



***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

JUNE 30, 2017 AND 2016

HENRY JOHNSON CHARTER SCHOOL

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JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Henry Johnson Charter School
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Henry Johnson Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 13-14 are presented for purposes of additional analysis and are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 17, 2017

HENRY JOHNSON CHARTER SCHOOL*STATEMENTS OF FINANCIAL POSITION**JUNE 30, 2017 AND 2016*

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 2,735,911	\$ 2,251,575
Grants and Contracts Receivable	566,572	180,028
Prepaid Expenses	<u>12,086</u>	<u>16,087</u>
Total Current Assets	<u>3,314,569</u>	<u>2,447,690</u>
Other Assets		
Property and Equipment - Net	7,216,401	7,401,136
Cash - Designated	<u>275,024</u>	<u>275,021</u>
Total Other Assets	<u>7,491,425</u>	<u>7,676,157</u>
Total Assets	<u><u>\$ 10,805,994</u></u>	<u><u>\$ 10,123,847</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Current Portion of Long-Term Debt	\$ 94,167	\$ 88,697
Accounts Payable and Accrued Expenses	165,190	63,032
Accrued Payroll and Benefits	379,891	372,382
Compensated Absences	56,756	46,987
Deferred Income	<u>4,984</u>	<u>-</u>
Total Current Liabilities	700,988	571,098
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	<u>5,615,857</u>	<u>5,698,591</u>
Total Liabilities	<u>6,316,845</u>	<u>6,269,689</u>
Net Assets		
Unrestricted		
Undesignated	4,214,125	3,579,137
Designated	<u>275,024</u>	<u>275,021</u>
Total Unrestricted Net Assets	<u>4,489,149</u>	<u>3,854,158</u>
Total Liabilities and Net Assets	<u><u>\$ 10,805,994</u></u>	<u><u>\$ 10,123,847</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Public School District		
Resident Student Enrollment	\$ 5,404,568	\$ 5,459,337
Students with Disabilities	42,301	47,440
Grants and Contracts		
Federal Grants	273,329	173,823
Food Service/Children Nutrition Program	326,888	313,633
State and Local Grants	<u>164,185</u>	<u>88,233</u>
Total Revenue	<u>6,211,271</u>	<u>6,082,466</u>
Expenses		
Program Services		
Regular Education	3,961,669	3,725,156
Special Education	187,517	428,163
Other Programs	<u>554,520</u>	<u>485,897</u>
Total Program Services	4,703,706	4,639,216
Management and General	<u>913,223</u>	<u>939,566</u>
Total Operating Expenses	<u>5,616,929</u>	<u>5,578,782</u>
Surplus from School Operations	<u>594,342</u>	<u>503,684</u>
Other Revenue		
Fundraising	1,119	2,153
E-Rate Income	15,714	51,401
Interest Income	3	2
Miscellaneous Income	23,813	6,909
In-Kind Donations	<u>-</u>	<u>166</u>
Total Other Revenue	<u>40,649</u>	<u>60,631</u>
Increase in Net Assets	634,991	564,315
Net Assets, Beginning of Year	<u>3,854,158</u>	<u>3,289,843</u>
Net Assets, End of Year	<u><u>\$ 4,489,149</u></u>	<u><u>\$ 3,854,158</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows Provided by (Used in) Operating Activities		
Increase in Net Assets	\$ 634,991	\$ 564,315
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Amortization of Debt Issuance Costs	3,821	3,821
Depreciation	247,121	240,028
Bad Debt Expense	-	89
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets:		
Grants and Contracts Receivable	(386,544)	(35,602)
Prepaid Expenses	4,001	49,528
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	102,158	(23,268)
Accrued Payroll and Benefits	7,509	(116,674)
Compensated Absences	9,769	7,465
Deferred Income	<u>4,984</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>627,810</u>	<u>689,702</u>
Cash Flows Used In Financing Activities		
Repayments of Long-Term Debt	<u>(81,085)</u>	<u>(90,163)</u>
Cash Flows Used In Investing Activities		
Purchase of Property and Equipment	<u>(62,386)</u>	<u>(106,681)</u>
Net Increase in Cash	484,339	492,858
Cash, Beginning of Year	<u>2,526,596</u>	<u>2,033,738</u>
Cash, End of Year	<u><u>\$ 3,010,935</u></u>	<u><u>\$ 2,526,596</u></u>
Other Disclosures -		
Cash Paid for Interest Expense	<u><u>\$ 347,246</u></u>	<u><u>\$ 382,882</u></u>

1. ORGANIZATION AND PURPOSE

Organization

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York. The School began providing educational services in the fall of 2007 for K-1 grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reached grades K-4. The School’s charter renewal has been granted through June 30, 2020. As of June 30, 2017, the School had an enrollment of 376 students in K to 4th grades.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School partners with Albany Charter School Network which provides academic and operational assistance to area charter schools.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the ASC “Financial Statements of Not-for-Profit Organizations” utilizing the accrual basis of accounting. This basis of accounting is in accordance with accounting principles generally accepted in the United States of America.

