The Equity Project Charter School

Financial Statements

June 30, 2018 and 2017

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it was derived

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 22, 2018

The Equity Project Charter School

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

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 445,324	$ 600,158
Cash - reserves for facilities	82,379	2,019
Grants and contracts receivable	478,616	494,085
Pledges receivable	550,000	750,000
Due from related party	42,624	29,638
Prepaid expenses and other current assets	190,565	418,710
Total Current Assets	1,789,508	2,294,610
Property and equipment, net	3,655,517	3,570,954
Pledges receivable, net	-	46,250
Loan receivable	8,390,890	8,390,890
Restricted cash	77,028	76,644
Security deposit	125,000	125,000
	$ 14,037,943	$ 14,504,348
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 429,647	$ 793,053
Accrued payroll and payroll taxes	1,018,249	787,343
Refundable advances	-	10,450
Total Current Liabilities	1,447,896	1,590,846
Construction loan payable	1,800,000	1,217,369
Deferred rent	511,575	463,622
Total Liabilities	3,759,471	3,271,837
Net Assets		
Unrestricted	9,728,472	10,436,261
Temporarily restricted	550,000	796,250
Total Net Assets	10,278,472	11,232,511
	$ 14,037,943	$ 14,504,348

See notes to financial statements

The Equity Project Charter School

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

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and local per pupil operating revenue	$ 13,084,405	$ -	$ 13,084,405	$ 10,662,112
State and local per pupil facilities funding	774,431	-	774,431	346,501
Federal grants	683,851	-	683,851	378,207
State grants	56,094	-	56,094	47,676
Total Operating Revenue	14,598,781	-	14,598,781	11,434,496
EXPENSES				
Program Services				
Regular education	9,869,905	-	9,869,905	8,232,911
Special education	3,290,992	-	3,290,992	1,968,217
Total Program Services	13,160,897	-	13,160,897	10,201,128
Supporting Services				
Management and general	1,252,278	-	1,252,278	961,957
Fundraising	98,036	-	98,036	82,885
Total Expenses	14,511,211	-	14,511,211	11,245,970
Surplus from Operations	87,570	-	87,570	188,526
SUPPORT AND OTHER REVENUE				
Capital campaign	301,245	-	301,245	2,661,526
Grant to TEP Charter School Assistance	(1,520,651)	-	(1,520,651)	(3,789,289)
Other contributions	-	-	-	350,000
Interest and other income	177,797	-	177,797	160,129
Net assets released from restrictions	246,250	(246,250)	-	-
Total Support and Other Revenue	(795,359)	(246,250)	(1,041,609)	(617,634)
Change in Net Assets	(707,789)	(246,250)	(954,039)	(429,108)
NET ASSETS				
Beginning of year	10,436,261	796,250	11,232,511	11,661,619
End of year	$ 9,728,472	$ 550,000	$ 10,278,472	$ 11,232,511

See notes to financial statements

The Equity Project Charter School

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

		2018						2017
		Program Services			Support Services			
	No. of Positions	Regular Education	Special Education	Total	Management and General	Fundraising	Total	Total
Personnel Services Costs:								
Administrative staff personnel	21	$ 575,285	$ 173,666	$ 748,951	$ 500,532	$ 81,381	$ 1,330,864	$ 1,212,296
Instructional personnel	61	5,687,441	1,952,918	7,640,359	6,250	-	7,646,609	6,089,045
Non-instructional personnel	16	183,173	48,962	232,135	219,770	-	451,905	208,172
Total Salaries and Staff	98	6,445,899	2,175,546	8,621,445	726,552	81,381	9,429,378	7,509,513
Fringe benefits and payroll taxes		881,757	297,601	1,179,358	99,388	11,132	1,289,878	1,015,726
Retirement		97,963	33,063	131,026	11,042	1,237	143,305	59,813
Legal service		-	-	-	5,599	-	5,599	148
Accounting/audit services		-	-	-	23,250	-	23,250	20,250
Other purchased/professional/consulting services		153,356	51,076	204,432	160,042	-	364,474	310,870
Building and land rent/lease		562,956	189,891	752,847	69,538	-	822,385	822,700
Repairs and maintenance		127,455	42,992	170,447	15,743	-	186,190	98,931
Insurance		70,192	23,676	93,868	8,670	-	102,538	81,530
Utilities		49,032	16,539	65,571	6,057	-	71,628	48,629
Supplies/materials		270,021	72,914	342,935	-	-	342,935	333,446
Equipment and furniture		-	-	-	-	-	-	35,480
Staff development		56,629	16,743	73,372	2,867	-	76,239	85,806
Marketing/recruitment		55,953	18,874	74,827	6,911	-	81,738	81,114
Technology		155,387	52,414	207,801	19,194	-	226,995	167,897
Food service		8,437	2,255	10,692	-	-	10,692	5,566
Student services		271,296	74,149	345,445	2,909	-	348,354	206,480
Office expense		150,213	50,694	200,907	17,154	1,637	219,698	126,307
Depreciation and amortization		504,837	170,287	675,124	62,358	-	737,482	212,891
Other		8,522	2,278	10,800	15,004	2,649	28,453	22,873
Total Expenses		$ 9,869,905	$ 3,290,992	$ 13,160,897	$ 1,252,278	$ 98,036	$ 14,511,211	$ 11,245,970

