

# **Launch Expeditionary Learning Charter School**

Financial Statements

June 30, 2020 and 2019

## **Independent Auditors' Report**

### **Board of Trustees Launch Expeditionary Learning Charter School**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Launch Expeditionary Learning Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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.

### ***Auditors' 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 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 auditors' 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 the School as of June 30, 2020 and 2019, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2020, on our consideration of the 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 solely 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 effectiveness of the School's 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 School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 18, 2020

## Launch Expeditionary Learning Charter School

### Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,122,663	\$ 1,944,123
Grants and contracts receivable	177,222	121,968
Prepaid expenses and other current assets	56,976	88,888
Total Current Assets	2,356,861	2,154,979
Property and equipment, net	339,157	499,964
Restricted cash	75,477	75,335
	\$ 2,771,495	\$ 2,730,278
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 96,427	\$ 111,907
Accrued payroll and payroll taxes	400,252	289,729
Refundable advances	-	15,680
Total Liabilities	496,679	417,316
Net Assets		
Without donor restrictions	2,224,816	2,312,962
With donor restrictions	50,000	-
Total Net Assets	2,274,816	2,312,962
	\$ 2,771,495	\$ 2,730,278

See notes to financial statements

## Launch Expeditionary Learning Charter School

### Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
State and local per pupil operating revenue	\$ 5,876,779	\$ -	\$ 5,876,779
Federal grants	252,149	-	252,149
State and city grants	23,744	-	23,744
Contributions and grants	76,204	50,000	126,204
Interest and other income	6,216	-	6,216
Total Revenue and Support	6,235,092	50,000	6,285,092
<b>EXPENSES</b>			
Program Services			
Regular education	3,435,212	-	3,435,212
Special education	2,135,442	-	2,135,442
Total Program Services	5,570,654	-	5,570,654
Supporting Services			
Management and general	632,537	-	632,537
Fundraising	120,047	-	120,047
Total Expenses	6,323,238	-	6,323,238
Change in Net Assets	(88,146)	50,000	(38,146)
<b>NET ASSETS</b>			
Beginning of year	2,312,962	-	2,312,962
End of year	\$ 2,224,816	\$ 50,000	\$ 2,274,816

See notes to financial statements

# Launch Expeditionary Learning Charter School

Statement of Activities  
Year Ended June 30, 2019

## REVENUE AND SUPPORT

State and local per pupil operating revenue	\$ 6,020,089
Federal grants	252,854
State and city grants	23,196
Contributions and grants	16,850
Interest and other income	19,866
Total Revenue and Support	<u>6,332,855</u>

## EXPENSES

Program Services	
Regular education	3,632,585
Special education	<u>2,222,686</u>
Total Program Services	5,855,271
Supporting Services	
Management and general	691,736
Fundraising	<u>117,871</u>
Total Expenses	<u>6,664,878</u>

Change in Net Assets (332,023)

## NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	<u>2,644,985</u>
End of year	<u>\$ 2,312,962</u>

See notes to financial statements

## Launch Expeditionary Learning Charter School

Statement of Functional Expenses  
Year Ended June 30, 2020

	No. of Positions	Program Services			Support Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
<b>Personnel Service Costs</b>							
Administrative staff personnel	15	\$ 617,727	\$ 332,642	\$ 950,369	\$ 354,735	\$ 71,361	\$ 1,376,465
Instructional personnel	34	1,344,359	1,035,352	2,379,711	-	-	2,379,711
Non-instructional personnel	6	252,728	88,394	341,122	4,172	16,686	361,980
<b>Total Salaries and Staff</b>	55	2,214,814	1,456,388	3,671,202	358,907	88,047	4,118,156
Fringe benefits and payroll taxes		480,221	314,000	794,221	80,336	19,712	894,269
Retirement		7,351	4,806	12,157	1,230	302	13,689
Audit services		-	-	-	26,000	-	26,000
Other purchased / professional / consulting services		194,769	93,272	288,041	134,819	3,395	426,255
Repairs and maintenance		3,959	1,385	5,344	-	-	5,344
Insurance		28,527	11,990	40,517	779	219	41,515
Supplies / materials		117,906	44,254	162,160	1,167	329	163,656
Equipment / furnishings		25,420	8,891	34,311	-	-	34,311
Staff development		38,230	25,197	63,427	4,578	1,290	69,295
Marketing / recruitment		50,060	18,175	68,235	258	73	68,566
Technology		53,944	26,646	80,590	3,011	848	84,449
Student services		47,113	16,478	63,591	-	-	63,591
Office expense		32,025	21,108	53,133	4,057	1,080	58,270
Depreciation / amortization		138,784	91,475	230,259	16,621	4,682	251,562
Loss on disposal of property and equipment		2,089	1,377	3,466	250	70	3,786
Other		-	-	-	524	-	524
<b>Total Expenses</b>		<b>\$ 3,435,212</b>	<b>\$ 2,135,442</b>	<b>\$ 5,570,654</b>	<b>\$ 632,537</b>	<b>\$ 120,047</b>	<b>\$ 6,323,238</b>

