

Middle Village Preparatory Charter School

Auditors' Communication on Internal Control

June 30, 2017

Board of Trustees
Middle Village Preparatory Charter School

In planning and performing our audit of the financial statements of Middle Village Preparatory Charter 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 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, the board of trustees and others within the organization and is not intended to be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 9, 2017

Middle Village Preparatory Charter School

Financial Statements

June 30, 2017 and 2016

Independent Auditors' Report

Board of Trustees
Middle Village Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Middle Village Preparatory Charter School, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 clear 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 Middle Village Preparatory Charter School as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2017 on our consideration of Middle Village Preparatory 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 Middle Village Preparatory Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 9, 2017

Middle Village Preparatory Charter School

Statements of Financial Position

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 4,207,259	\$ 2,293,116
Grants and accounts receivable	188,242	180,518
Prepaid expenses and other assets	46,627	33,424
Restricted cash	75,070	75,032
Property and equipment, net	<u>499,261</u>	<u>732,620</u>
	<u>\$ 5,016,459</u>	<u>\$ 3,314,710</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 367,653	\$ 461,019
Deferred revenue	<u>4,009</u>	<u>-</u>
Total Liabilities	371,662	461,019
Net assets, unrestricted	<u>4,644,797</u>	<u>2,853,691</u>
	<u>\$ 5,016,459</u>	<u>\$ 3,314,710</u>

Middle Village Preparatory Charter School

Statements of Activities

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
Public School District -		
State and local per pupil operating revenue	\$ 6,168,498	\$ 5,964,922
Government grants and contracts	907,314	1,120,008
Other income	211,326	189,958
Total Revenue	<u>7,287,138</u>	<u>7,274,888</u>
EXPENSES		
Program services	4,878,275	4,793,081
Management and general	617,757	422,799
Total Expenses	<u>5,496,032</u>	<u>5,215,880</u>
Change in Net Assets	1,791,106	2,059,008
NET ASSETS, UNRESTRICTED		
Beginning of year	<u>2,853,691</u>	<u>794,683</u>
End of year	<u>\$ 4,644,797</u>	<u>\$ 2,853,691</u>

See notes to financial statements

Middle Village Preparatory Charter School

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

	No. of Positions	No. of Students	2017				2016	
			Program services			Management and General	Total	Total
			Regular Education	Special Education	Total			
		375	322	53				
Personnel Services Costs								
Administrative Staff Personnel	10		\$ 277,024	\$ 173,140	\$ 450,164	\$ 242,396	\$ 692,560	\$ 530,159
Instructional Personnel	24		1,060,070	705,076	1,765,146	-	1,765,146	1,751,178
Non-instructional Personnel	3		57,874	9,561	67,435	-	67,435	-
Total Salaries and Staff	37		1,394,968	887,777	2,282,745	242,396	2,525,141	2,281,337
Fringe benefits and payroll taxes			213,143	135,648	348,791	37,036	385,827	342,990
Retirement			35,364	22,506	57,870	6,145	64,015	52,070
Legal service			-	-	-	57,879	57,879	15,225
Accounting/audit services			-	-	-	57,466	57,466	59,987
Building and land rent/lease			397,751	253,134	650,885	69,115	720,000	720,000
Repairs and maintenance			226,629	144,230	370,859	39,380	410,239	390,369
Insurance			51,820	32,980	84,800	9,005	93,805	97,654
Utilities			134,241	85,433	219,674	23,326	243,000	234,000
Supplies/materials			147,415	24,354	171,769	-	171,769	262,229
Equipment/furnishings			16,196	10,307	26,503	2,814	29,317	26,684
Staff development			18,720	3,093	21,813	-	21,813	12,524
Marketing and recruitment			31,411	5,189	36,600	-	36,600	13,512
Technology			3,550	2,259	5,809	617	6,426	5,264
Food service			96,460	61,389	157,849	16,761	174,610	171,473
Student services			63,378	21,662	85,040	19,060	104,100	86,856
Office expense			17,565	11,179	28,744	3,052	31,796	24,222
Depreciation and amortization			165,539	105,351	270,890	28,765	299,655	337,067
Other			42,027	15,607	57,634	4,940	62,574	82,417
Total Expenses			<u>\$ 3,056,177</u>	<u>\$ 1,822,098</u>	<u>\$ 4,878,275</u>	<u>\$ 617,757</u>	<u>\$ 5,496,032</u>	<u>\$ 5,215,880</u>

