

**NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE,  
ENGINEERING AND CONSTRUCTION INDUSTRIES**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**

**(With Comparative Totals for 2017)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
NYC Charter High School for Architecture, Engineering and Construction Industries

**Report on the Financial Statements**

We have audited the accompanying financial statements of NYC Charter High School for Architecture, Engineering and Construction Industries, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 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, 2018, and the changes in its net assets, functional expenses, 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**

The financial statements of NYC Charter High School for Architecture, Engineering and Construction Industries for the year ended June 30, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on October 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 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.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
September 18, 2018

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018  
(With Comparative Totals for 2017)

<u>ASSETS</u>	June 30,	
	2018	2017
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,222,259	\$ 3,325,189
Grants and contracts receivables	261,772	257,707
Prepaid expenses	46,155	600
TOTAL CURRENT ASSETS	3,530,186	3,583,496
<u>PROPERTY AND EQUIPMENT, net</u>	592,216	482,071
<u>OTHER ASSETS</u>		
Cash in escrow	75,454	75,202
Security deposits	47,859	47,859
	123,313	123,061
TOTAL ASSETS	\$ 4,245,715	\$ 4,188,628
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	130,299	297,740
Due to related party	205,318	-
Accrued payroll and benefits	514,601	533,223
Deferred revenue	54,395	21,794
TOTAL CURRENT LIABILITIES	904,613	852,757
<u>NET ASSETS</u>		
Unrestricted	3,341,102	3,335,871
TOTAL NET ASSETS	3,341,102	3,335,871
TOTAL LIABILITIES AND NET ASSETS	\$ 4,245,715	\$ 4,188,628

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

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	Year ended June 30,	
	2018	2017
Operating revenue and support:		
State and local per pupil operating revenue	\$ 7,233,236	\$ 7,236,623
Federal grants	458,573	346,003
State and local grants	54,145	30,577
Contributions	23,581	2,900
Other income	14,846	3,239
TOTAL OPERATING REVENUE AND SUPPORT	7,784,381	7,619,342
Expenses:		
Program services:		
Regular education	4,199,460	4,101,582
Special education	2,076,551	2,106,195
Management and general	1,448,349	1,185,005
TOTAL EXPENSES	7,724,360	7,392,782
SURPLUS FROM SCHOOL OPERATIONS	60,021	226,560
CAPITAL IMPROVEMENTS EXPENSE	54,790	372,191
CHANGE IN NET ASSETS	5,231	(145,631)
Net assets at beginning of year	3,335,871	3,481,502
NET ASSETS AT END OF YEAR	\$ 3,341,102	\$ 3,335,871

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

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING AND CONSTRUCTION  
INDUSTRIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	No. of Positions	Year ended June 30,					Total
		2018				2017	
		Regular Education	Special Education	Sub-total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel		\$	\$ 197,646	\$ 513,879	\$	\$ 790,582	\$ 703,766
Instructional personnel		310,293	374		276,703		
Non-Instructional Personnel							
Total salaries and wages		2,315,607	963,388	2,962,762	520,704	2,962,762	2,986,515
Fringe benefits and payroll taxes	8		1,161,034	3,476,641		520,704	457,152
Retirement	44		315,973			4,274,048	4,147,433
Legal services	16	-	-	89,262	75,304	1,021,464	1,042,957
Accounting/Audit services	68	630,187		946,160		171,378	1,042,957
Other Purchased/Professional/Consulting Services		59,453	160,327	29,809	71,378	96,366	
Building rent				374,691	157,802	144,500	56,423
Repairs and maintenance			40,895	236,522	29,821	394,324	379,739
Insurance		249,562	76,195			404,512	415,082
Supplies/Materials			125,129		9,747	185,035	
Equipment/Furnishings		81,563	2,429	122,489	4,337		33,023
Staff development		36,296	18,199	182,092	2,943	58,832	84,459
Marketing/Recruitment		138,957	43,135	13,864		7,852	235,078
Technology		4,844		72,397	579	51,736	
Student services		86,909	37,488		7,251	135,239	149,059
Office expense		35,680		49,440	2,192		38,776
Depreciation and amortization		28,700	14,390		3,430	46,520	51,624
Other		82,212	53,027	86,468	10,378		155,047
		86,844	43,543	130,387	20,608	140,765	109,287
		\$ 72,451	\$ 2,076,551	\$ 58,962	\$ 3,368,349	\$ 7,724,360	\$ 27,247
		29,864	14,973	44,837		48,405	33,962

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

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING AND CONSTRUCTION  
INDUSTRIES

