

NYC Charter High School for Architecture, Engineering and Construction Industries

**Financial Statements
and
Independent Auditors' Report**

June 30, 2017

NYC Charter High School for Architecture, Engineering and Construction Industries

Financial Statements

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Independent Auditors' Report

To the Board of Trustees of
NYC Charter High School for Architecture, Engineering and Construction Industries
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of NYC Charter High School for Architecture, Engineering and Construction Industries (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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 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 NYC Charter High School for Architecture, Engineering and Construction Industries 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited NYC Charter High School for Architecture, Engineering and Construction Industries' 2016 financial statements, and our report dated October 11, 2016, expressed an unmodified opinion on those audited financial statements. 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 our report dated October 5, 2017, on our consideration of NYC Charter High School for Architecture, Engineering and Construction Industries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYC Charter High School for Architecture, Engineering and Construction Industries' internal control over financial reporting and compliance.



New City, New York

October 5, 2017

NYC Charter High School for Architecture, Engineering and Construction Industries
Statement of Financial Position
June 30, 2017
(With Summarized Comparative Information For June 30, 2016)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 3,325,189	\$ 3,420,060
Restricted Cash (Note 3)	75,202	75,165
Due from Government Agencies (Note 4)	257,707	177,502
Prepaid Expenses	600	94,791
Security Deposits	47,859	47,859
Total Current Assets	<u>3,706,557</u>	<u>3,815,377</u>
<u>Fixed Assets</u>		
Leasehold Improvements	785,511	603,921
Equipment, Furniture and Fixtures	1,299,954	1,009,442
	<u>2,085,465</u>	<u>1,613,363</u>
Less: Accumulated Depreciation	<u>(1,603,394)</u>	<u>(1,376,148)</u>
Total Fixed Assets	<u>482,071</u>	<u>237,215</u>
Total Assets	<u><u>\$ 4,188,628</u></u>	<u><u>\$ 4,052,592</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 297,740	\$ 121,907
Accrued Payroll and Related Expenses	533,223	449,183
Deferred Revenue	21,794	-
Total Liabilities	<u>852,757</u>	<u>571,090</u>
<u>Net Assets</u>		
Unrestricted Net Assets	<u>3,335,871</u>	<u>3,481,502</u>
Total Liabilities and Net Assets	<u><u>\$ 4,188,628</u></u>	<u><u>\$ 4,052,592</u></u>

NYC Charter High School for Architecture, Engineering and Construction Industries
Statement of Activities
For the year ended June 30, 2017
(With Summarized Comparative Information For The Year Ended June 30, 2016)

<u>PUBLIC SUPPORT AND REVENUE</u>	Unrestricted	Temporarily Restricted	2017	2016
Resident Student Enrollment	\$ 7,055,232	\$ -	\$ 7,055,232	\$ 6,594,885
Federal Funding	-	322,557	322,557	340,615
State Funding	-	211,968	211,968	124,326
Grants / Contributions	26,815	-	26,815	39,835
Interest Income	2,770	-	2,770	3,450
Total Public Support and Revenue	7,084,817	534,525	7,619,342	7,103,111
Net Assets Released From Restrictions	534,525	(534,525)	-	-
Total Support and Revenue	7,619,342	-	7,619,342	7,103,111
<u>EXPENSES</u>				
<u>Program Services</u>				
Regular Education	4,101,582	-	4,101,582	3,902,474
Special Education	2,106,195	-	2,106,195	1,934,088
	6,207,777	-	6,207,777	5,836,562
<u>Supporting Services</u>				
Management and General	1,185,005	-	1,185,005	1,171,298
Total Expenses	7,392,782	-	7,392,782	7,007,860
Change in Unrestricted Net Assets before unusual and infrequent item	226,560	-	226,560	95,251
Unusual and Infrequent Item (Note 8)	372,191	-	372,191	-
Change in Unrestricted Net Assets	(145,631)	-	(145,631)	95,251
Net Assets at Beginning of Year	3,481,502	-	3,481,502	3,386,251
Net Assets at End of Year	\$ 3,335,871	\$ -	\$ 3,335,871	\$ 3,481,502

NYC Charter High School for Architecture, Engineering and Construction Industries
Statement of Cash Flows
For the year ended June 30, 2017
(With Summarized Comparative Information For The Year Ended June 30, 2016)

