

ROCHESTER ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2017



TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Rochester Academy Charter School
Rochester, New York

We have audited the accompanying financial statements of Rochester Academy Charter School (a nonprofit organization), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2017, 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 basis for our audit opinion.

Opinion

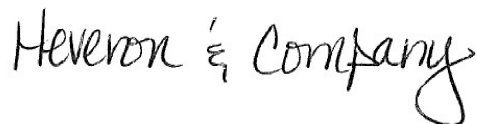
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Academy Charter School as of June 30, 2017 and 2016, its changes in net assets and cash flows for the years then ended, and its functional expenses for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Rochester Academy Charter School's statement of functional expenses for the year ended June 30, 2016, and we expressed an unmodified audit opinion on that audited financial statement in our report dated October 21, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2017 on our consideration of Rochester Academy Charter School's internal control over financial reporting, and 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 the 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 Rochester Academy Charter School's internal control over financial reporting and compliance.



Heveron & Company
Certified Public Accountants

Rochester, New York
October 20, 2017

ROCHESTER ACADEMY CHARTER SCHOOL
BALANCE SHEETS
June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 94,063	\$ 915,895
Accounts Receivable	255,276	220,274
Grants Receivable	65,242	24,134
Prepaid Expenses	99,551	94,824
Inventory	<u>9,305</u>	<u>9,305</u>
Total Current Assets	<u>523,437</u>	<u>1,264,432</u>
 <u>Property and Equipment</u>		
Building and Improvements	2,426,006	-
Land	100,000	-
Furniture and Fixtures	314,281	276,207
Computers and Software	648,794	498,564
Equipment	195,785	165,908
Less: Accumulated Depreciation	<u>(735,308)</u>	<u>(578,701)</u>
Net Property and Equipment	<u>2,949,558</u>	<u>361,978</u>
 <u>Other Assets</u>		
Security Deposits	<u>7,500</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$3,480,495</u>	 <u>\$1,626,410</u>

LIABILITIES AND NET ASSETS

	2017	2016
<u>Current Liabilities</u>		
Accrued Payroll and Benefits	\$ 379,234	\$ 382,600
Accounts Payable	-	778
Funds Held for Others	-	1,212
Line of Credit	32,131	-
Current Portion of Mortgage Payable	84,387	-
Total Current Liabilities	495,752	384,590
<u>Long-Term Liabilities</u>		
Mortgage Payable	1,915,613	-
Less: Loan Acquisition Costs, Net	(53,629)	-
Total Long-Term Liabilities	1,861,984	-
Total Liabilities	2,357,736	384,590
<u>Net Assets</u>		
Unrestricted:		
Undesignated	1,122,759	1,041,820
Board Designated	-	200,000
Total Unrestricted Net Assets	1,122,759	1,241,820
TOTAL LIABILITIES AND NET ASSETS	\$3,480,495	\$1,626,410

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2017 and 2016

	2017	2016
<u>Revenues and Other Support:</u>		
Public School District:		
Revenue - Resident Student Enrollment	\$ 4,444,094	\$ 4,422,436
Special Charter School Aid	153,714	79,596
Federal Grants	247,634	264,380
State and Local Grants	36,430	52,770
Miscellaneous Income	61,190	28,945
Total Revenues and Other Support	4,943,062	4,848,127
 <u>Expenses:</u>		
<u>Program Services:</u>		
Regular Education	3,802,091	3,835,067
<u>Supporting Services:</u>		
Management and General	1,260,032	1,273,184
Total Expenses	5,062,123	5,108,251
 Deficit of Revenues and Other Support Over Expenses	(119,061)	(260,124)
 Net Assets - Beginning of Year	1,241,820	1,501,944
 Net Assets - End of Year	\$ 1,122,759	\$ 1,241,820

See Independent Auditors' Report and Notes to Financial Statements.

**ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended June 30, 2017

(With Comparative Totals For The Year Ended June 30, 2016)

	2017 No. of Positions	<u>Regular Education</u>	<u>Management and General</u>	<u>Totals</u>	
				2017	2016
Personnel Service Costs					
Instructional Personnel	35	\$ 1,754,846	\$ -	\$ 1,754,846	\$ 1,774,663
Non-Instructional Personnel	12	101,529	290,506	392,035	385,902
Administrative Personnel	<u>8</u>	<u>-</u>	<u>482,633</u>	<u>482,633</u>	<u>492,629</u>
Total Salaries and Staff	55	1,856,375	773,139	2,629,514	2,653,194
Fringe Benefits and Payroll Taxes		450,968	187,818	638,786	661,341
Retirement		<u>181,848</u>	<u>75,735</u>	<u>257,583</u>	<u>267,020</u>
Total Payroll Service Costs		2,489,191	1,036,692	3,525,883	3,581,555
Building Rent and Taxes		514,987	57,221	572,208	475,387
Depreciation Expense		140,946	15,661	156,607	115,831
Maintenance and Repairs		122,572	13,619	136,191	120,621
Other Professional Services		92,645	23,481	116,126	126,685
Student Services		115,514	-	115,514	134,885
Utilities		77,146	8,572	85,718	71,827
Supplies and Materials		60,050	14,332	74,382	131,542
Technology		62,063	6,896	68,959	108,155
Insurance		55,537	6,171	61,708	61,263
Marketing and Recruitment		8,692	34,767	43,459	47,156
Other Expenses		26,177	12,215	38,392	46,397
Equipment and Furnishings		21,084	4,755	25,839	27,706
Staff Development		15,487	-	15,487	36,329
Legal Services		-	11,487	11,487	8,931
Accounting and Audit Services		-	9,300	9,300	9,000
Office Expense		<u>-</u>	<u>4,863</u>	<u>4,863</u>	<u>4,981</u>
Total Expenses		<u>\$ 3,802,091</u>	<u>\$ 1,260,032</u>	<u>\$ 5,062,123</u>	<u>\$ 5,108,251</u>

