

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2015

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

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, 2015, 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, 2015, 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 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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 29, 2015, 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 29, 2015

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2014)

ASSETS	2015	2014
Cash	\$ 1,367,873	\$ 857,444
Cash - restricted	100,161	100,134
Grants receivable	21,162	29,683
Prepaid expenses and other assets	42,902	11,584
Property and equipment, net	203,637	122,474
Construction in progress - deposit	560,000	560,000
	<u>\$ 2,295,735</u>	<u>\$ 1,681,319</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 40,527	\$ 33,181
Accrued salaries and other payroll related expenses	252,735	153,866
Deferred rent and other incentives	-	8,923
Due to NYC Department of Education	-	20,480
	<u>293,262</u>	<u>216,450</u>
 NET ASSETS		
Unrestricted	<u>2,002,473</u>	<u>1,464,869</u>
	<u>\$ 2,295,735</u>	<u>\$ 1,681,319</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	2015	2014
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 3,913,928	\$ 2,749,401
Federal grants	79,762	47,878
State grants	22,305	12,987
	<u>4,015,995</u>	<u>2,810,266</u>
EXPENSES		
Program		
General education	2,684,438	1,841,750
Special education	372,685	260,263
Management and general	439,851	365,275
Fundraising	833	6,030
	<u>3,497,807</u>	<u>2,473,318</u>
SURPLUS FROM SCHOOL OPERATIONS	<u>518,188</u>	<u>336,948</u>
SUPPORT AND OTHER INCOME		
Contributions, grants and other income	19,389	61,387
Interest income	27	45
	<u>19,416</u>	<u>61,432</u>
CHANGE IN NET ASSETS	537,604	398,380
NET ASSETS - BEGINNING OF YEAR	<u>1,464,869</u>	<u>1,066,489</u>
NET ASSETS - END OF YEAR	<u>\$ 2,002,473</u>	<u>\$ 1,464,869</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, 2015

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	No. of Positions	Program Services			Supporting Services								
		General Education		Special Education	Management and General		Fundraising	Total					
FUNCTIONAL EXPENSES													
Personnel Services Costs													
Administrative staff personnel	4	\$ 199,476	\$ 21,592	\$ 221,068	\$ 163,796	\$ -	\$ 163,796	\$ 384,864	\$ 267,922				
Instructional personnel	30	1,037,471	271,111	1,308,582	-	-	-	1,308,582	908,998				
Non-Instructional personnel	8	146,090	5,276	151,366	106,975	-	106,975	258,341	179,455				
Total salaries and staff	42	1,383,037	297,979	1,681,016	270,771	-	270,771	1,951,787	1,356,375				
Fringe benefits and payroll taxes		220,641	47,538	268,179	43,197	-	43,197	311,376	257,334				
Classroom supplies and instructional materials		185,015	19,040	204,055	-	-	-	204,055	151,728				
Professional fees		135,024	1,022	136,046	84,842	-	84,842	220,888	226,335				
Advertising and recruiting		12,684	-	12,684	-	-	-	12,684	4,322				
Staff professional development		28,176	-	28,176	536	-	536	28,712	18,953				
Travel		-	-	-	9,073	-	9,073	9,073	149				
Insurance		27,743	-	27,743	844	-	844	28,587	24,478				
Field trips		3,473	-	3,473	-	-	-	3,473	5,821				
Student food services		6,863	-	6,863	-	-	-	6,863	7,239				
Office expense		25,488	5,492	30,980	9,120	-	9,120	40,100	21,731				
Telephone and internet		14,232	-	14,232	440	-	440	14,672	9,251				
Rent		364,194	-	364,194	11,264	-	11,264	375,458	181,077				
Repairs and maintenance		72,240	-	72,240	2,234	-	2,234	74,474	47,828				
Furniture and fixtures - non-capitalizable		6,394	663	7,057	603	-	603	7,660	4,482				
Security service		56,506	-	56,506	1,748	-	1,748	58,254	29,150				
Technology service		27,373	56	27,429	890	-	890	28,319	14,782				
Postage and delivery		3,229	696	3,925	632	-	632	4,557	3,142				
Printing and photocopying		926	199	1,125	181	-	181	1,306	16				
Bank fees		-	-	-	37	-	37	37	4				
Depreciation and amortization		111,200	-	111,200	3,439	-	3,439	114,639	103,091				
Fundraising		-	-	-	-	833	833	833	6,030				
		\$ 2,684,438	\$ 372,685	\$ 3,057,123	\$ 439,851	\$ 833	\$ 440,684	\$ 3,497,807	\$ 2,473,318				