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Resident Student Enrollment	7,085,685	6,607,276
Receipts from Grants and Contributions	472,476	500,071
Receipts from Other Revenue	2,732	3,402
Payments to Employees	(5,148,525)	(4,936,952)
Payments to Vendors and Suppliers	<u>(2,035,137)</u>	<u>(1,864,339)</u>
Net Cash Provided by Operating Activities	<u>377,231</u>	<u>309,458</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments for Leasehold Improvements	(181,590)	(63,708)
Purchases of Equipment, Furniture and Fixtures	<u>(290,512)</u>	<u>(89,706)</u>
Net Cash Used In Investing Activities	<u>(472,102)</u>	<u>(153,414)</u>
NET (DECREASE) INCREASE IN CASH	(94,871)	156,044
CASH AT BEGINNING OF YEAR	<u>3,420,060</u>	<u>3,264,016</u>
CASH AT END OF YEAR	<u><u>\$ 3,325,189</u></u>	<u><u>\$ 3,420,060</u></u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Unrestricted Net Assets	<u>\$ (145,631)</u>	<u>\$ 95,251</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	227,246	185,295
Changes in Assets and Liabilities (Increase) / Decrease in:		
Restricted Cash	(37)	(48)
Due from Government Agencies	(80,205)	7,686
Accounts Receivable	-	18,963
Prepaid Expenses	94,191	(65,534)
Increase / (Decrease) in:		
Accounts Payable and Accrued Expenses	175,833	11,974
Accrued Payroll and Related Expenses	84,040	55,871
Deferred Revenue	<u>21,794</u>	<u>-</u>
Total Adjustments	<u>522,862</u>	<u>214,207</u>
Net Cash Provided by Operating Activities	<u><u>\$ 377,231</u></u>	<u><u>\$ 309,458</u></u>

NYC Charter High School for Architecture, Engineering and Construction Industries
Notes to the Financial Statements
June 30, 2017

NOTE 1 - ORGANIZATION

The New York City Charter High School for Architecture, Engineering and Construction Industries (The "School"), a 501 (c) 3 tax-exempt organization, is a public charter high school located in The Bronx, New York. The School opened in September 2008 and currently operates classes for ninth, tenth, eleventh and twelfth grades. The mission of The School is to create an integrated, rigorous academic and career preparatory learning environment that provides students with a foundation of the necessary skills, knowledge and practical experience to pursue a path leading to college and/or a career in the construction industry.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in The United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The School records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulation time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions received in the year ended 2017 were unrestricted.

Recognition of Revenue

Government contract revenue is recognized as earned in the period services are provided and costs are incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid investments available for current use with an initial period of three months or less to be cash equivalents.

Income Tax Status

The School is a not-for-profit corporation organized under the laws of the State of New York. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The School files the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2017, the Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to June 30, 2013. The tax returns for the years ended June 30, 2014 through June 30, 2016 are still subject to potential audit by the IRS. Management of the School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

NYC Charter High School for Architecture, Engineering and Construction Industries
Notes to the Financial Statements
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold Improvements Furniture and Fixtures, and Equipment

Leasehold improvements, furniture and equipment are valued at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets or the term of the lease agreement. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period. The School capitalizes assets with cost of \$500 and over. Depreciation is calculated based on the useful lives of the assets as follows: Leasehold Improvements 5 Years, Equipment and Furniture 3 - 7 Years.

Functional Allocation of Expenses

Expenses relating to more than one function are allocated to program service and management and general based on employee time estimates or other appropriate usage factors.

Contributed Services

Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

Concentration of Credit Risk

Financial institutions can potentially subject the School to concentrations of credit risk. The School maintains its cash accounts with one commercial bank. The accounts at the commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. At June 30, 2017, the School had approximately \$2,757,841 in uninsured cash balances. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

NOTE 3 - RESTRICTED CASH

Pursuant to an addendum to the Charter Agreement dated August 4, 2008, from the New York City Department of Education ("NYCDOE"), the NYCDOE requires the School to establish an escrow of at least \$70,000 over a 3 year period. In the event of termination of the charter, whether prematurely or otherwise, the School shall establish and follow procedures consistent with those required by Section 2851(2)(t) of the New York State Education Law in its use of the escrow.

NOTE 4 - DUE FROM GOVERNMENT AGENCIES

Under the School's Charter School Agreement and the Charter School Act, the School is entitled to receive funding from both State and Federal sources that are available to public schools. These funds include State pupil enrollment funds and Federal food subsidies and Title I, IIA, IID, IV and V funds. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school district of the children enrolled in the school. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

As of June 30, 2017, \$257,707 is due from government agencies.

NYC Charter High School for Architecture, Engineering and Construction Industries
Notes to the Financial Statements
June 30, 2017

NOTE 5 – DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the Plan is voluntary. Employees may contribute up to 100% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was \$91,081 for 2017. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NOTE 6 – COMMITMENTS

Occupancy Lease

In June 2016, the School renewed its lease to conduct its operations at an annual rent of \$385,860, which includes the utility stipend; with an option to renew for a second year from July 2017 to June 2018 for \$395,506.

Equipment Lease

The School leased a copier for sixty months beginning October 2012 with monthly payments of \$1,998 and another copier for forty-eight months beginning April 2016 with monthly payments of \$1,925.

Future minimum annual lease payments for the next five years are as follows:

Year ended June 30,	Occupancy	Equipment	Total
2018	\$ 395,506	\$ 31,092	\$ 426,598
2019	-	23,100	23,100
2020	-	17,325	17,325
	\$ 395,506	\$ 71,517	\$ 467,023

NOTE 7 – CONTINGENCIES

Audits by Funding Sources

The School participates in a number of Federal and State programs. These programs require that the School complies with certain requirement of laws, regulations, contracts, and agreements applicable to the program in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or result of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Other

A claim has been filed in the amount of \$546,204 in connection for the breach of a commercial real estate commission agreement. The school believes it has defenses for such claim, believes the claim is substantially without merit, and is vigorously defending the action. In the opinion of management, the final disposition of the matter will not have a material effect on the school's financial position.