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flow From Operating Activities</u>		
Revenue from School Districts	\$ 4,491,300	\$ 4,567,902
Special Charter School Aid	80,011	-
Grant Revenues	206,527	364,147
Miscellaneous Sources	61,201	29,979
Payments to Vendors for Goods and Services Rendered	(1,362,943)	(1,335,414)
Payments to Charter School Personnel for Services Rendered	<u>(3,532,243)</u>	<u>(3,581,755)</u>
Net Cash Flow Provided/(Used) By Operating Activities	<u>(56,147)</u>	<u>44,859</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	<u>(744,187)</u>	<u>(354,704)</u>
Cash Flow Used By Investing Activities	<u>(744,187)</u>	<u>(354,704)</u>
 <u>Cash Flow From Financing Activities</u>		
Proceeds from Line of Credit	32,131	-
Loan Acquisition Costs	<u>(53,629)</u>	<u>-</u>
Cash Flow Used By Investing Activities	<u>(21,498)</u>	<u>-</u>
 Net Decrease in Cash and Cash Equivalents	(821,832)	(309,845)
 Cash and Cash Equivalents - Beginning of Year	<u>915,895</u>	<u>1,225,740</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 94,063</u>	<u>\$ 915,895</u>

ROCHESTER ACADEMY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2017 and 2016
(Continued)

Reconciliation of Change in Net Assets to Net Cash

Provided by Operating Activities

	<u>2017</u>	<u>2016</u>
Deficit of Revenues and Other Support Over Expenses	\$ (119,061)	\$ (260,124)
Adjustments to Reconcile Deficit of Revenues and Other Support Over Expenses to Net Cash Used by Operating Activities:		
Depreciation	156,607	115,831
Decrease/(Increase) In:		
Accounts Receivable	(35,002)	100,333
Grants Receivable	(41,108)	132,869
Inventory	-	2,000
Prepaid Expenses	(4,727)	(23,285)
Security Deposits	(7,500)	15,421
Increase/(Decrease) In:		
Accounts Payable	(778)	(16,124)
Accrued Payroll and Benefits	(3,366)	(19,842)
Funds Held for Others	(1,212)	(2,220)
Net Cash Flow Provided/(Used) By Operating Activities	<u>\$ (56,147)</u>	<u>\$ 44,859</u>

Supplemental Disclosures

Noncash Investing and Financing Transaction:

Purchase of Building

Cost of Building	\$ 2,000,000	\$ -
Mortgage Loan	\$(2,000,000)	\$ -

See Independent Auditors' Report and Notes to Financial Statements.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rochester Academy Charter School (the School) is a nonprofit organization that meets a need for a college preparatory school for low achieving students with special emphasis on math and science education in Rochester, New York. The School promotes a safe, caring, and student-centered classroom environment for grades 7-12. The School's revenue is predominantly Charter School Basic Tuition from the Rochester City School District and a few other surrounding school districts.

The main program of the School is as follows:

REGULAR EDUCATION: The School curriculum is focused on mathematics and sciences. The School also integrates multi-cultural themes into the curriculum, not only through geography and foreign languages, but through each subject area. All courses align with the New York State Learning Standards.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the School reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no temporarily or permanently restricted net assets at June 30, 2017 and 2016.

The School also records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America allow the School to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The School has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are descriptions of the School's net asset classifications:

Unrestricted:

Undesignated: net assets include resources that are available for the general support of the School's operations.

Board Designated: net assets include resources set aside by the board for the purchase of a building. For the year ended June 30, 2016, there was \$200,000 in Board Designated net assets. This restriction was released with the purchase of a new building during the year ended June 30, 2017.

Revenue Recognition

A portion of the School's revenue is derived from grants. Amounts received, but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the School with the terms of the grants and contracts. The School records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Accounts and Grants Receivable

Receivables are stated at the amount management expects to collect. Amounts that management believes to be uncollectible after collection efforts have been completed are written off. In addition, management evaluates the need for, and if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2017 and 2016.

