

**MERRICK ACADEMY - QUEENS PUBLIC CHARTER
SCHOOL**

QUEENS, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Merrick Academy - Queens Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Merrick Academy - Queens Public Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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.

Auditor's 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 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 Merrick Academy - Queens Public Charter School as of June 30, 2017, and the changes in its net assets, functional expenses, 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

The financial statements of Merrick Academy - Queens Public Charter School for the year ended June 30, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on October 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 on our consideration of Merrick Academy - Queens Public Charter 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 Merrick Academy - Queens Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 17, 2017

MERRICK ACADEMY - QUEENS PUBLIC CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,968,051	\$ 1,405,540
Grants and contracts receivables	289,296	255,510
Prepaid expenses	<u>67,918</u>	<u>215</u>
TOTAL CURRENT ASSETS	2,325,265	1,661,265
<u>PROPERTY AND EQUIPMENT, net</u>	530,799	423,747
<u>OTHER ASSETS</u>		
Security deposits	127,770	177,520
Cash in escrow	<u>75,004</u>	<u>75,003</u>
	<u>202,774</u>	<u>252,523</u>
TOTAL ASSETS	<u>\$ 3,058,838</u>	<u>\$ 2,337,535</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	113,106	397,898
Accrued payroll and benefits	598,079	498,683
Deferred revenue	35,284	1,661
Deferred lease incentive	<u>38,625</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	785,094	898,242
<u>DEFERRED LEASE LIABILITY</u>	232,049	206,844
<u>NET ASSETS</u>		
Unrestricted	2,040,195	1,232,449
Temporarily restricted	<u>1,500</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,041,695</u>	<u>1,232,449</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,058,838</u>	<u>\$ 2,337,535</u>

The accompanying notes are an integral part of the financial statements.

MERRICK ACADEMY - QUEENS PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30,			2016
	2017		Total	
	Unrestricted	Temporarily restricted		
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains, and other support:				
Public school district:				
Resident student enrollment	\$ 7,869,078	\$ -	\$ 7,869,078	\$ 7,281,487
Students with disabilities	954,023	-	954,023	760,530
Grants and contracts:				
State and local	43,730	-	43,730	41,928
Federal - Title and IDEA	175,658	-	175,658	186,164
Federal - other	12,794	-	12,794	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,055,283	-	9,055,283	8,270,109
Expenses:				
Program services:				
Regular education	5,069,663	-	5,069,663	4,780,441
Special education	2,283,661	-	2,283,661	1,781,864
TOTAL PROGRAM SERVICES	7,353,324	-	7,353,324	6,562,305
Management and general	910,980	-	910,980	701,599
TOTAL OPERATING EXPENSES	8,264,304	-	8,264,304	7,263,904
SURPLUS FROM SCHOOL OPERATIONS	790,979	-	790,979	1,006,205
Support and other revenue:				
Contributions:				
Individuals	-	1,500	1,500	50
Food service	3,931	-	3,931	2,049
Interest income	1,485	-	1,485	461
Miscellaneous income	11,351	-	11,351	133
TOTAL SUPPORT AND OTHER REVENUE	16,767	1,500	18,267	2,693
CHANGE IN NET ASSETS	807,746	1,500	809,246	1,008,898
Net assets at beginning of year	1,232,449	-	1,232,449	223,551
NET ASSETS AT END OF YEAR	<u>\$ 2,040,195</u>	<u>\$ 1,500</u>	<u>\$ 2,041,695</u>	<u>\$ 1,232,449</u>

The accompanying notes are an integral part of the financial statements.

MERRICK ACADEMY - QUEENS PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	No. of Positions	Year ended June 30,					Total
		2017			2016		
		Regular Education	Special Education	Sub-total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel		\$	\$ 240,159	\$ 624,412	\$ 336,222	\$ 960,634	\$ 624,784
Instructional personnel		384,263,444				3,135,896	2,576,846
Non-Instructional Personnel						57,575	
Total salaries and staff	13 53	2,530,697	989,452	3,135,896		4,154,105	
Fringe benefits and payroll taxes	4		1,229,611	3,760,308	393,797 57,575 74,442	907,004	109,857 3,311,487
Retirement	70		-			75,413	
Legal services		560,317	272,245	832,562,223		72,790	1,016,440
Accounting/Audit services		46,587	265,622	22,636		165,428	
Other Purchased/Professional/Consulting Services					6,190	371,139	63,480 434,929
Building rent					72,790	830,277	80,650
Repairs and maintenance						332,769	206,223
Insurance		-	83,413 99,884	349,765 132	22,104	49,107	830,277
Utilities		512,917	249,215	-	68,145	99,612	
Supplies/Materials		205,573 61,537	46,650	305,457	27,312	274,177	282,968
Equipment/Furnishings		30,337	14,240 999	45,077 91,436	4,030	31,941	46,620
Staff development		223,020	9,587 181	269,670	8,176	164,066	85,320
Marketing/Recruitment		19,732	12,673	29,319	4,507	45,054	219,179
Technology		128,540		159,721	2,622	43,541	20,906
Food service		29,112	4,692	41,785	4,345	34,104	70,071
Student services		26,898	37,162	41,785	3,269	175,133	70,764
Office expense		29,412	13,069	39,967	3,574	135,524	58,237
Depreciation and amortization		137,971		34,104 175,133	17,002	207,158	176,509
Other			62,180	124,401		95,962	35,153
		\$ 83,722 2,069,663	\$ 40,679 2,283,661	\$ 124,401 7,353,324	\$ 1,123 910,980	\$ 8,264,304	\$ 5,194 7,263,904
		427,976		190,156			150,798
		49,693	24,145	73,838	22,124		8,699

The accompanying notes are an integral part of the financial statements.