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 4,004,036	\$ 2,830,429
Other cash received	19,389	11,387
Cash paid to employees and suppliers	<u>(3,317,194)</u>	<u>(2,329,476)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>706,231</u>	<u>512,340</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(195,802)	(42,112)
Construction in progress	<u>-</u>	<u>(560,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(195,802)</u>	<u>(602,112)</u>
NET INCREASE (DECREASE) IN CASH	510,429	(89,772)
CASH - BEGINNING OF YEAR	<u>857,444</u>	<u>947,216</u>
CASH - END OF YEAR	<u>\$ 1,367,873</u>	<u>\$ 857,444</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 537,604	\$ 398,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	114,639	103,091
Forgiveness of loan payable	-	(50,000)
Changes in operating assets and liabilities:		
Cash - restricted	(27)	(45)
Grants receivable	8,521	(317)
Prepaid expenses and other assets	(31,318)	(1,078)
Accounts payable and accrued expenses	7,346	(5,413)
Accrued salaries and other payroll related expenses	98,869	56,165
Deferred rent and other incentives	(8,923)	(8,923)
Due to NYC Department of Education	<u>(20,480)</u>	<u>20,480</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 706,231</u>	<u>\$ 512,340</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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. The School received an extension to their charter term to June 30, 2017.

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) of the 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 pre-kindergarten – 5th grades in fiscal year 2015 and kindergarten – 4th grades in fiscal year 2014.

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, 2015.

Cash - restricted

At June 30, 2015, an escrow account of \$100,161 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, 2015

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 \$21,162 and \$29,683 at June 30, 2015 and 2014, respectively. The School has determined that no allowance for uncollectible accounts for grants receivable is necessary at June 30, 2015. 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.

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. Leasehold improvements are amortized over lesser of the life of the asset or the period covered by the charter. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an 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 years ended June 30, 2015 and 2014.

Advertising

The School expenses advertising costs as incurred. The School incurred \$2,237 and \$1,440 of advertising costs for the years ended June 30, 2015 and 2014, respectively, which is included in the accompanying statement of functional expenses under advertising and recruiting.

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.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School has evaluated events through October 29, 2015, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2015 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, 2014 are presented. As a result, the June 30, 2014 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2014 information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, 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 and New York State jurisdictions. With few exceptions, the School is no longer subject to federal, state, or local income tax examinations for fiscal years before 2012.

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."

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, 2018 and in interim periods in annual periods beginning after December 15, 2019. 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

Certain items in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3. PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>	Estimated Useful Lives
Furniture and fixtures	\$ 139,486	\$ 66,672	7 years
Computer hardware and software	114,845	35,321	3 years
Equipment	28,929	24,112	5 years
Software	1,029	1,029	3 years
			Lesser of the life of the asset or the period covered by the charter
Leasehold improvements	<u>363,548</u>	<u>324,901</u>	
	647,837	452,035	
Less: Accumulated depreciation and amortization	<u>444,200</u>	<u>329,561</u>	
	<u>\$ 203,637</u>	<u>\$ 122,474</u>	

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$114,639 and \$103,091, respectively.

In the prior year the School paid a total of \$560,000 for construction in progress, which has been put on hold. As of June 30, 2015, the School is trying to obtain financing from a lending institution to continue the construction project.

4. 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, 2015 and 2014 was \$8,923, was treated as a reduction of rent expense and has been fully amortized as of June 30, 2015.

5. AGREEMENTS FOR SCHOOL FACILITIES

The School entered into a sublease agreement with the New Jerusalem Baptist Church ("NJBC"), 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. On June 28, 2015, the School renewed their operating lease with NJBC for office and classroom space which began on July 1, 2015 and expiring on June 30, 2020. Monthly minimum rental payments under the renewed lease are \$29,000 per month for the term of the lease.

The School also entered into a lease agreement with Holy Unity Baptist Church for additional classroom, or "Annex" space, for August 1, 2014 through July 31, 2015. Monthly minimum payments were \$7,500. The School did not renew its lease with Holy Unity Baptist Church.

The School entered into a one year lease agreement with Rescue Church of Christ effective July 1, 2015. The minimum monthly lease payments for the term of the lease are \$7,500.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. AGREEMENTS FOR SCHOOL FACILITIES (CONTINUED)

Future minimum rental payments are as follows:

June 30,		
2016	\$	445,500
2017		348,000
2018		348,000
2019		348,000
2020		348,000
Total	\$	1,837,500

Rent expense for the years ended June 30, 2015 and 2014 was \$353,576 and \$181,077, respectively, which is included in the accompanying statement of functional expenses under rent.

6. 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.

7. 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 97% of its revenue from the NYCDOE for the year ended June 30, 2015.
- C. The School's grants and other receivables consist of one major grantor at June 30, 2015.
- D. The School's payables consist of two major vendors at June 30, 2015.



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, 2015, 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 29, 2015.

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 29, 2015.

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 29, 2015