

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Rochdale Early Advantage Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2014, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochdale Early Advantage Charter School as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Rochdale Early Advantage Charter School's 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 our report dated October 30, 2014, on our consideration of Rochdale Early Advantage 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 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 Rochdale Early Advantage Charter School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 30, 2014

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2013)

ASSETS	2014	2013
Cash	\$ 857,444	\$ 947,216
Cash - restricted	100,134	100,089
Grants receivable	29,683	29,366
Prepaid expenses and other assets	11,584	10,506
Property and equipment, net	122,474	183,297
Website, net	-	156
Construction in progress	560,000	-
	<u>\$ 1,681,319</u>	<u>\$ 1,270,630</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,181	\$ 38,594
Accrued salaries and other payroll related expenses	153,866	97,701
Loan payable	-	50,000
Deferred rent and other incentives	8,923	17,846
Due to NYC Department of Education	20,480	-
	<u>216,450</u>	<u>204,141</u>
 NET ASSETS		
Unrestricted	<u>1,464,869</u>	<u>1,066,489</u>
	<u>\$ 1,681,319</u>	<u>\$ 1,270,630</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 2,749,401	\$ 1,963,085
Federal grants	47,878	43,384
State grants	12,987	5,673
	<u>2,810,266</u>	<u>2,012,142</u>
EXPENSES		
Program		
General education	1,841,750	1,369,882
Special education	260,263	150,774
Management and general	365,275	209,791
Fundraising	6,030	-
	<u>2,473,318</u>	<u>1,730,447</u>
SURPLUS FROM SCHOOL OPERATIONS	<u>336,948</u>	<u>281,695</u>
SUPPORT AND OTHER INCOME		
Contributions, grants and other income	61,387	14,787
Interest income	45	3,543
	<u>61,432</u>	<u>18,330</u>
CHANGE IN NET ASSETS	398,380	300,025
NET ASSETS - BEGINNING OF YEAR	<u>1,066,489</u>	<u>766,464</u>
NET ASSETS - END OF YEAR	<u>\$ 1,464,869</u>	<u>\$ 1,066,489</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	Program Services			Total	Supporting Services		2014	2013
	General Education	Special Education			Management and General	Fundraising		
FUNCTIONAL EXPENSES								
Salaries	\$ 942,680	\$ 210,462	\$ 1,153,142	\$ 203,233	\$ -	\$ 1,356,375	\$ 892,101	
Payroll taxes and employee benefits	178,846	39,929	218,775	38,559	-	257,334	158,583	
Classroom supplies and instructional materials	151,728	-	151,728	-	-	151,728	129,737	
Professional fees	131,744	6,523	138,267	88,068	-	226,335	134,765	
Advertising and recruiting	4,322	-	4,322	-	-	4,322	1,044	
Staff professional development	9,453	-	9,453	9,500	-	18,953	35,575	
Travel	-	-	-	149	-	149	-	
Insurance	18,881	-	18,881	5,597	-	24,478	19,912	
Field trips	5,821	-	5,821	-	-	5,821	7,002	
Student food services	7,239	-	7,239	-	-	7,239	5,053	
Office expense	11,556	2,580	14,136	7,595	-	21,731	15,003	
Telephone and internet	8,973	-	8,973	278	-	9,251	8,183	
Rent	175,377	-	175,377	5,700	-	181,077	101,453	
Repairs and maintenance	46,393	-	46,393	1,435	-	47,828	44,824	
Furniture and fixtures - non-capitalizable	3,931	280	4,211	271	-	4,482	6,188	
Security service	28,275	-	28,275	875	-	29,150	27,812	
Technology service	14,338	-	14,338	444	-	14,782	14,549	
Postage and delivery	2,184	487	2,671	471	-	3,142	1,808	
Printing and photocopying	11	2	13	3	-	16	-	
Bank fees	-	-	-	4	-	4	-	
Depreciation and amortization	99,998	-	99,998	3,093	-	103,091	126,855	
Fundraising	-	-	-	-	6,030	6,030	-	
	\$ 1,841,750	\$ 260,263	\$ 2,102,013	\$ 365,275	\$ 6,030	\$ 2,473,318	\$ 1,730,447	

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 2,830,429	\$ 2,035,092
Other cash received	11,387	18,281
Cash paid to employees and suppliers	<u>(2,329,476)</u>	<u>(1,573,137)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>512,340</u>	<u>480,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,112)	(83,981)
Construction in progress	<u>(560,000)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(602,112)</u>	<u>(83,981)</u>
NET (DECREASE) INCREASE IN CASH	(89,772)	396,255
CASH - BEGINNING OF YEAR	<u>947,216</u>	<u>550,961</u>
CASH - END OF YEAR	<u>\$ 857,444</u>	<u>\$ 947,216</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 398,380	\$ 300,025
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	103,091	126,855
Forgiveness of loan payable	(50,000)	-
Changes in operating assets and liabilities:		
Cash - restricted	(45)	(49)
Grants and other receivables	(317)	23,065
Prepaid expenses and other assets	(1,078)	(563)
Accounts payable and accrued expenses	(5,413)	(919)
Accrued salaries and other payroll related expenses	56,165	40,860
Deferred rent and other incentives	(8,923)	(8,923)
Due to NYC Department of Education	<u>20,480</u>	<u>(115)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 512,340</u>	<u>\$ 480,236</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. NATURE OF THE ORGANIZATION

Rochdale Early Advantage Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. On January 15, 2008, 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 by the Board of Regents of the University of the State of New York. The School opened its doors in the Fall of 2010 in Rochdale, New York with a rigorous academic program and a highly structured and supportive school culture. As of October 30, 2014, the School was in the process of renewing its charter.