See notes to financial statements

## Launch Expeditionary Learning Charter School

Statement of Functional Expenses  
Year Ended June 30, 2019

	No. of Positions	Program Services			Support Services			Total
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	
<b>Personnel Service Costs</b>								
Administrative staff personnel	13	\$ 614,128	\$ 281,077	\$ 895,205	\$ 353,968	\$ 70,468	\$ 1,319,641	
Instructional personnel	38	1,343,555	1,110,107	2,453,662	6,171	-	2,459,833	
Non-instructional personnel	6	261,107	80,024	341,131	3,964	15,857	360,952	
<b>Total Salaries and Staff</b>	<b>57</b>	<b>2,218,790</b>	<b>1,471,208</b>	<b>3,689,998</b>	<b>364,103</b>	<b>86,325</b>	<b>4,140,426</b>	
Fringe benefits and payroll taxes		468,183	309,800	777,983	76,498	18,060	872,541	
Retirement		9,232	6,109	15,341	1,508	356	17,205	
Audit services		-	-	-	32,250	-	32,250	
Other purchased / professional / consulting services		211,521	94,490	306,011	171,396	3,221	480,628	
Repairs and maintenance		16,150	4,949	21,099	-	-	21,099	
Insurance		27,674	10,736	38,410	770	188	39,368	
Supplies / materials		182,925	61,179	244,104	1,748	426	246,278	
Equipment / furnishings		13,775	4,222	17,997	-	-	17,997	
Staff development		70,608	49,366	119,974	9,471	2,310	131,755	
Marketing / recruitment		67,017	23,691	90,708	1,077	263	92,048	
Technology		43,031	20,732	63,763	2,577	629	66,969	
Student services		117,436	35,992	153,428	-	-	153,428	
Office expense		35,967	25,146	61,113	6,045	1,177	68,335	
Depreciation / amortization		148,816	104,044	252,860	19,961	4,868	277,689	
Loss on disposal of property and equipment		1,460	1,022	2,482	196	48	2,726	
Other		-	-	-	4,136	-	4,136	
<b>Total Expenses</b>		<b>\$ 3,632,585</b>	<b>\$ 2,222,686</b>	<b>\$ 5,855,271</b>	<b>\$ 691,736</b>	<b>\$ 117,871</b>	<b>\$ 6,664,878</b>	

See notes to financial statements



## Launch Expeditionary Learning Charter School

### Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (38,146)	\$ (332,023)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	251,562	277,689
Loss on disposal of property and equipment	3,786	2,726
Changes in operating assets and liabilities		
Grants and contracts receivable	(55,254)	16,523
Prepaid expenses and other current assets	31,912	(7,769)
Accounts payable and accrued expenses	(15,480)	(99,936)
Accrued payroll and payroll taxes	110,523	15,267
Refundable advances	(15,680)	(7,309)
Net Cash from Operating Activities	273,223	(134,832)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property and equipment	(94,541)	(231,442)
Net Change in Cash and Restricted Cash	178,682	(366,274)
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	2,019,458	2,385,732
End of year	\$ 2,198,140	\$ 2,019,458
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 2,122,663	\$ 1,944,123
Restricted cash	75,477	75,335
	\$ 2,198,140	\$ 2,019,458

See notes to financial statements

# Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

## 1. Organization and Tax Status

Launch Expeditionary Learning Charter School (the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on December 14, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the “Board of Regents”). The Board of Regents approved and issued several renewals to the School’s Charter expiring on June 30, 2022. The School was created to offer a world-class education to students and families living in Bedford-Stuyvesant, Crown Heights and the surrounding communities in Brooklyn, NY. Through its partnership with NYC Outward Bound Schools, the School is part of the Expeditionary Learning network of over 160 member schools nationwide. Its mission is to prepare students in under-resourced communities to thrive in college and careers by providing a public education rooted in active learning experiences and powerful character development. During the 2019-2020 academic year, the School provided education to approximately 286 students in the sixth through eighth grades.

