

**INWOOD ACADEMY FOR LEADERSHIP  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**(With Comparative Totals for June 30, 2011)**

**INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**  
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**June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Inwood Academy for Leadership Charter School

We have audited the accompanying statement of financial position of Inwood Academy for Leadership Charter School (the "School") as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's June 30, 2011 financial statements and, in our report dated October 18, 2011, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 07, 2012 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 to describe the scope of our testing of internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

*MBAF CPAs, LLC*

New York, NY  
November 07, 2012

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30, 2012

(with Comparative Totals for June 30, 2011)

	2012	2011
<b>Assets:</b>		
Cash	\$ 831,074	\$ 350,734
Cash - restricted	41,100	29,364
Grants and other receivables	136,708	12,075
Prepaid expenses and other assets	2,971	-
Property and equipment, net	160,381	24,068
Construction in progress	123,147	123,147
<b>Total Assets</b>	<b>\$ 1,295,381</b>	<b>\$ 539,388</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 80,147	\$ 49,933
Accrued salary and other payroll related expenses	175,607	71,970
Due to New York City Department of Education	-	15,038
<b>Total Liabilities</b>	<b>255,754</b>	<b>136,941</b>
<b>Net assets:</b>		
Unrestricted	1,039,627	239,015
Temporarily restricted	-	163,432
<b>Total Net Assets</b>	<b>1,039,627</b>	<b>402,447</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,295,381</b>	<b>\$ 539,388</b>

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, 2012 (with Comparative Totals for June 30, 2011)

	Unrestricted	Temporarily Restricted	2012	2011
Operating revenue:				
State and local per pupil operating revenue	\$ 3,515,817	\$ -	\$ 3,515,817	\$ 1,668,332
Government grants and contracts	527,867	-	527,867	238,186
Total operating revenue	4,043,684	-	4,043,684	1,906,518
Expenses:				
Program services				
General education	1,889,442	-	1,889,442	1,248,776
Special education	740,728	-	740,728	191,095
Management and general	816,566	-	816,566	491,003
Fundraising	22,375	-	22,375	11,515
Total operating expenses	3,469,111	-	3,469,111	1,942,389
Surplus (deficit) from school operations	574,573	-	574,573	(35,871)
Support and other income:				
Contributions and other grants	51,165	-	51,165	432,606
Interest income	135	-	135	39
Benefit income, net of direct expenses of \$10,461	9,327	-	9,327	-
Miscellaneous income	1,980	-	1,980	5,673
Released from restrictions	163,432	(163,432)	-	-
Total support and other income	226,039	(163,432)	62,607	438,318
Change in net assets	800,612	(163,432)	637,180	402,447
Net assets – beginning of period	239,015	163,432	402,447	-
Net assets - end of period	\$ 1,039,627	\$ -	\$ 1,039,627	\$ 402,447

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, 2012 (with Comparative Totals for June 30, 2011)

	Program Services			Supporting Services		
	General Education	Special Education	Total Program	Management and General	Fundraising	
Salaries	\$ 1,092,395	\$ 570,742	\$ 1,663,137	\$ 449,104	\$ 16,015	\$ 2,128,256
Payroll taxes and benefits received	192,387	69,587	261,974	143,267	4,093	409,334
Classroom supplies and instructional materials	218,876	3,228	222,104	-	-	222,104
Professional fees	15,955	3,301	19,256	46,315	79	65,650
Legal	-	-	-	1,825	-	1,825
Recruiting fees	32,052	-	32,052	-	625	32,677
Marketing and advertisement	-	-	-	9,285	-	9,285
Consultants	38,049	6,519	44,568	-	-	44,568
Staff professional development	53,227	29,940	83,167	27,722	-	110,889
Travel	10,204	5,740	15,944	5,315	-	21,259
Insurance	4,458	2,508	6,966	38,451	-	45,417
Student food services	8,046	-	8,046	-	-	8,046
Student educational services	71,430	-	71,430	-	-	71,430
Office expense	31,507	9,452	40,959	21,425	630	63,014
Gymnasium rental	16,000	-	16,000	-	-	16,000
Repairs and maintenance	-	-	-	20,906	-	20,906
Board development	-	-	-	7,356	387	7,743
Furniture and fixtures - non-capitalizable	13,240	-	13,240	-	-	13,240
Copier lease	3,057	1,720	4,777	1,592	-	6,369
Curriculum	14,164	3,322	17,486	-	-	17,486
Technology, infrastructure and software	43,618	24,535	68,153	22,718	-	90,871
Technology and communication	3,429	1,930	5,359	1,786	-	7,145
Postage and delivery	2,009	603	2,612	1,366	40	4,018
Printing and photocopying	2,091	627	2,718	1,422	41	4,181
Interest expense	-	-	-	-	-	-
Bank fees and finance charges	-	-	-	903	-	903
Depreciation	23,248	6,974	30,222	15,808	465	46,495
Costs of direct benefits to donors	-	-	-	-	10,461	10,461
Less: expenses deducted directly from support on the statement of activities	-	-	-	-	(10,461)	(10,461)
Total expenses	\$ 1,889,442	\$ 740,728	\$ 2,630,170	\$ 816,566	\$ 22,375	\$ 3,469,111
						\$ 1,942,389