Middle Village Preparatory Charter School

Statements of Functional Expenses
Year Ended June 30, 2016

	No. of Positions	No. of Students	Program services			Management and General	Total
			Regular Education	Special Education	Total		
		369	320	49			
Personnel Services Costs							
Administrative Staff Personnel	10		\$ 334,123	\$ 70,693	\$ 404,816	\$ 125,343	\$ 530,159
Instructional Personnel	24		1,517,672	233,506	1,751,178	-	1,751,178
Non-instructional Personnel	-		-	-	-	-	-
Total Salaries and Staff	34		1,851,795	304,199	2,155,994	125,343	2,281,337
Fringe benefits and payroll taxes			278,410	45,735	324,145	18,845	342,990
Retirement			42,266	6,943	49,209	2,861	52,070
Legal service			-	-	-	15,225	15,225
Accounting/audit services			-	-	-	59,987	59,987
Building and land rent/lease			584,435	96,006	680,441	39,559	720,000
Repairs and maintenance			316,868	52,053	368,921	21,448	390,369
Insurance			23,314	3,830	27,144	70,510	97,654
Utilities			189,941	31,202	221,143	12,857	234,000
Supplies/materials			212,855	34,966	247,821	14,408	262,229
Equipment/furnishings			21,660	3,558	25,218	1,466	26,684
Staff development			10,166	1,670	11,836	688	12,524
Marketing and recruitment			10,968	1,802	12,770	742	13,512
Technology			4,273	702	4,975	289	5,264
Food service			139,187	22,865	162,052	9,421	171,473
Student services			70,502	11,582	82,084	4,772	86,856
Office expense			19,662	3,229	22,891	1,331	24,222
Depreciation and amortization			273,602	44,946	318,548	18,519	337,067
Other			66,899	10,990	77,889	4,528	82,417
Total Expenses			<u>\$ 4,116,803</u>	<u>\$ 676,278</u>	<u>\$ 4,793,081</u>	<u>\$ 422,799</u>	<u>\$ 5,215,880</u>

Middle Village Preparatory Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from per pupil operating revenue and government grants and contracts	\$ 7,072,097	\$ 7,005,265
Other income	<u>211,326</u>	<u>189,958</u>
Total Cash Received	<u>7,283,423</u>	<u>7,195,223</u>
Cash paid for payroll and benefits	3,050,013	2,562,454
Cash paid to vendors	<u>2,252,933</u>	<u>2,122,200</u>
Total Cash Paid	<u>5,302,946</u>	<u>4,684,654</u>
Net Cash from Operating Activities	<u>1,980,477</u>	<u>2,510,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(66,296)	(175,606)
Deposits to restricted cash	<u>(38)</u>	<u>(25,031)</u>
Net Cash from Investing Activities	<u>(66,334)</u>	<u>(200,637)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loan payable	<u>-</u>	<u>(447,026)</u>
Net Change in Cash and Cash Equivalents	1,914,143	1,862,906
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,293,116</u>	<u>430,210</u>
End of year	<u>\$ 4,207,259</u>	<u>\$ 2,293,116</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,791,106	\$ 2,059,008
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	299,655	337,067
Change in operating assets and liabilities		
Grants and accounts receivable	(7,724)	(77,598)
Prepaid expenses and other assets	(13,203)	534
Accounts payable and accrued expenses	(93,366)	193,625
Deferred revenue	<u>4,009</u>	<u>(2,067)</u>
Net Cash from Operating Activities	<u>\$ 1,980,477</u>	<u>\$ 2,510,569</u>

See notes to financial statements

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

1. Organization and Tax Status

Middle Village Preparatory Charter School (the "School") is a public charter school whose mission is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities and to realize their best possible selves.

The School operates in Middle Village, New York. On January 1, 2013, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The school opened with its first academic year in the fall of 2013 and provided education to approximately 375 students in sixth through eighth grade during 2016-2017 academic year.

The School's primary sources of income are from per pupil tuition and other government funding.

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 contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. Actual results could differ from those estimates.

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. Board designated net assets were established by the Board of Trustees to provide a cash and cash equivalents reserve for unseen operating and capital expenses.

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.

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

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

Net Assets Presentation (continued)

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 investments, with a maturity of three months or less at the time of purchase.

Restricted Cash

Included in restricted cash is an escrow fund of \$75,070 as of June 30, 2017 and \$75,032 as of June 30, 2016 to cover debts in the event of the School's dissolution. According to Section 2851(2)(t) of the Charter School Law, the School will maintain no less than \$75,000 in an escrow account.

