

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2013

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Inwood Academy for Leadership Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Inwood Academy for Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inwood Academy for Leadership Charter School as of June 30, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Inwood Academy for Leadership Charter School's 2012 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated November 7, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 30, 2013, on our consideration of Inwood Academy for Leadership Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inwood Academy for Leadership Charter School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 30, 2013

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30 2013

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2012)

ASSETS	2013	2012
Cash	\$ 898,575	\$ 831,074
Cash - restricted	75,000	41,100
Grants receivable	18,267	136,708
Prepaid expenses and other assets	-	2,971
Property and equipment, net	280,736	160,381
Construction in progress	123,147	123,147
	\$ 1,395,725	\$ 1,295,381
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 100,719	\$ 80,147
Accrued salaries and other payroll related expenses	173,627	175,607
	274,346	255,754
NET ASSETS		
Unrestricted	1,121,379	1,039,627
	\$ 1,395,725	\$ 1,295,381

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

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
OPERATING REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 5,456,938	\$ 3,515,817
Government grants and contracts	316,338	527,867
Contributions and other grants	4,669	51,165
Interest income	970	135
Other income	8,893	9,327
Miscellaneous income	173	1,980
	<u>5,787,981</u>	<u>4,106,291</u>
EXPENSES		
Program	4,666,793	2,630,170
Management and general	966,036	816,566
Fundraising	73,400	22,375
	<u>5,706,229</u>	<u>3,469,111</u>
CHANGE IN NET ASSETS	81,752	637,180
NET ASSETS - BEGINNING OF YEAR	<u>1,039,627</u>	<u>402,447</u>
NET ASSETS - END OF YEAR	<u>\$ 1,121,379</u>	<u>\$ 1,039,627</u>

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

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	Program Services			Supporting Services		Total 2013	Total 2012
	General Education	Special Education	Total Program	Management and General	Fundraising		
FUNCTIONAL EXPENSES							
Salaries	\$ 1,680,785	\$ 1,023,944	\$ 2,704,729	\$ 471,537	\$ 4,451	\$ 3,180,717	2,128,256
Payroll taxes and employee benefits	327,986	197,516	525,502	92,015	869	618,386	409,334
Classroom supplies and instructional materials	132,132	33,033	165,165	-	-	165,165	222,104
Professional fees	-	-	-	77,889	-	77,889	65,650
Legal	-	-	-	10,416	-	10,416	1,825
Recruiting fees	15,918	7,826	23,744	3,846	39,762	67,352	32,677
Marketing and advertisement	-	-	-	-	643	643	9,285
Consultants	49,663	33,109	82,772	20,693	-	103,465	44,568
Staff professional development	6,617	4,411	11,028	2,757	-	13,785	110,889
Travel	91	61	152	38	-	190	21,259
Insurance	3,491	2,327	5,818	35,933	-	41,751	45,417
Student food services	72,802	18,201	91,003	-	-	91,003	8,046
Student educational services	58,720	14,680	73,400	-	-	73,400	71,430
Office expense	114,361	49,023	163,384	20,436	-	183,820	63,014
Rent	172,968	115,312	288,280	72,070	-	360,350	-
Repairs and maintenance	87,259	58,172	145,431	36,358	-	181,789	20,906
Gymnasium rental	8,378	5,586	13,964	3,491	-	17,455	16,000
Board development	-	-	-	9,105	9,105	18,210	7,743
Furniture and fixtures - non-capitalizable	48,967	32,645	81,612	20,403	-	102,015	13,240
Copier lease and related expenses	12,438	8,292	20,730	5,183	-	25,913	6,369
Curriculum	-	-	-	-	-	-	17,486
Technology, infrastructure and software	45,994	30,663	76,657	19,164	-	95,821	90,871
Technology and communication	28,225	18,361	46,586	11,476	-	58,062	7,145
Postage and delivery	4,229	2,820	7,049	8,139	18,570	33,758	4,018
Printing and photocopying	-	-	-	-	-	-	4,181
Bank fees and finance charges	-	-	-	1,083	-	1,083	903
Depreciation	89,293	50,494	139,787	44,004	-	183,791	46,495
	\$ 2,960,317	\$ 1,706,476	\$ 4,666,793	\$ 966,036	\$ 73,400	\$ 5,706,229	\$ 3,469,111

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

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 81,752	\$ 637,180
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	183,791	46,495
Changes in operating assets and liabilities:		
Cash - restricted	(33,900)	(11,736)
Grants receivable	118,441	(124,633)
Prepaid expenses and other assets	2,971	(2,971)
Accounts payable and accrued expenses	20,571	30,214
Accrued salaries and payroll related expenses	(1,980)	103,637
Due to New York City Department of Education	-	(15,038)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>371,646</u>	<u>663,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(304,145)</u>	<u>(182,808)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(304,145)</u>	<u>(182,808)</u>
NET INCREASE IN CASH	67,501	480,340
CASH - BEGINNING OF YEAR	<u>831,074</u>	<u>350,734</u>
CASH - END OF YEAR	<u>\$ 898,575</u>	<u>\$ 831,074</u>

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

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

1. NATURE OF THE ORGANIZATION

Inwood Academy for Leadership Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on December 15, 2009, 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 School opened its doors in the Fall of 2010 in Upper Manhattan with a rigorous academic program and a highly structured and supportive school culture. The School is uniquely designed to empower students in Inwood and Washington Heights to become agents for change through community-focused leadership, character development and college preparedness.