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, 2012 (with Comparative Totals for June 30, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 637,180	\$ 402,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,495	9,379
Changes in operating assets and liabilities:		
Cash - restricted	(11,736)	(29,364)
Grants and other receivables	(124,633)	(12,075)
Prepaid expenses and other assets	(2,971)	-
Accounts payable and accrued expenses	30,214	49,933
Accrued salary and payroll related expenses	103,637	71,970
Due to New York City Department of Education	(15,038)	15,038
<b>Net cash provided by operating activities</b>	<b>663,148</b>	<b>507,328</b>
Cash flows from investing activities:		
Purchase of property and equipment	(182,808)	(33,447)
Construction in progress	-	(123,147)
<b>Net cash used in investing activities</b>	<b>(182,808)</b>	<b>(156,594)</b>
Cash flows from financing activities:		
Proceeds from line of credit	-	25,000
Repayments on line of credit	-	(25,000)
Proceeds from loan	-	50,000
Repayments of loan	-	(50,000)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
Net increase in cash	480,340	350,734
Cash - beginning of period	350,734	-
<b>Cash - end of period</b>	<b>\$ 831,074</b>	<b>\$ 350,734</b>

### Supplementary information:

Cash paid during the year for:		
Interest	\$ -	\$ 1,118
Income Taxes	\$ -	\$ -

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

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 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 2012, the School operated classes for students in the fifth and sixth grades.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students. Starting in fiscal year 2011, the School began collecting money from children not entitled to free lunches to help defray the cost of school meals.

### 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 a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a 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.



# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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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. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

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

### Cash - Restricted

Cash consists of six checking accounts and an escrow account of \$41,100 held aside for contingency purposes as required by NYCDOE.

### Grants and Other Receivables

Grants and other receivables represent unconditional promises to give by donors. Grants and other receivables that are expected to be collected within one year and recorded at net realizable value are \$136,708 and \$12,075 at June 30, 2012 and 2011, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 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.

The carrying value of the grants and other receivables approximates fair value. Management reviews those receivables due in more than one year for impairment and none was determined as of June 30, 2012.

### 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.

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### Special Events

The School conducts special events (or, benefit income) in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (such as meals and entertainment). Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of those direct costs provided at special events is measured at the actual cost to the School. All proceeds received in excess of the direct costs are recorded as special events support in the accompanying statement of activities. For the year ended June 30, 2012, the School reported special events income of \$19,788 and expenses of \$10,461.

### 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. The School has established a \$10,000 threshold above which assets are evaluated to be capitalized. 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 recognized for the years ended June 30, 2012 and 2011.

### 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 \$9,285 and \$0 of advertising costs for the years ended June 30, 2012 and 2011, 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 November 07, 2012, which is the date the financial statements were available to be issued.

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### Comparative Financial Information

The June 30, 2012 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, 2011 are presented. As a result, the June 30, 2011 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2011 information should be read in conjunction with the School's financial statements for the year ended June 30, 2011, 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 is 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."

### 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.

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- 3. PROPERTY AND EQUIPMENT:** Property and equipment consist of the following as of June 30:

	2012	2011	Estimated Useful Life
Furniture and fixtures	\$ 58,220	\$ 14,662	3 years
Equipment and computers	103,535	18,785	3 years
Leasehold improvements	54,500	-	Life of lease
	216,255	33,447	
Less: accumulated depreciation	(55,874)	(9,379)	
	<u>\$ 160,381</u>	<u>\$ 24,068</u>	

Depreciation expense for the years ended June 30, 2012 and 2011 was \$46,495 and \$9,379, respectively.

- 4. CONSTRUCTION IN PROGRESS:** As of June 30, 2012, 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 only to be used for emergency operating needs. The line has an interest rate of 4% above prime per annum and there was no outstanding balance on June 30, 2012 and 2011, respectively.
- 6. TEMPORARILY RESTRICTED NET ASSETS:** Net assets were released from restrictions during the year ended June 30, 2012 by incurring expenses, thus satisfying the restricted purposes as follows:

Charter School Start-up expenses	<u>\$163,432</u>
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- 7. 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 the first day of the Plan year or 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 fiscal years ended June 30, 2012 and 2011, pension expense for the School was \$47,099 and \$26,433, 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, 2012

8. **COMMITMENTS:**
- A. 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. \$123,147 has been paid on this contract for phase I.
- B. As of June 30, 2012, the School entered into an agreement with Galcon to create leasehold improvements for a second school location. Leasehold improvements for the year ended June 30, 2012 totaled \$54,500. Total amounts due upon completion are \$163,500.
- C. On January 3, 2012, the School entered into an executed lease with The Roman Catholic Church of the Good Shepherd of New York City. The lease commenced on July 1, 2012 and will expire on June 30, 2014. The School took possession of this space in August 2012. Yearly rental payments total \$360,350 and \$393,460 in fiscal 2013 and 2014, respectively.
- D. 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:

June 30,	
2013	\$ 366,290
2014	399,400
2015	5,940
2016	2,475
Total	\$ 774,108

9. **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.

10. **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, 2012 and 2011, the School did not incur overtime permit fees.

The School also rented gymnasium space from YMHA of Inwood. For the years ended June 30, 2012 and 2011, total rent expense was \$16,000 and \$10,000, respectively.

# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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- 11. CONCENTRATIONS:**
- A. 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 ("FDIC") insured limits. The FDIC has temporarily increased the limit to \$250,000.
  - B. The School received approximately 86% and 71% of its total revenue from per pupil funding from the NYCDOE during the years ended June 30, 2012 and 2011, respectively.
  - C. Three major grantors accounted for approximately 91% of grants and other receivables at June 30, 2012. Three major grantors accounted for 100% of grants and other receivables at June 30, 2011.
  - D. Two vendors accounted for approximately 88% of accounts payable at June 30, 2012. One vendor accounted for 100% of accounts payable at June 30, 2011.

**12. 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).

**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, 2012, and have issued our report thereon dated November 07, 2012. 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**

Management of Inwood Academy for Leadership Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 November 07, 2012.

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  
November 07, 2012