with no option to extend the lease. Under the terms of the lease, the School paid a security deposit in the amount of $125,000. The School is responsible for real estate tax increases, utilities, custodial services, and maintenance. Beginning with the 2016-2017 academic year, the School began using this facility to operate its early childhood program.

Equipment Rental

The future minimum lease payments under the lease through June 30, 2026 are as follows:

2018	$ 774,431
2019	797,664
2020	821,594
2021	846,242
2022	871,629
Thereafter	3,753,522
	$ 7,865,082

Rent expense under the facility lease was $822,700 and $145,301 for the years ended June 30, 2017 and 2016.

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

The future minimum lease payments under the lease through August 2020 are as follows:

2018	$ 29,124
2019	27,780
2020	15,112
2021	1,988
	$ 74,004

Equipment rental expense was $35,480 and $29,212 for the years ended June 30, 2017 and 2016, respectively.

15. Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School and (c) are measurable.

One entity has provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value. For the years ended June 30, 2017 and 2016, the value of such donated services amounted to $0 and $18,400.

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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 Auditors' Report

Board of Trustees
The Equity Project 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 The Equity Project Charter School (the "School") (a not-for-profit corporation), 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 16, 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 School'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.

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Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 16, 2017