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$1,000 with an estimated useful life of more than three years are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized at June 30, 2017 and 2016.

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue from state and local governments under the charter agreement is based on the number of students enrolled and recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts is recognized by the School when qualifying expenditures are incurred. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue in the accompanying statements of financial position.

The School follows U.S. GAAP guidance on accounting for contributions received and contributions made. Accordingly, contributed assets are recorded at fair value at date of donation. Services are recognized as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, (b) would typically need to be purchased by the School if they had not been provided by contribution or (c) require specialized skills and are provided by individuals with those skills.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's board of trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Functional Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Expenses are classified according to the functional categories for which they are incurred, as follows:

Regular Education Program Services – represents expenses directly associated with regular education.

Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.

Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any education services or fundraising.

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

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

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment costs for the years ended June 30, 2017 and 2016 was \$36,600 and \$13,514.

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense and is recorded on a straight-line basis. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense.

Accounting For Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only when they 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 subject to examination by applicable taxing authorities since inception in 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 9, 2017, which is the date that the financial statements were available to be issued.

3. Concentration of Credit Risk and Revenue

Financial instruments that potentially subject the School to concentrations of credit risk consists primary of cash and cash equivalents and grants and accounts receivable. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's Insurance limits. As of June 30, 2017 and 2016, the uninsured portion of this balance was \$3,154,661 and \$1,469,783.

The School receives a majority of its revenues from the New York State Education Department through the Charter Schools Institute of the State of New York. The Charter Schools Institute of the State of New York provides general operating support to the School based upon the location and the number of students enrolled. State and local per pupil education and special education revenue provided to the School totaled \$6,168,498 and \$5,964,922 for the years ended June 30, 2017 and 2016. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

3. Concentration of Credit Risk and Revenue *(continued)*

The School entered into contractual arrangements with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund, because management does not believe that there are any liabilities to be recorded.

4. Grants and Accounts Receivable

Grants and accounts receivable are deemed to be fully collectible by management and consist of income from New York State.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Computers and other equipment	\$ 507,728	\$ 449,521	3
Furniture and fixtures	305,280	297,191	7
Leasehold improvements	<u>754,892</u>	<u>754,892</u>	5
	1,567,900	1,501,604	
Accumulated depreciation and amortization	<u>(1,068,639)</u>	<u>(768,984)</u>	
	<u>\$ 499,261</u>	<u>\$ 732,620</u>	

6. Loan Payable

The School made the final payment of \$447,026 on the loan payable during the year ending June 30, 2016 to the lessor for renovations made pursuant to the lease agreement discussed in Note 7. The loan was unsecured and non-interest bearing. The final payment was made to the loan on January 28, 2016.

7. Operating Leases

On February 1, 2013, the School entered into a lease agreement for a period of five years and five months terminating on June 30, 2018. The lease may be renewed for an additional five years with the same terms. The rate of rent stays flat without increase during the term of the lease, but, as the space utilization increases, the rent is proportionately increased. The rent for additional space is calculated and charged in proportion to the increase in floor space. The initial base rent per year is \$240,000 rising to \$720,000. Rent expense for the years ended June 30, 2017 and 2016 was \$720,000.

Future minimum rental expense for the year ending June 30, 2018, based on anticipated square footage space, is expected to be \$720,000.

Middle Village Preparatory Charter School

Notes to Financial Statements
June 30, 2017 and 2016

8. Employee Benefit Plan

The School maintains a deferred compensation plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. For the years ended June 30, 2017 and 2016, the School expended and contributed \$64,015 and \$52,069 to the plan.

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.

The School is currently a subtenant of Christ the King Regional High School ("Christ the King"), which is a party to a lease for a school building owned by the Roman Catholic Diocese of Brooklyn (the "Diocese"). The Diocese is attempting to evict the School. Currently, the School is not a party to the suit which was commenced in 2013. However, if the School is evicted, it would not affect not the ability of the School to continue as a going concern. The School is seeking to intervene as a party, and the parties are currently disputing this issue. If the School is evicted, it will have to locate to an alternative, potentially more expensive space in which to run its program. Pending the resolution of this matter, the School is fully functional and operating its program in the building. The School is confident that it will prevail in this matter, but it is unclear what the outcome will be.

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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
Middle Village Preparatory 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 Middle Village Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 9, 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 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. *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

October 9, 2017