The School, as determined by the Internal Revenue Service, is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and under the corresponding provisions of the New York State tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2013, the School operated classes for students in the fifth, sixth and seventh grades.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students. The School collects money from children not entitled to free lunches to help defray the cost of school meals. Approximately 12,000 feet of square footage is allocated to the School.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2013.

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash - Restricted

An escrow account of \$75,000 is held aside for contingency purposes as required by the NYCDOE.

Grants Receivable

Grants receivable represent unconditional promises to give by donors. Grants receivable that are expected to be collected within one year and recorded at net realizable value are \$18,267 and \$136,708 at June 30, 2013 and 2012, respectively. The School has determined that no allowance for uncollectible accounts for grants receivable is necessary at June 30, 2013 and 2012. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue from the state and local government resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. No depreciation is recorded on construction in progress until placed into service.

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were required to be recognized for the years ended June 30, 2013 and 2012.

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Advertising

The School expenses advertising costs as incurred. The School incurred \$643 and \$9,285 of advertising costs for the years ended June 30, 2013 and 2012, respectively.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 30, 2013, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2013 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2012 are presented. As a result, the June 30, 2012 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2012 information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The School files informational returns in the United States federal jurisdiction. The School may be subject to U.S. federal tax examinations by tax authorities for all fiscal years in which informational returns were filed.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts paid. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. PROPERTY AND EQUIPMENT

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

	2013	2012	Estimated Useful Life
Furniture and fixtures	\$ 93,185	\$ 58,220	3 years
Equipment and computers	168,937	103,535	3 years
Leasehold improvements	<u>258,279</u>	<u>54,500</u>	Life of lease
	520,401	216,255	
Less: accumulated depreciation	<u>(239,665)</u>	<u>(55,874)</u>	
	<u>\$ 280,736</u>	<u>\$ 160,381</u>	

Depreciation expense amounted to \$183,791 and \$46,495 for the years ended June 30, 2013 and 2012, respectively.

4. CONSTRUCTION IN PROGRESS

As of June 30, 2013, the School was in the process of working with Baer Architects on the design for a new school location. Total construction in progress amounted to \$123,147 and is reflected in the accompanying statement of financial position. Through the report date, this project has been put on hold and no further work has been completed.

5. LINE OF CREDIT

On September 30, 2010, the School obtained a secured, revolving \$25,000 line of credit that is only to be used for emergency operating needs. The line has an interest rate of 4% above the prime rate and there was no outstanding balance at June 30, 2013 and 2012.

6. PENSION PLAN

Effective November 15, 2010, the School adopted a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan either on the first day of the Plan year or on the first day of the seventh month of the Plan year. Those employees who have completed at least 1 full year of service are also eligible for employer contributions. The Plan provides for the School to contribute up to 5% of an employee's salary. The School contribution becomes fully vested after the employee completes one year of service. For the years ended June 30, 2013 and 2012, pension expense for the School was \$52,570 and \$47,099, respectively which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

7. COMMITMENTS

The School has executed a contract with Baer Architecture Group to design and construct a new facility in two phases. The total amounts due upon phase I and phase II are \$287,200 and \$179,200, respectively. As of June 30, 2013, \$123,147 has been incurred on this contract for phase I.

In fiscal year 2013, the School has two locations, one which is provided by the NYCDOE. On January 3, 2012, the School entered into an executed lease with The Roman Catholic Church of the Good Shepherd of New York City for a second location. The lease commenced on July 1, 2012 and will expire on June 30, 2014. The School took possession of this space in August 2012. Rent expense for the year ended June 30, 2013 was \$360,350.

The School leases equipment and a copier under a non-cancelable operating lease which will expire in November of 2015. Monthly payments total \$495.

Total future minimum rental and lease payments are as follows:

<u>June 30,</u>	
2014	\$ 399,400
2015	5,940
2016	<u>2,475</u>
Total	<u>\$ 407,815</u>

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School. The accompanying financial statements make no provision for the possible disallowance or refund because management believes that there are not any material liabilities to be recorded.

9. AGREEMENT FOR SCHOOL FACILITY

The School has entered into a verbal agreement with the NYCDOE for dedicated and shared space at PS 152, a New York City public school located at 93 Nagle Ave, New York, New York at a cost of \$1 per year. This amount has not been recorded in accordance with industry standards. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours. For the years ended June 30, 2013 and 2012, the School did not incur overtime permit fees.

The School also rented gymnasium space from YMHA of Inwood. For the years ended June 30, 2013 and 2012, total rent expense was \$17,455 and \$16,000, respectively.

INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

10. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limits of \$250,000.

The School received approximately 94% and 86% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2013 and 2012, respectively.

One major grantor accounted for approximately 78% of grants receivable at June 30, 2013. Three major grantors accounted for approximately 91% of grants receivable at June 30, 2012.

Two vendors accounted for approximately 59% and 81% of accounts payable at June 30, 2013 and 2012, respectively.

11. PENDING LITIGATION

During February 2012, a student's family filed a claim in the Supreme Court of the State of New York where they allege the student was injured on the School's premises during an after school sports program. The claim does not specify damages. However, as the claim is in its early stages, counsel cannot evaluate its outcome. It is anticipated that any adverse financial consequences of the claim will be covered by the School's insurance policies, subject to a deductible (if any). The matter is still ongoing through the report date.

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
Inwood Academy for Leadership Charter School

We have audited the financial statements of Inwood Academy for Leadership Charter School (the “School”) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 30, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inwood Academy for Leadership Charter 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 Inwood Academy for Leadership Charter 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 30, 2013.

This report is intended solely for the information and use of the audit committee, board of trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

MBAF CPAs, LLC

New York, NY
October 30, 2013