The School, as determined by the Internal Revenue Service, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

The School's primary sources of income are from government funding.

The School operated classes for students in grades kindergarten – 4th grade in fiscal year 2014 and grades kindergarten – 3rd grade in fiscal year 2013.

2. ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2014.

Cash - restricted

At June 30, 2014, an escrow account of \$100,134 is held aside for contingency purposes as required by the New York City Department of Education ("NYCDOE").

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable represent amounts due from federal and state grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$29,683 and \$29,366 at June 30, 2014 and 2013, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2014. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

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

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as due to the NYCDOE in the accompanying statement of financial position.

Donated Services

The School may receive contributed legal services that are an integral part of its operations. Such services are only recorded as contributions in-kind, at their fair value, provided the services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. There were no material donated services received for the years ended June 30, 2014 and 2013.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Leasehold improvements are amortized over the shorter of the useful life of the asset or the life of the lease. Property and equipment acquired with certain government contract funds is recorded as expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairments

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 required to be recognized for the year ended June 30, 2014 and 2013.

Advertising

The School expenses advertising costs as incurred. The School incurred \$1,440 and \$420 of advertising costs for the years ended June 30, 2014 and 2013, respectively, which is included in the accompanying statement of functional expenses under advertising and recruiting.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent Expense

Rent expense is recognized on a straight-line basis over the life of the respective lease, including future fixed escalations of rent, rather than in accordance with lease payments. Deferred rent expense represents the adjustment to future rents as a result of using the straight-line method.

Functional Allocation of 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 using bases determined by management based upon benefits received.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 30, 2014, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2014 financial statements include certain prior period summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for the year ended June 30, 2013 are presented. As a result, the June 30, 2013 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2013 information should be read in conjunction with the School's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

The School files informational returns in the federal jurisdiction. The School may be subject to income tax examinations by the Internal Revenue Service for all tax years.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2017 and in interim periods in annual periods beginning after December 15, 2018. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

Reclassification

The prior year statement of cash flows has been reclassified from the indirect method to the direct method in the current year financial statements. This reclassification had no effect on previously reported change in net assets.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,

	<u>2014</u>	<u>2013</u>	Estimated Useful Lives
Furniture and fixtures	\$ 66,672	\$ 52,245	7 years
Computer hardware and software	35,321	30,327	3 years
Equipment	24,112	21,571	5 years
Software	1,029	1,029	3 years
Leasehold improvements	<u>324,901</u>	<u>304,751</u>	Life of lease
	452,035	409,923	
Less: Accumulated depreciation and amortization	<u>329,561</u>	<u>226,626</u>	
	<u>\$ 122,474</u>	<u>\$ 183,297</u>	

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$103,091 and \$126,855, respectively.

As of June 30, 2014, the School has paid a total of \$560,000 for construction in progress.

4. WEBSITE

Development costs related to the School's website amounting to \$2,802 have been capitalized. These costs are amortized over the estimated life of three years using the straight-line method. Amortization expense for the periods ended June 30, 2014 and 2013 was \$156 and \$934, respectively. Accumulated amortization totaled \$2,802 and \$2,646 at June 30, 2014 and 2013, respectively.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

5. DEFERRED LEASE INCENTIVES

Deferred lease incentives are the portion of property and equipment additions that were paid for by the landlord. The lease incentives are being amortized over the term of the underlying lease using the straight-line method. Amortization of deferred lease incentives for each of the years ended June 30, 2014 and 2013 was \$8,923, and is treated as a reduction of rent expense.

6. LOAN PAYABLE

On July 16, 2010, the School obtained a \$50,000 non-interest bearing loan from the New York City Charter School Center. The loan was due in full on September 30, 2013. The loan of \$50,000 was forgiven by New York City Charter School Center on September 30, 2013 and is included in contributions, grants and other income in the statement of activities.

7. AGREEMENT FOR SCHOOL FACILITY

The School entered into a sublease agreement with the New Jerusalem Baptist Church, effective July 1, 2010. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2015, with a one year renewal option. Monthly rental payments are \$9,198 for the term of the lease.

Future minimum rental payments are as follows:

<u>June 30,</u> 2015	\$ 190,000
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Rent expense for the years ended June 30, 2014 and 2013 was \$181,077 and \$101,453, respectively.

8. RISK MANAGEMENT

- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.
- B. The School entered into contractual relationships 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.

9. CONCENTRATIONS

- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.
- B. The School received approximately 96% of its revenue from the NYCDOE for the year ended June 30, 2014.
- C. The School's grants and other receivables consist of one major grantor at June 30, 2014.
- D. The School's payables exclusively consist of one major vendor at June 30, 2014.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
Rochdale Early Advantage Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2014, 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 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 30, 2014.

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.

MBAF CPAs, LLC

New York, NY
October 30, 2014