

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Financial Statements

June 30, 2017 and 2016



## Independent Auditors' Report

**Board of Trustees  
Math, Engineering, and Science Academy (MESA)  
Charter High School**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Math, Engineering, and Science Academy (MESA) Charter High 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 auditor's 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 12, 2016.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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 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 School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 18, 2017

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

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

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,741,803	\$ 1,056,887
Grants and contracts receivable	219,547	140,293
Prepaid expenses and other current assets	129,367	334,750
Total Current Assets	2,090,717	1,531,930
Property and equipment, net	459,433	419,937
Restricted cash	76,262	76,148
	\$ 2,626,412	\$ 2,028,015
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 68,907	\$ 29,690
Accrued payroll and payroll taxes	361,122	281,755
Refundable advances	4,134	9,349
Total Current Liabilities	434,163	320,794
Net assets, unrestricted	2,192,249	1,707,221
	\$ 2,626,412	\$ 2,028,015

See notes to financial statements

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

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

	2017	2016
<b>REVENUE AND SUPPORT</b>		
State and local per pupil operating revenue	\$ 7,795,340	\$ 5,963,634
Federal grants	324,773	220,530
State and city grants	37,263	30,954
Contributions and grants	14,649	5,225
Fundraising activities	33,814	40,499
Donated services	6,063	5,158
Interest and other income	198	3,951
Total Revenue and Support	8,212,100	6,269,951
<b>EXPENSES</b>		
Program Services		
Regular education	5,119,305	3,806,975
Special education	1,764,685	1,332,949
Total Program Services	6,883,990	5,139,924
Supporting Services		
Management and general	760,006	573,809
Fundraising	83,076	65,037
Total Supporting Services	843,082	638,846
Total Expenses	7,727,072	5,778,770
Change in net assets	485,028	491,181
<b>NET ASSETS, UNRESTRICTED</b>		
Beginning of year	1,707,221	1,216,040
End of year	\$ 2,192,249	\$ 1,707,221

See notes to financial statements

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

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

	No. of Positions	2017							2016
		Program Services			Supporting Services			Total	
		Regular Education	Special Education	Total	Management and General	Fundraising	Total		
Personnel services costs									
Administrative staff personnel	10	\$ 185,418	\$ 74,477	\$ 259,895	\$ 359,293	\$ 39,537	\$ 398,830	\$ 658,725	\$ 501,871
Instructional personnel	44	2,171,441	933,726	3,105,167	-	-	-	3,105,167	2,022,787
Non-instructional personnel	13	976,525	211,454	1,187,979	28,765	1,354	30,119	1,218,098	1,203,898
Total salaries and staff	67	3,333,384	1,219,657	4,553,041	388,058	40,891	428,949	4,981,990	3,728,556
Fringe benefits and payroll taxes		637,530	234,338	871,868	74,907	7,893	82,800	954,668	623,244
Retirement		60,065	22,078	82,143	7,058	744	7,802	89,945	59,038
Legal services		12,953	4,761	17,714	1,522	160	1,682	19,396	14,863
Accounting / audit services		-	-	-	23,250	-	23,250	23,250	20,250
Other purchased / professional / consulting services		159,494	30,556	190,050	208,483	7,219	215,702	405,752	326,091
Repairs and maintenance		842	310	1,152	99	10	109	1,261	1,172
Insurance		33,992	12,495	46,487	3,994	421	4,415	50,902	41,301
Supplies / materials		469,155	99,676	568,831	4,611	486	5,097	573,928	444,327
Non-capitalized equipment / furnishings		22,002	4,500	26,502	282	30	312	26,814	5,227
Staff / professional development		78,972	22,579	101,551	11,565	11,567	23,132	124,683	117,506
Student and staff and recruitment		30,128	10,525	40,653	3,188	336	3,524	44,177	46,740
Technology		90,278	33,184	123,462	10,607	1,118	11,725	135,187	114,255
Office expense		40,710	14,964	55,674	4,782	504	5,286	60,960	55,062
Depreciation and amortization		148,035	54,414	202,449	17,393	1,833	19,226	221,675	157,367
Loss on disposal of assets		850	312	1,162	99	11	110	1,272	5,386
Other		915	336	1,251	108	9,853	9,961	11,212	18,385
Total Expenses		<u>\$ 5,119,305</u>	<u>\$ 1,764,685</u>	<u>\$ 6,883,990</u>	<u>\$ 760,006</u>	<u>\$ 83,076</u>	<u>\$ 843,082</u>	<u>\$ 7,727,072</u>	<u>\$ 5,778,770</u>

