

New York City Montessori Charter School

Financial Statements

June 30, 2017

Independent Auditors' Report

Board of Trustees New York City Montessori Charter School

We have audited the accompanying financial statements of New York City Montessori Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The summarized comparative financial statements as of June 30, 2016 and for the year then ended, were audited by other auditors who ceased operations. Those auditors expressed an unmodified opinion on those financial statements in their report dated September 28, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 9, 2017

New York City Montessori Charter School

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

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 291,946	\$ 111,795
Grants and contracts receivable	209,952	242,072
Prepaid expenses and other current assets	<u>37,685</u>	<u>134,180</u>
Total Current Assets	539,583	488,047
Property and equipment, net	212,846	286,963
Security deposits	229,716	223,651
Restricted cash	<u>75,000</u>	<u>75,000</u>
	<u>\$ 1,057,145</u>	<u>\$ 1,073,661</u>
LIABILITIES AND NET DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	\$ 165,841	\$ 52,502
Accrued payroll and payroll taxes	281,253	305,296
Refundable advances	<u>12,274</u>	<u>27,754</u>
Total Current Liabilities	459,368	385,552
Deferred rent	<u>759,425</u>	<u>816,501</u>
Total Liabilities	1,218,793	1,202,053
Net deficit	<u>(161,648)</u>	<u>(128,392)</u>
	<u>\$ 1,057,145</u>	<u>\$ 1,073,661</u>

See notes to financial statements

New York City Montessori Charter School

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

	2017	2016
REVENUE AND SUPPORT		
State and local per pupil operating revenue		
General and special education	\$ 4,617,770	\$ 4,513,487
Universal pre-kindergarten	485,000	409,992
Facilities	213,351	228,207
Federal grants	239,169	254,341
State and city grants	23,364	26,731
Other income	12,686	7,002
Total Revenue and Support	5,591,340	5,439,760
EXPENSES		
Program Services		
Regular education	2,864,124	3,231,260
Special education	1,205,739	1,219,768
Other education	586,831	605,674
Total Program Services	4,656,694	5,056,702
Supporting Services		
Management and general	967,902	502,771
Total Expenses	5,624,596	5,559,473
Change in Net Defecit	(33,256)	(119,713)
NET DEFICIT		
Beginning of year	(128,392)	(8,679)
End of year	\$ (161,648)	\$ (128,392)

See notes to financial statements

New York City Montessori Charter School

Statement of Functional Expenses

Year Ended June 30, 2017

(with summarized totals for the year ended June 30, 2016)

	2017					2016		
	No. of Positions	Program Services			Total	Management and General	Total	Total
		Regular Education	Special Education	Other Education				
Personnel Services Costs								
Administrative staff personnel	11	\$ 126,991	\$ 67,990	\$ 36,408	\$ 231,389	\$ 438,235	\$ 669,624	\$ 352,447
Instructional personnel	39	1,339,937	552,523	266,393	2,158,853	-	2,158,853	2,528,716
Non-instructional personnel	1	-	-	-	-	17,787	17,787	2,007
Total Salaries and Staff	51	1,466,928	620,513	302,801	2,390,242	456,022	2,846,264	2,883,170
Fringe benefits and payroll taxes		292,404	123,687	60,358	476,449	90,899	567,348	450,894
Legal services		168	59	-	227	43	270	5,236
Accounting/audit services		-	-	-	-	22,250	22,250	22,250
Other purchased/professional/consulting services		124,097	52,353	25,525	201,975	102,231	304,206	392,021
Building and land rent/lease		724,996	306,674	149,652	1,181,322	225,378	1,406,700	1,305,923
Repairs and maintenance		13,611	5,757	2,809	22,177	4,232	26,409	23,279
Insurance		16,825	7,117	3,473	27,415	5,230	32,645	25,298
Utilities		47,355	20,031	9,775	77,161	14,722	91,883	94,301
Supplies/materials		40,876	14,235	5,878	60,989	-	60,989	83,293
Staff development		33,703	11,915	5,431	51,049	-	51,049	61,039
Marketing/recruitment		9,236	3,907	1,906	15,049	2,870	17,919	3,540
Technology		14,320	6,057	2,956	23,333	4,453	27,786	31,590
Food services		3,401	1,203	548	5,152	-	5,152	16,632
Student services		1,179	499	243	1,921	367	2,288	1,926
Office expense		29,355	12,413	6,049	47,817	25,007	72,824	54,793
Depreciation and amortization		45,670	19,319	9,427	74,416	14,198	88,614	104,288
Total Expenses		<u>\$ 2,864,124</u>	<u>\$ 1,205,739</u>	<u>\$ 586,831</u>	<u>\$ 4,656,694</u>	<u>\$ 967,902</u>	<u>\$ 5,624,596</u>	<u>\$ 5,559,473</u>