MERRICK ACADEMY - QUEENS PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 809,246	\$ 1,008,898
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	207,158	150,797
Loss on the disposal of property and equipment	15,522	-
Changes in certain assets and liabilities affecting operations:		
Cash in escrow	(1)	120
Grants and contracts receivables	(33,786)	(138,762)
Prepaid expenses	(67,703)	111,421
Accounts payable and accrued expenses	(284,792)	274,145
Accrued payroll and benefits	99,396	27,631
Deferred lease incentive	38,625	-
Deferred revenue	33,623	1,661
Deferred lease liability	25,205	44,840
NET CASH PROVIDED FROM OPERATING ACTIVITIES	842,493	1,480,751
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(329,732)	(77,368)
Security deposits	49,750	-
NET CASH USED FOR INVESTING ACTIVITIES	(279,982)	(77,368)
NET INCREASE IN CASH AND CASH EQUIVALENTS	562,511	1,403,383
Cash and cash equivalents at beginning of year	1,405,540	2,157
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,968,051	\$ 1,405,540

The accompanying notes are an integral part of the financial statements.

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Merrick Academy - Queens Public Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Queens, New York. The Charter School provides a full range of educational services appropriate for kindergarten through grade six. On January 1, 2000 the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On March 1, 2005, March 9, 2010 and February 3, 2015, the Charter School obtained five-year renewals, which currently expires June 30, 2020.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had \$1,500 in temporarily restricted net assets at June 30, 2017 restricted for the construction of a new playground. The Charter School had no temporarily restricted net assets at June 30, 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,004 and 75,003 at June 30, 2017 and 2016, respectively. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and contracts receivables

Grants and contracts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 and 2016.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the term of the lease.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Deferred lease incentive

The Charter School received a lease buyout incentive in conjunction with a new equipment lease. The Charter School recorded a deferred lease incentive and is recognizing the lease incentive on a straight-line basis over the lease term.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined changes of the base rent. The Charter School recognizes the related rent expense on a straight-line basis over ten years which is the lease term and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, funding for free and reduced-cost breakfasts, lunches and snacks, special education services and physical, occupational, and speech therapy that was also provided for the students from the local district. These services are not valued in the financial statements.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$45,100 and \$70,800 for the years ended June 30, 2017 and 2016, respectively.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received during the years ended June 30, 2017 or 2016.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Comparatives for year ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 17, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 353,778	\$ 288,883
Office and classroom equipment	261,244	225,300
Leasehold improvements	686,035	532,421
Software	60,456	47,903
Computers and equipment	552,450	489,724
Construction in progress	-	15,522
	<u>1,913,963</u>	<u>1,599,753</u>
Less accumulated depreciation	<u>1,383,164</u>	<u>1,176,006</u>
	<u>\$ 530,799</u>	<u>\$ 423,747</u>

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE C: SCHOOL FACILITY

The Charter School leases its facilities from a third party through December 31, 2022. Rent expense incurred under this lease for the years ended June 30, 2017 and 2016 was approximately \$830,300.

The lease agreements call for changes in the monthly lease payments. The deferred rent liability represents the difference between what will be paid by the Charter School and what is due based on a straight-line calculation of rent over the term of the lease.

The future minimum payments required under the agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 825,200
2019	845,800
2020	867,000
2021	888,600
2022	910,900
Thereafter	<u>461,100</u>
	<u>\$ 4,798,600</u>

In conjunction with this facility lease, the Charter School paid a security deposit of \$123,060 which is included in security deposits on the accompanying statement of financial position at June 30, 2017 and 2016.

NOTE D: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

NOTE E: CONCENTRATIONS

At June 30, 2017, approximately 82% of grants and other receivables are due from New York State agencies relating to certain grants.

At June 30, 2016, approximately 45% of grants and contract receivables were due from New York State agencies relating to certain grants.

For the years ended June 30, 2017 and 2016, approximately 97% of total revenue, gains, and other support came from per-pupil funding provided by New York State through the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

MERRICK ACADEMY – QUEENS PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the “Plan) for its employees. All employees are immediately eligible to participate in the Plan. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School matches the employee contribution up to 4% of the employee’s annual compensation. The Charter School contributed approximately \$75,400 and \$63,500 to the Plan for the years ended June 30, 2017 and 2016, respectively.

NOTE G: OPERATING LEASE

The Charter School entered into non-cancelable lease agreements for office equipment expiring at various dates through November 2021. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 76,500
2019	58,500
2020	42,900
2021	42,900
2022	10,400
	<u>\$ 231,200</u>

MERRICK ACADEMY - QUEENS PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S 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
Merrick Academy - Queens Public Charter School

We have audited, 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, the financial statements of Merrick Academy - Queens Public Charter School, which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and changes in net assets, 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 17, 2017.

Internal Control over Financial Reporting

Management of Merrick Academy - Queens Public Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Merrick Academy - Queens Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merrick Academy - Queens Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Merrick Academy - Queens Public Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Merrick Academy - Queens Public Charter 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*.

We noted certain matters that we have reported to management of Merrick Academy - Queens Public Charter School in a separate letter dated October 17, 2017

Purpose of This Report

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 17, 2017