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 485,028	\$ 491,181
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	221,675	157,367
Loss on disposal of property and equipment	1,272	5,386
Changes in operating assets and liabilities		
Grants and contracts receivable	(79,254)	(78,301)
Prepaid expenses and other current assets	205,383	(260,423)
Accounts payable and accrued expenses	39,217	(18,865)
Accrued payroll and payroll taxes	79,367	104,416
Refundable advances	(5,215)	6,387
Net Cash from Operating Activities	947,473	407,148
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(262,443)	(182,212)
Restricted cash	(114)	(25,089)
Net Cash from Investing Activities	(262,557)	(207,301)
 Net Change in Cash and Cash Equivalents	684,916	199,847
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,056,887	857,040
 End of year	\$ 1,741,803	\$ 1,056,887

See notes to financial statements

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

**1. Organization and Tax Status**

Math, Engineering, and Science Academy (MESA) Charter High School (the "School") is a New York State, not-for-profit educational corporation that was incorporated to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter by the Board of Regents of the University of the State of New York on December 11, 2012 valid for a term of five years and expires on December 10, 2017. The charter is renewable upon expiration. The School's mission is to provide ninth to twelfth grade students with a rigorous education that equips each student with the ability to succeed in life and in college. The School serves students living in Bushwick and the surrounding communities in Brooklyn. Classes commenced in August 2013 and the School provided education to approximately 460 students in the ninth through twelfth grades during the 2016-2017 academic year.

The School has an agreement with the New York City Department of Education ("NYCDOE") to share public school space at no annual cost. The School occupies approximately 20,880 square feet on two floors of a public school building. The School also shares the gymnasium, auditorium and cafeteria with two public schools, of which the School's share is approximately 10,452 square feet. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required for days and times the School operates outside of the traditional NYCDOE schedule. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities.

The New York City Department of Education provides free lunches directly to some 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. The Office of Pupil Transportation provides free transportation to some of the students.

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.



**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

**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 temporarily or permanently restricted net assets at June 30, 2017 and 2016.

***Cash and Cash Equivalents***

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

***Restricted Cash***

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

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

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

***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, is expensed as incurred.

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

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

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the years ended June 30, 2017 and 2016.

***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

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

***Functional Expense Allocation***

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

***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2014.

***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 September 18, 2017.

**3. Grants and Contracts Receivable**

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

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

**4. Property and Equipment**

Property and equipment consist of the following at June 30:

	2017	2016
Computers	\$ 245,655	\$ 166,205
Equipment	367,539	281,021
Furniture and fixtures	181,865	144,684
Leasehold improvements	146,214	114,134
Software	39,893	15,143
	981,166	721,187
Accumulated depreciation and amortization	(521,733)	(301,250)
	\$ 459,433	\$ 419,937

**5. Donated Goods and Services**

Donated goods are recorded at their estimated fair value when received. The School received supplies at no charge. The value of these goods meets the criteria for recognition in the financial statements and was recorded at a fair value of \$0 and \$342 for the years ended June 30, 2017 and 2016.

Donated services are recognized as contributions in accordance with U.S. GAAP if the services (a) create or enhance non-financial 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 provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$6,063 and \$4,816 for the years ended June 30, 2017 and 2016.

Donated goods and services totaled \$6,063 and \$5,158 for the years ended June 30, 2017 and 2016.

**6. Concentration of Credit Risk**

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2017, approximately \$1,419,000 of cash was maintained with an institution in excess of FDIC limits.

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Notes to Financial Statements  
June 30, 2017 and 2016

**7. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For both years ended June 30, 2017 and 2016, the School received approximately 95% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

**8. Employee Benefit Plan**

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School matched up to 4% of the employees' salary. Total employer match for the years ended June 30, 2017 and 2016 amounted to \$84,459 and \$56,064.

**9. 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.

\* \* \* \* \*

**Math, Engineering, and Science Academy (MESA)  
Charter High School**

Independent Auditors' Report on Communication of  
Internal Control Matters

June 30, 2017

## Independent Auditors Communication on Internal Control Matters

### The Board of Trustees MESA Charter High School

In planning and performing our audit of the financial statements of Math, Engineering, and Science Academy (MESA) Charter High School (the "School") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

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 material weaknesses. 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.

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

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

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

*PKF O'Connor Davies, LLP*

September 18, 2017

**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**

**Board of Trustees  
Math, Engineering, and Science Academy (MESA)  
Charter High 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 Math, Engineering, and Science Academy (MESA) Charter High School (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 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.



***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  
September 18, 2017



September 18, 2017

To the Board of Trustees  
MESA Charter High School

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of MESA Charter High School (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated September 18, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 31, 2017. This letter provides additional required communications related to our audit.

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

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

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

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

#### *Significant accounting policies*

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

### *Significant accounting estimates*

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

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

### *Financial statement disclosures*

The financial statement disclosures are consistent and clear.

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

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

### **Uncorrected and corrected misstatements**

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

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

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

### **Disagreements with management**

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

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

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

## **Other matters discussed with management**

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

## **Auditor independence**

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

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

Yours sincerely,

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**