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. The School capitalizes property and equipment with a cost of over \$2,000 individually or over \$20,000 per bundle purchase, and an estimated life of three or more years. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, as follows:

	<u>Years</u>
Building and Improvements	5-30
Furniture and Fixtures	5-7
Computers and Software	3-5
Equipment	5-10

Depreciation expense amounted to \$156,607 and \$115,831 for the years ended June 30, 2017 and 2016, respectively.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and in banks, which, at times may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certain of these accounts were not federally insured however, the School does have private insurance coverage for any losses up to \$500,000. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Cash and cash equivalents consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Checking	\$ 19,061	\$ 815,559
Savings	75,002	100,336
Total	\$ 94,063	\$ 915,895

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services. An immaterial amount of fund raising costs for the years ended June 30, 2017 and 2016, are included in management and general expenses.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketing

Marketing costs are expensed as incurred.

Comparative Financial Information

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

Reclassifications

Certain account balances as of June 30, 2016 have been reclassified to conform with the presentation as of June 30, 2017.

Inventories

Inventories consist of school store items and are recorded at cost.

NOTE 2 - PENSION EXPENSE

The School participates in the New York State Teachers' Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal, and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York.

Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after that date and before January 1, 2010 who have less than ten years of service or membership, are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2017 and 2016 were respectively, 11.72% and 13.26%. The total retirement contribution expense was \$257,583 and \$267,020 for the years ended June 30, 2017 and 2016, respectively.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 3 - COMMITMENTS

The School was obligated under non-cancelable operating leases for three buildings. Under the first lease the School was responsible for payment of utilities, maintenance, and any real property taxes if they were assessed under the terms of the lease. This lease had a two year term through July 31, 2016, and was not renewed.

The second lease for the School is a two year term through June 30, 2018. This lease includes a provision that the School is responsible for all taxes and city service charges, if they are assessed for the facilities. In addition, it includes a clause that the landlord is responsible for 100% of the utilities for the gymnasium during the months of July and August, and 30% for the other months.

The term for the third lease for the School was set to end June 30, 2031, however, the School purchased the building during the year ended June 30, 2017.

Total building rental expense for the years ended June 30, 2017 and 2016 totaled \$535,354 and \$419,610, respectively.

The School is also obligated under non-cancelable operating leases for two copiers. Both leases require monthly payments with annual overage charges. The first lease is a 60 month term through March, 2019. The second lease is a 47 month term through February, 2019.

Total copier rental expense for the years ended June 30, 2017 and 2016 totaled \$21,083 and \$22,304, respectively.

Future minimum lease payment commitments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 214,896
2019	\$ 7,228

NOTE 4 - LINE OF CREDIT

Prior to the year ending June 30, 2017, the School opened a line of credit with a maximum authorization of \$250,000. Advances against this line bear interest rates at 1% above the current bank prime rate. The amount outstanding at June 30, 2017 was \$32,131.

ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017
(Continued)

NOTE 5 - SPECIAL EDUCATION AND OTHER SUPPORT

Special education services required by students of the School are provided by the Rochester City School District. The Rochester City School District also provided transportation and food services. The School was unable to determine a value for these services, thus, these financial statements do not reflect revenue or expenses associated with those services.

The School receives state aid in the form of textbooks, computer hardware, computer software, and library materials through the Rochester City School District. The total aid received for the years ended June 30, 2017 and 2016 was \$36,430 and \$52,770, respectively.

NOTE 6 - MORTGAGE PAYABLE

Mortgage Payable consists of the following as of June 30:

	2017	2016
Non-recourse loan to the ESL Federal Credit Union, secured by a building. The note originated in June 2017 for \$2,000,000, net of mortgage acquisition costs of \$53,629 at June 30, 2017. Monthly payments of principal and interest at 4.87% shall be due and payable in equal monthly installments of \$15,756 through July 2032.	\$ 1,946,371	\$ -
Loan Acquisition Costs, Net	53,629	-
Less: Current Maturities	(84,387)	-
Long-Term Portion	\$ 1,915,613	\$ -

Maturities of long-term debt for the years after June 30, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 96,643
2020	101,284
2021	106,638
2022	112,025
Thereafter	1,499,023
Total	\$ 1,915,613

**ROCHESTER ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

(Continued)

NOTE 7 - DONATED SERVICES AND GOODS

The School receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended June 30, 2017 and 2016, 7 active volunteers provided approximately 620 hours of service. These services consisted primarily of board services.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2017, which is the date the statements were available for issuance.

ROCHESTER ACADEMY CHARTER SCHOOL

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2017



**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

To the Board of Trustees
Rochester Academy Charter School
Rochester, NY

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 Rochester Academy Charter School (a nonprofit organization), which comprise the balance sheet 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 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rochester Academy Charter 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 Rochester Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Rochester Academy 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.

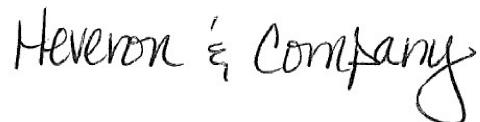
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Rochester Academy Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

A handwritten signature in cursive script that reads "Heveron & Company".

Heveron & Company CPAs

Rochester, New York
October 20, 2017