New York City Montessori Charter School

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (33,256)	\$ (119,713)
Adjustments to reconcile change in net deficit to net cash from operating activities		
Depreciation and amortization	88,614	104,288
Deferred rent	(57,076)	(57,073)
Changes in operating assets and liabilities		
Grants and contracts receivable	32,120	(110,682)
Prepaid expenses and other current assets	96,495	(120,999)
Security deposits	(6,065)	-
Accounts payable and accrued expenses	113,339	(32,687)
Accrued payroll and payroll taxes	(24,043)	45,319
Refundable advances	(15,480)	(2,624)
Net Cash from Operating Activities	194,648	(294,171)
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(14,497)	(45,930)
 CASH FLOWS FROM FINANCING ACTIVITY		
Payments made on line of credit	-	(44,460)
Net Change in Cash and Cash Equivalents	180,151	(384,561)
 CASH AND CASH EQUIVALENTS		
Beginning of year	111,795	496,356
End of year	\$ 291,946	\$ 111,795
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ 2,819

See notes to financial statements

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

1. Organization and Tax Status

New York City Montessori Charter 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 on December 14, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School renewed its charter for an additional three-year term expiring on June 30, 2019. The School is an elementary school in the South Bronx neighborhood of New York that will empower its children to be critical thinkers and creative problem solvers with strong social skills so that they can succeed in their world and learn in their pursuit of higher education as they prepare for careers needed in the 21st century. Classes commenced in the Bronx, New York, in September 2011, and the School provided education to approximately 274 students in grades kindergarten through fifth during the 2016-2017 academic year.

Beginning in September 2014, the School was awarded a contract with the New York City Department of Education to operate a Universal Pre-Kindergarten program. The initial contract commenced July 1, 2014 and expired on June 30, 2017. The initial contract is renewable for two additional years at the option of the New York City Department of Education. The School is currently in the process of renewing their initial contract. The School provided education to approximately 51 students during the 2016-2017 academic year.

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

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

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.

Property and Equipment

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

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

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

Property and Equipment (continued)

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

Computers and equipment	3 and 4 years
Furniture and fixtures	5 years
Website development	3 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.

Deferred Rent

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

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.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2017 and 2016 was \$17,919 and \$3,540.

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

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 natural and functional classification. 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 as of and for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 9, 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 and no allowance for doubtful accounts has been provided.

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Computers and equipment	\$ 171,118	\$ 162,035
Furniture and fixtures	257,685	252,271
Website development	1,200	1,200
Software	2,126	2,126
Leasehold improvements	<u>235,100</u>	<u>235,100</u>
	667,229	652,732
Accumulated depreciation and amortization	<u>(454,383)</u>	<u>(365,769)</u>
	<u>\$ 212,846</u>	<u>\$ 286,963</u>

5. 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 \$117,000 of cash was maintained with an institution in excess of FDIC limits.

6. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2017 and 2016, the School received approximately 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.

7. Commitment

In March 2012, the School entered into a 10 year non-cancelable operating lease for permanent office and classroom space beginning July 1, 2012 and ending on June 30, 2022. In September 2013 and June 2014 the School entered into a first and second lease amendment, respectively, to lease additional space in their existing building to accommodate an increase in student enrollment and the addition of Pre-Kindergarten program.

Beginning July 1, 2017 the minimum lease payments shall increase based on the excess of the Consumer Price Index ("CPI") as issued by the Bureau of Labor Statistics of the United States Department of Labor for moderate income families over the Base Price Index that exists as of the month in which the commencement date occurs. In no event can the increase for each year be less than 2.25% from the prior year's net rental. The future minimum lease payments include an increase of 2.25% beginning July 1, 2017.

New York City Montessori Charter School

Notes to Financial Statements
June 30, 2017

7. Commitment (continued)

Future minimum lease payments are as follows:

Year ending June 30,	
2018	\$ 1,393,668
2019	1,425,025
2020	1,457,088
2021	1,489,873
2022	<u>1,523,395</u>
	<u>\$ 7,289,049</u>

Rent expense under this lease for the years ended June 30, 2017 and 2016 was \$1,305,920 and \$1,305,923, respectively.

8. 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.

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
New York City Montessori 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 New York City Montessori 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 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. 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 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.

O'Connor Davies, LLP

Harrison, New York
October 9, 2017



October 9, 2017

To the Board of Trustees
New York City Montessori Charter School

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of New York City Montessori Charter School (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated October 9, 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.

Qualitative aspects of significant accounting practices (continued)

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