See notes to financial statements

The Equity Project Charter School

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (954,039)	$ (429,108)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	737,482	212,891
Deferred rent	47,953	326,870
Loss on disposal of property and equipment	4,974	-
Changes in operating assets and liabilities		
Grants and contracts receivable	15,469	(310,104)
Pledges receivable	246,250	(700,750)
Due from related party	(12,986)	3,235,319
Prepaid expenses and other current assets	228,145	(336,250)
Accounts payable and accrued expenses	(363,406)	581,568
Accrued payroll and payroll taxes	230,906	183,123
Refundable advances	(10,450)	10,450
Net Cash from Operating Activities	170,298	2,774,009
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash reserves for facilities	(80,360)	4,282,706
Purchases of property and equipment	(827,019)	(3,344,260)
Loan receivable	-	(8,390,890)
Restricted cash	(384)	(382)
Net Cash from Investing Activities	(907,763)	(7,452,826)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from construction loan payable	582,631	1,217,369
Net Change in Cash and Cash Equivalents	(154,834)	(3,461,448)
CASH AND CASH EQUIVALENTS		
Beginning of year	600,158	4,061,606
End of year	$ 445,324	$ 600,158

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 2018, the Board of Regents extended the School's charter through June 30, 2023. 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 717 students in grades kindergarten, first, and fifth through eighth during the 2017-2018 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 was unable to determine a value for the contributed space and did not record any value for the use of donated facilities. The School is in the process of building a permanent facility in Inwood/Washington Heights and plans to start middle school classes in the new facility by August 2019. 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 14).

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 statements 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, 2018 and 2017.

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, in which case it is 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 its fair value. There were no asset impairments for the years ended June 30, 2018 and 2017.

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, 2015.

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 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, 2017, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 22, 2018.

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 at June 30:

	2018	2017
Receivable in less than one year	$ 550,000	$ 750,000
Receivable in one to five years	-	50,000
Total pledges receivable	550,000	800,000
Discount to net present value at 3%	-	(3,750)
Total net pledges receivable	550,000	796,250
Current portion of pledges receivable	(550,000)	(750,000)
Total long-term pledges receivable	$ -	$ 46,250

5. Property and Equipment

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

	2018	2017
Equipment	$ 771,859	$ 661,558
Furniture and fixtures	542,902	472,948
Software	169,765	143,485
Musical instruments	96,834	94,834
Leasehold improvements	3,826,511	164,952
	5,407,871	1,537,777
Accumulated depreciation and amortization	(1,752,354)	(1,042,726)
	3,655,517	495,051
Construction-in-progress	-	3,075,903
	$ 3,655,517	$ 3,570,954

During the year ended June 30, 2018, the School disposed of assets resulting in a loss of $4,974.

Construction-in-progress consisted of building improvements and other capital costs related to the new early childhood facility which opened in September 2016. During 2018, the School placed these assets into service and transferred them to leasehold improvements.

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.

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 $143,304 and $59,812 for the years ended June 30, 2018 and 2017.

8. Construction Loan

Construction loan payable at June 30, 2018 and 2017 consists of the following two construction loan notes:

	2018	2017
(a) Civic Charter Lender, Inc.	$ 1,000,000	$ 676,316
(b) The New York Pooled PRI Fund	800,000	541,053
	$ 1,800,000	$ 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 15 days after the School's fiscal year 2022 audit is finalized or 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 were made at the School's request through December 1, 2017.

The loan shall be payable annually, 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 50% of the School's unrestricted cash in excess of one-twelfths of the total annual expenses as calculated in such audited financial statements or 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, 2018 and 2017, the School requested and received advances totaling $1,000,000 and $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 15 days after the School's fiscal year 2022 audit is finalized or 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 were made at the School's request through December 1, 2017. The loan shall be payable annually, 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 50% of the School's unrestricted cash in excess of one-twelfths of the total annual expenses as calculated in such audited financial statements or 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, 2018 and 2017, the School requested and received advances totaling $800,000 and $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 for the year ended June 30, 2017. During the year ended June 30, 2018, the School provided grants totaling $1,520,651. At June 30, 2018 and 2017, the balance due from TEPCSA amounted to $42,624 and $29,638.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 consist of $550,000 and $796,250 due to a time restriction. Net assets released from restrictions amounted to $246,250 and $49,250 for the years ended June 30, 2018 and 2017.

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 reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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, 2018 and 2017, the School received approximately 92% and 75% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

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, 2018 and 2017, approximately $80,000 and $177,000 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.

The future minimum lease payments under the facility lease are as follows for the years ending June 30:

2019	$ 797,664
2020	821,594
2021	846,242
2022	871,629
2023	897,778
Thereafter	2,855,745
	$ 7,090,652

Rent expense under the facility lease was $822,385 and $822,700 for the years ended June 30, 2018 and 2017.

Equipment Rental

The School leases office equipment under non-cancelable lease agreements expiring at various dates through August 2023.

The future minimum lease payments under the equipment leases are as follows for the years ending June 30:

2019	$ 38,940
2020	26,272
2021	13,148
2022	11,160
2023	10,230
	$ 99,750

Equipment rental expense was $30,054 and $35,480 for the years ended June 30, 2018 and 2017.

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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") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 22, 2018

The Equity Project Charter School

Independent Auditors' Report on Communication of
Internal Control Matters

June 30, 2018

Board of Trustees
The Equity Project Charter School

In planning and performing our audit of the financial statements of The Equity Project Charter School (the "School") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 the management, audit committee, the 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 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 22, 2018

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