NYC Charter High School for Architecture, Engineering and Construction Industries
Notes to the Financial Statements
June 30, 2017

NOTE 8 – UNUSUAL AND INFREQUENT ITEM

Assignment of Lease

On June 23, 2008, the School entered into an occupancy lease agreement with 140 Corp. The lease had a term of thirty (30) years, commencing on July 1, 2008 and ending on July 1, 2038, of an initial rent of \$385,000 with an annual increase of 4%. The school no longer occupied the space, and therefore, has assigned the lease to another charter school effective June 2015. In order to have release of the lease, the School has agreed to share in administrative and capital improvements expenses for the re-assignment. The agreement to underwrite 50% of the cost of repair to the facility at a cost of \$637,500 was made in exchange for the release from lease obligations of \$806,602 (on average) per year totaling \$18,551,857 over the term of the lease. For the fiscal year ended June 30, 2017, the School incurred \$372,191 in administrative and capital improvement expenses for the re-assignment.

NOTE 9 – CONCENTRATION OF RISK

The School is dependent on various government agencies for funding, and is responsible for meeting the requirements of such agencies. If the school was to lose students or the related government funding, it could have a substantial effect on its ability to continue operations.

NOTE 10 – SUBSEQUENT EVENTS

The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 5, 2017, for these financial statements.

Supplemental Information

NYC Charter High School for Architecture, Engineering and Construction Industries
Schedule of Functional Expenses
For the year ended June 30, 2017
(With Summarized Comparative Information For The Year Ended June 30, 2016)

	Regular Education	Special Education	Total Programs	Support Services	2017	2016
<u>Personnel Service Costs</u>						
Salaries						
Administrative Staff Personnel	\$ 281,506	\$ 175,942	\$ 457,448	\$ 246,318	\$ 703,766	845,680
Instructional Personnel	1,976,698	1,009,817	2,986,515	-	2,986,515	2,591,354
Non-Instructional Personnel	-	-	-	457,152	457,152	453,485
Total Personnel Costs	<u>2,258,204</u>	<u>1,185,759</u>	<u>3,443,963</u>	<u>703,470</u>	<u>4,147,433</u>	<u>3,890,519</u>
Fringe Benefits	405,801	213,082	618,883	44,264	663,147	691,204
Payroll Taxes	202,492	106,326	308,818	22,087	330,905	320,023
Retirement	55,735	29,266	85,001	6,079	91,080	91,077
Total Personnel and Related Expenses	<u>2,922,232</u>	<u>1,534,433</u>	<u>4,456,665</u>	<u>775,900</u>	<u>5,232,565</u>	<u>4,992,823</u>
<u>Operating Expenses</u>						
Consultants	177,730	91,892	269,622	145,460	415,082	164,933
Legal	-	-	-	56,423	56,423	39,199
Student Services	96,282	58,765	155,047	-	155,047	122,898
Insurance	81,304	42,692	123,996	8,868	132,864	123,351
Supplies and Materials	176,653	56,754	233,407	1,670	235,077	228,850
Technology	31,590	16,588	48,178	3,446	51,624	62,763
Occupancy	232,375	122,017	354,392	25,347	379,739	389,115
Staff Development	105,649	39,631	145,280	3,779	149,059	362,267
Marketing and Recruitment	25,942	11,192	37,134	1,642	38,776	49,371
Accounting and Auditing Fees	-	-	-	135,000	135,000	130,000
Office Expenses	66,876	35,116	101,992	7,295	109,287	99,826
Maintenance and Repairs	20,208	10,611	30,819	2,204	33,023	18,875
Equipment and Furnishings	4,899	2,572	7,471	534	8,005	9,710
Depreciation & Amortization	139,060	73,019	212,079	15,168	227,247	185,295
Other Expenses	20,782	10,913	31,695	2,269	33,964	28,584
Total Operating Expenses	<u>1,179,350</u>	<u>571,762</u>	<u>1,751,112</u>	<u>409,105</u>	<u>2,160,217</u>	<u>2,015,037</u>
TOTAL EXPENSES	<u><u>\$ 4,101,582</u></u>	<u><u>\$ 2,106,195</u></u>	<u><u>\$ 6,207,777</u></u>	<u><u>\$ 1,185,005</u></u>	<u><u>\$ 7,392,782</u></u>	<u><u>\$ 7,007,860</u></u>



**Independent Auditors' 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 of
NYC Charter High School for Architecture, Engineering and Construction Industries
Bronx, New York

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 NYC Charter High School for Architecture, Engineering and Construction Industries (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYC Charter High School for Architecture, Engineering and Construction Industries' 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 NYC Charter High School for Architecture, Engineering and Construction Industries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 NYC Charter High School for Architecture, Engineering and Construction Industries' 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vargas & Rivera, LLP

New City, New York

October 5, 2017