The School has an agreement with the New York City Department of Education (“NYCDOE”) to share public school space at no annual cost. The School occupies approximately 14,000 square feet on one floor of a public school building. The School also shares the gymnasium, auditorium and cafeteria with the public school which approximates 6,487 square feet. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required for days and times the School operates outside of the traditional NYCDOE schedule. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches directly to some of the School’s students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

## 2. Summary of Significant Accounting Policies

### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly actual results could differ from those estimates.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Adoption of New Accounting Policies***

##### *Recognition of Contributions*

Effective July 1, 2019, the School adopted Accounting Standard Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

##### *Restricted Cash*

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the consolidated statements of cash flows.

##### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School’s operations. Net assets without donor restrictions may be used at the discretion of the School’s management and/or the Board of Trustees.

*Net assets with donor restrictions* - represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2019.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Restricted Cash***

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

#### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$2,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers	4 years
Equipment	5 years
Furniture and fixtures	5 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

#### ***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### ***Marketing and Recruitment***

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2020 and 2019 was \$68,566 and \$92,048.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 18, 2020.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

### 3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables in full within one year.

### 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Computers	\$ 215,202	\$ 235,031
Equipment	167,603	167,603
Furniture and fixtures	359,844	340,406
Software	7,785	7,785
Leasehold improvements	964,468	894,249
	<u>1,714,902</u>	<u>1,645,074</u>
Accumulated depreciation and amortization	<u>(1,375,745)</u>	<u>(1,145,110)</u>
	<u>\$ 339,157</u>	<u>\$ 499,964</u>

Assets with a cost basis of \$24,713 and accumulated depreciation of \$20,927 were disposed of during the year ended June 30, 2020. Assets with a cost basis of \$44,666 and accumulated depreciation of \$41,940 were disposed of during the year ended June 30, 2019. Loss on disposal of property and equipment was \$3,786 and \$2,726 for the years ended June 30, 2020 and 2019.

### 5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2020:

Cash	\$ 2,122,663
Grants and contracts receivable	<u>177,222</u>
	2,299,885
Less amounts unavailable for general expenditures:	
Net assets with donor restrictions	<u>(50,000)</u>
	<u>\$ 2,249,885</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

## **Launch Expeditionary Learning Charter School**

Notes to Financial Statements  
June 30, 2020 and 2019

### **6. Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2020 consist of a grant restricted for the purpose of engaging an environmental testing firm to complete required testing at Floyd Bennet Field.

### **7. Concentration of Credit Risk**

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020 and 2019, approximately \$1,948,000 and \$1,757,000 of cash was maintained with an institution in excess of FDIC limits.

### **8. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 94% and 95% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### **9. Employment Contract**

The School entered into a co-employment arrangement with TriNet Group, Inc. ("TriNet"), a professional employment organization, effective May 1, 2013. Under the co-employment arrangement, TriNet assumes certain employment responsibilities, including the payment and reporting employees' wages and payroll taxes.

### **10. Employee Benefit Plan**

For the benefit of its employees, the School participates in a multiple employer defined contribution 401(k) plan, through its professional employment organization partner, TriNet Group, Inc. (see Note 8). Under the 401(k) plan, all employees of the School can elect to make semi-monthly contributions to a personal retirement account. The School will make matching contributions to any employee contributions, dollar for dollar, up to \$500 per employee per calendar year. For the years ended June 30, 2020 and 2019, all employees were eligible to participate in the 401(k) plan and all employees were eligible for the employer match. Employer match for the years ended June 30, 2020 and 2019 was \$13,689 and \$17,205.

### **11. Contingency**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2020 and 2019

### 12. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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**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***

**Independent Auditors' Report**

**Board of Trustees  
Launch Expeditionary Learning Charter School**

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 Launch Expeditionary Learning Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, 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 September 18, 2020.

***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 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 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 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 18, 2020