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	Year ended June 30,	
	2018	2017
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,231	\$ (145,631)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	279,531	227,246
Changes in certain assets and liabilities affecting operations:		
Cash in escrow	(252)	(37)
Grants and contracts receivables	(4,065)	(80,205)
Prepaid expenses	(45,555)	94,191
Accounts payable and accrued expenses	(179,174)	175,833
Accrued payroll and benefits	(18,622)	84,040
Deferred revenue	32,601	21,794
NET CASH PROVIDED FROM OPERATING ACTIVITIES	69,695	377,231
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(377,943)	(472,102)
NET CASH USED FOR INVESTING ACTIVITIES	(377,943)	(472,102)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Increase in due to related party	205,318	-
NET CASH USED FOR FINANCING ACTIVITIES	205,318	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,930)	(94,871)
Cash and cash equivalents at beginning of year	3,325,189	3,420,060
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,222,259	\$ 3,325,189
<u>NON-CASH OPERATING AND INVESTING ACTIVITY</u>		
Fixed asset additions included in accounts payable	\$ 11,733	\$ -

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

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

NYC Charter High School for Architecture, Engineering and Construction Industries (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. On February 12, 2008, the New York City Department of Education granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The Charter School opened in September 2008, providing a full range of educational services appropriate for grade nine through grade twelve. In 2016, the New York City Department of Education granted the Charter School a three year renewal charter. The School is currently in the process of renewing its charter which expires June 30, 2019.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter 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 Charter School. The Charter School had no permanently restricted net assets at June 30, 2018 or 2017.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2018 or 2017.

*Unrestricted* – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled 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 Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,454 and 75,202 at June 30, 2018 and 2017, respectively. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and contracts receivables

Grants and contracts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2018 and 2017.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the term of the lease.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue. As of June 30, 2018, deferred revenue includes \$21,719 related to the over allocation of 2017-18 Title II, Part A funds. This over allocation is expected to be corrected over the next five years by future allocations being reduced by \$4,344 each year.

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Cont'd

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$51,700 and \$38,800 for the years ended June 30, 2018 and 2017, respectively.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received during the years ended June 30, 2018 and 2017.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. 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 Charter School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
Cont'd

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through September 18, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Equipment, furniture and fixtures	\$ 1,525,362	\$ 1,299,954
Leasehold improvements	<u>949,779</u>	<u>785,511</u>
	2,475,141	2,085,465
Less accumulated depreciation	<u>1,882,925</u>	<u>1,603,394</u>
	<u>\$ 592,216</u>	<u>\$ 482,071</u>

NOTE C: SCHOOL FACILITY

The Charter School leases its facilities from a third party through June 30, 2019 with the option to renew through June 30, 2020 under the same conditions. Rent expense incurred under this lease for the years ended June 30, 2018 and 2017 was approximately \$394,000 and 373,000, respectively.

The future minimum payments required under the agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 395,000
2020	<u>395,500</u>
	<u>\$ 790,500</u>

In conjunction with this facility lease, the Charter School paid a security deposit of \$47,859 which is included in security deposits on the accompanying statement of financial position at June 30, 2018 and 2017.

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE D: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE E: CONCENTRATIONS

At June 30, 2018, approximately 58% of grants and contracts receivables are due from New York State agencies relating to certain grants.

At June 30, 2017, approximately 72% of grants and contracts receivables were due from New York State agencies relating to certain grants.

For the years ended June 30, 2018 and 2017, approximately 93% and 95% of total operating revenue and support came from per-pupil funding provided by New York State through the New York City School District, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School matches the employee contribution 100% up to 4% of the employee's annual compensation. The Charter School contributed approximately \$96,000 and \$91,000 to the Plan for the years ended June 30, 2018 and 2017, respectively.

NOTE G: OPERATING LEASE

The Charter School entered into non-cancelable lease agreements for office equipment expiring at various dates through April 2020. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 46,200
2020	<u>38,500</u>
	<u>\$ 84,700</u>

NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE H: CAPITAL IMPROVEMENTS EXPENSE

On June 23, 2008, the School entered into an occupancy lease agreement with 140 Corp. The lease had a term of thirty years, commencing on July 1, 2008 and ending July 1, 2038, with an initial rent of \$385,000 to be increased by 4% annually. 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 improvement 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 years ended June 30, 2018 and 2017, the School incurred \$54,790 and \$372,191 in administrative and capital improvement expenses for the re-assignment. As of June 30, 2018, the remaining commitment under the assignment agreement is approximately \$110,500.

NOTE I: RELATED PARTY TRANSACTIONS

The Charter School received a grant to pay for expenses to complete school replication for NYC Charter High School for Architecture, Engineering, and Construction Industries, II ("AECI II"). Further, the Charter School received funding which is to be paid to AECI II or on behalf of AECI II to fund startup expenses and is included in due to related party at June 30, 2018 in the amount of \$205,318.

**NYC CHARTER HIGH SCHOOL FOR ARCHITECTURE, ENGINEERING  
AND CONSTRUCTION INDUSTRIES**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

Board of Trustees  
NYC Charter High School for Architecture, Engineering and Construction Industries

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, which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, 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 September 18, 2018.

**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 for the purpose of expressing our opinions 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 NYC Charter High School for Architecture, Engineering and Construction Industries' 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 over financial reporting 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of NYC Charter High School for Architecture, Engineering and Construction Industries in a separate letter dated September 18, 2018.

### **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.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
September 18, 2018