Support and Revenue

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted support when a portion of their value is assigned to a long-term future use; long-term meaning in excess of one year for the purpose of these financial statements.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Support and Revenue (Continued)

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

A substantial portion of the School's revenue and related receivables is derived from its billings to Albany City School District. State law requires the District to reimburse the School on a per capita basis. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents entitlements grants and is recognized as earned as allowable expenditures are incurred. Costs are subject to audit and changes, if any, are recognized in the year known.

Donated Services

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and it does not meet the reporting requirements of the accounting standards.

Grants, Contracts and Accounts Receivable

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment is charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 39 years) and is computed using the straight-line method.

Conditional and Unconditional Promises to Give

At June 30, 2017 and 2016, the School had not received any conditional or unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

Estimates

The preparation of financial statements in accordance 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. Actual results could differ from these estimates.

Fair Value

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

Income Taxes

The School is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code, and the School is exempt from state income tax. The School has been classified as a publicly-supported organization that is not a private foundation under §509(a) of the Code.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The School has not recognized any benefits from uncertain tax positions in 2017 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets within 12 months of the balance sheet date. Generally, federal and state authorities may examine the School's tax-exempt returns for three years from the date of filing; consequently, income tax returns for years prior to 2014 are no longer subject to examination by taxing authorities.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2017 and 2016 were \$12,835 and \$9,567, respectively.

Reclassification

The ASC requires debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that liability. As a result, the 2016 statement of financial position has had net mortgage costs of \$99,347 reclassified as a direct reduction of long-term debt and \$3,821 of amortization expense reclassified as interest expense in the statement of activities.

Subsequent Events

The School follows the ASC, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the due date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 17, 2017, the date the financial statements were available to be issued. No such events or transactions were identified.

3. DESIGNATED CASH

The School has internally designated cash in the amount of \$275,024 and \$275,021 as of June 30, 2017 and 2016, respectively. The intended purpose of this reserve is to provide for unforeseen operating costs within the next operating cycle.

HENRY JOHNSON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

4. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

At June 30, 2017 and 2016, grants, contracts and accounts receivable were comprised of the following:

	<u>2017</u>	<u>2016</u>
School District Tuition	\$ 249,087	\$ 146,772
U.S. Department of Agriculture	72,551	33,256
Grants Receivable	83,130	-
Per Pupil Supplement	161,804	-
	<u>\$ 566,572</u>	<u>\$ 180,028</u>

5. PROPERTY AND EQUIPMENT - NET

Property and equipment - net are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 6,983,442	\$ 6,983,442
Building Improvements	16,880	4,780
Computer Software	17,558	11,558
Work in Process	-	6,000
Land	483,000	483,000
Land Improvements	15,683	2,234
Equipment	321,228	313,747
Furniture and Fixtures	223,807	208,452
Total at Cost	8,061,598	8,013,213
Less: Accumulated Depreciation	(845,197)	(612,077)
	<u>\$ 7,216,401</u>	<u>\$ 7,401,136</u>

Depreciation expense was \$247,121 and \$240,028 for the years ended June 30, 2017 and 2016, respectively.

6. LONG-TERM DEBT

Long-term debt is comprised of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mortgage loan payable to Local Initiatives Support Corporation, in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building.	\$ 5,809,371	\$ 5,890,456
Less: unamortized debt issuance costs, net	(99,347)	(103,168)
Less: current portion	<u>(94,167)</u>	<u>(88,697)</u>
Long-term debt, net of current position and unamortized debt issuance costs	<u><u>\$ 5,615,857</u></u>	<u><u>\$ 5,698,591</u></u>

Unamortized debt issuance costs as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Transaction and Financing Costs - Twenty-Eight Year Amortization	\$ 108,900	\$ 108,900
Less: Accumulated Amortization	<u>(9,553)</u>	<u>(5,732)</u>
Unamortized Debt Issuance Costs, Net	<u><u>\$ 99,347</u></u>	<u><u>\$ 103,168</u></u>

Estimated debt maturities at June 30 over the next five (5) years are as follows:

2018	\$ 94,167
2019	99,975
2020	105,216
2021	112,631
2022	119,578
Thereafter	<u>5,277,804</u>
	<u><u>\$ 5,809,371</u></u>

7. RETIREMENT PLAN

The School has adopted a SIMPLE IRA retirement plan that all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation to any employee who contributes to the plan. The School's retirement plan expense for the years ended June 30, 2017 and 2016 was \$47,289 and \$51,251, respectively.

8. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Two school districts comprised approximately 81% and 84% of total revenue and support for the years ended June 30, 2017 and 2016, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

SUPPLEMENTARY INFORMATION

HENRY JOHNSON CHARTER SCHOOL*SCHEDULE OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2017*

	Program Services				Supporting Services	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 125,097	\$ -	\$ -	\$ 125,097	\$ 500,387	\$ 625,484
Instructional Personnel	2,078,056	76,676	-	2,154,732	-	2,154,732
Non-Instructional Personnel	-	-	132,519	132,519	27,934	160,453
Total Salaries	2,203,153	76,676	132,519	2,412,348	528,321	2,940,669
Fringe Benefits and Payroll Taxes	533,301	18,560	-	551,861	121,125	672,986
Retirement	37,474	1,304	-	38,778	8,511	47,289
Legal Service	4,384	153	-	4,537	996	5,533
Accounting and Audit Services	27,573	960	-	28,533	6,262	34,795
Other Purchased, Professional and Consulting Services	98,293	53,061	-	151,354	33,220	184,574
Repairs and Maintenance	183,890	6,400	16,344	206,634	25,422	232,056
Insurance	38,813	1,351	3,450	43,614	5,366	48,980
Utilities	37,070	1,290	3,295	41,655	5,125	46,780
Supplies and Materials	58,694	2,043	-	60,737	47,007	107,744
Equipment and Furnishings	5,558	193	-	5,751	1,262	7,013
Staff Development	47,727	1,661	-	49,388	-	49,388
Marketing and Recruitment	10,171	354	-	10,525	2,310	12,835
Technology	29,706	1,034	-	30,740	6,747	37,487
Food Service	-	-	191,558	191,558	-	191,558
Student Services	96,119	3,345	204,044	303,508	-	303,508
Office Expense	37,250	1,296	3,310	41,856	5,150	47,006
Depreciation and Other	234,294	8,154	-	242,448	53,213	295,661
Interest Expense	278,199	9,682	-	287,881	63,186	351,067
Total Expenses	<u>\$ 3,961,669</u>	<u>\$ 187,517</u>	<u>\$ 554,520</u>	<u>\$ 4,703,706</u>	<u>\$ 913,223</u>	<u>\$ 5,616,929</u>

HENRY JOHNSON CHARTER SCHOOL*SCHEDULE OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2016*

	<u>Program Services</u>				<u>Supporting Services</u>	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 126,696	\$ -	\$ -	\$ 126,696	\$ 506,785	\$ 633,481
Instructional Personnel	1,960,722	211,077	-	2,171,799	-	2,171,799
Non-Instructional Personnel	-	-	128,920	128,920	33,465	162,385
Total Salaries	<u>2,087,418</u>	<u>211,077</u>	<u>128,920</u>	<u>2,427,415</u>	<u>540,250</u>	<u>2,967,665</u>
Fringe Benefits and Payroll Taxes	504,102	50,975	-	555,077	122,386	677,463
Retirement	38,136	3,856	-	41,992	9,259	51,251
Legal Service	4,067	412	-	4,479	987	5,466
Accounting and Audit Services	20,493	2,072	-	22,565	4,975	27,540
Other Purchased, Professional and Consulting Services	73,648	58,927	-	132,575	29,231	161,806
Repairs and Maintenance	156,879	15,863	12,693	185,435	25,394	210,829
Insurance	36,036	3,644	2,916	42,596	5,833	48,429
Utilities	31,619	3,198	2,558	37,375	5,118	42,493
Supplies and Materials	57,571	5,821	-	63,392	66,969	130,361
Equipment and Furnishings	1,725	174	-	1,899	419	2,318
Staff Development	46,249	4,677	-	50,926	-	50,926
Marketing and Recruitment	7,119	720	-	7,839	1,728	9,567
Technology	23,252	2,351	-	25,603	5,646	31,249
Food Service	-	-	154,418	154,418	-	154,418
Student Services	124,817	12,621	181,453	318,891	-	318,891
Office Expense	36,327	3,673	2,939	42,939	5,881	48,820
Depreciation and Other	187,951	19,005	-	206,956	45,631	252,587
Interest Expense	<u>287,747</u>	<u>29,097</u>	<u>-</u>	<u>316,844</u>	<u>69,859</u>	<u>386,703</u>
Total Expenses	<u>\$ 3,725,156</u>	<u>\$ 428,163</u>	<u>\$ 485,897</u>	<u>\$ 4,639,216</u>	<u>\$ 939,566</u>	<u>\$ 5,578,782</u>

OTHER INFORMATION

**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
Henry Johnson Charter School
Albany, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Henry Johnson Charter School (the "School"), 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 17, 2017.

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 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*.

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.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 17, 2017