

Hyde Leadership Charter School

Financial Statements
Year Ended June 30, 2016

Hyde Leadership Charter School

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Hyde Leadership Charter School

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Independent Auditor's Report

To the Board of Trustees
Hyde Leadership Charter School
Bronx, New York

We have audited the accompanying financial statements of Hyde Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hyde Leadership Charter School as of June 30, 2016, and the changes 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 the financial statements of Hyde Leadership Charter School as of and for the year ended June 30, 2015, and our report dated October 28, 2015 expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein 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 27, 2016 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 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 School's internal control over financial reporting and compliance.

BDO USA, LLP

October 27, 2016

Hyde Leadership Charter School

Statement of Financial Position (with comparative totals for 2015)

<i>June 30,</i>	2016	2015
Assets		
Cash and cash equivalents (Note 2)	\$1,781,071	\$1,591,942
Investments, at fair value (Notes 2 and 4)	3,790,313	3,757,790
Grants, contracts and other receivables (Note 2)	942,166	633,387
Prepaid expenses and other assets (Note 7)	612,191	592,345
Fixed assets, net (Notes 2 and 3)	615,932	892,771
	\$7,741,673	\$7,468,235
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 987,142	\$ 842,339
Deferred rent payable (Notes 7 and 10)	3,505,985	2,851,959
Total Liabilities	4,493,127	3,694,298
Commitments and Contingencies (Notes 7, 8 and 9)		
Net Assets (Note 2):		
Unrestricted	3,248,546	3,773,937
	\$7,741,673	\$7,468,235

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Activities (with comparative totals for 2015)

<i>Year ended June 30,</i>	2016	2015
	(Unrestricted)	
Operating Revenue (Notes 2 and 5):		
State and local per pupil operating revenue	\$15,825,823	\$15,514,931
Government grants	721,268	720,095
Total Operating Revenue	16,547,091	16,235,026
Operating Expenses:		
General education	13,984,724	14,014,452
Special education	2,178,306	1,584,937
Management and general	1,386,213	1,421,431
Development	122,520	166,804
Total Operating Expenses	17,671,763	17,187,624
Net Loss From School Operations	(1,124,672)	(952,598)
Support and Other Revenue:		
Contributions	454,534	242,294
Other income	80,261	133,973
Interest income	62,270	63,297
In-kind revenue	2,216	13,781
Total Support and Other Revenue	599,281	453,345
Change in Net Assets	(525,391)	(499,253)
Net Assets, Beginning of Year	3,773,937	4,273,190
Net Assets, End of Year	\$ 3,248,546	\$ 3,773,937

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Functional Expenses (with comparative totals for 2015)

Year ended June 30,

	Program Services			Supporting Services			2016 Total	2015 Total
	General Education	Special Education	Total	Management and General	Development	Total Supporting Services		
Personnel costs:								
Administrative staff personnel	\$ -	\$ -	\$ -	\$874,787	\$ 86,380	\$ 961,167	\$ 961,167	\$ 1,003,438
Instructional personnel	8,280,239	1,312,571	9,592,810	-	-	-	9,592,810	9,069,647
Total Personnel Costs	8,280,239	1,312,571	9,592,810	874,787	86,380	961,167	10,553,977	10,073,085
Payroll taxes and employee benefits	1,869,223	296,306	2,165,529	197,479	19,500	216,979	2,382,508	2,236,708
Instructional supplies and equipment	317,414	58,737	376,151	-	-	-	376,151	450,077
Professional fees and dues	5,383	8,863	14,246	75,843	8,339	84,182	98,428	162,075
Instructional support	234,097	43,319	277,416	-	-	-	277,416	297,525
Professional development	207,688	38,432	246,120	4,837	202	5,039	251,159	181,024
Childcare	3,797	-	3,797	-	-	-	3,797	8,228
Business insurance	65,559	20,346	85,905	3,617	904	4,521	90,426	116,503
Telephone	73,126	19,601	92,727	4,982	940	5,922	98,649	60,035
Repairs and maintenance	242,647	177	242,824	671	-	671	243,495	108,835
Food services	60,999	11,288	72,287	-	-	-	72,287	80,470
Management fee (Note 8)	108,750	33,750	142,500	6,000	1,500	7,500	150,000	150,000
Printing and postage	53,162	7,236	60,398	2,826	3,372	6,198	66,596	62,728
Bank and payroll charges	-	-	-	182,793	-	182,793	182,793	145,026
Retreats, conferences and transportation	166,173	81	166,254	98	248	346	166,600	178,064
Marketing and recruitment	88,056	9,000	97,056	1,690	-	1,690	98,746	84,336
Technology supplies and services - nonclassroom	56,567	8,967	65,534	5,976	590	6,566	72,100	166,158
Noncapitalized office furniture	1,842	341	2,183	-	-	-	2,183	1,504
Other administrative support	9,508	1,507	11,015	1,004	99	1,103	12,118	10,343
Office supplies	24,677	3,912	28,589	2,607	257	2,864	31,453	34,258
Rent (Notes 7 and 10)	1,680,310	183,365	1,863,675	-	-	-	1,863,675	1,863,676
Other occupancy costs	145,001	26,832	171,833	19,093	-	19,093	190,926	312,819
Depreciation and amortization	272,423	90,808	363,231	-	-	-	363,231	373,341
Miscellaneous expenses	18,083	2,867	20,950	1,910	189	2,099	23,049	30,806
Total Expenses	\$13,984,724	\$2,178,306	\$16,163,030	\$1,386,213	\$122,520	\$1,508,733	\$17,671,763	\$17,187,624

See accompanying notes to financial statements.

Hyde Leadership Charter School

Statement of Cash Flows (with comparative totals for 2015)

<i>Year ended June 30,</i>	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ (525,391)	\$ (499,253)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	363,231	373,341
Changes in operating assets and liabilities:		
(Increase) decrease in grants, contracts and other receivables	(308,779)	83,775
Increase in prepaid expenses and other assets	(19,846)	(1,744)
Increase (decrease) in accounts payable and accrued expenses	144,802	(89,618)
Increase in deferred rent payable	654,026	689,260
Net Cash Provided By Operating Activities	308,043	555,761
Cash Flows From Investing Activities:		
Purchase of fixed assets	(86,392)	(635,532)
Purchase of investments	(767,727)	(2,033,781)
Proceeds from sale of investments	735,205	2,746,113
Net Cash (Used In) Provided By Investing Activities	(118,914)	76,800
Net Increase in Cash and Cash Equivalents	189,129	632,561
Cash and Cash Equivalents, Beginning of Year	1,591,942	959,381
Cash and Cash Equivalents, End of Year	\$1,781,071	\$ 1,591,942

See accompanying notes to financial statements.

Hyde Leadership Charter School

Notes to Financial Statements

1. Description of School

Hyde Leadership Charter School (the "School") is an educational corporation that commenced operations as a charter school in the borough of the Bronx, New York City in July 2006. On January 10, 2006, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School's initial charter was renewed upon expiration in January 2010 and a second renewed charter was granted on January 6, 2015 and expires on June 30, 2018 and is subject to renewal. The School operates classes for students in kindergarten through grade 12.

The School's mission is to develop the deeper character and unique potential of each student. Using the Hyde process for family-based character education, the School unites parents, teachers and students in helping each student achieve their best academically as well as in sports, the arts and the community.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of 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:

- (i) 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.
- (ii) Temporarily Restricted* - Net assets resulting from contributions and other inflows of assets whose use by the School is 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.
- (iii) Unrestricted* - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The School considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. The School has not experienced any losses on these accounts. The School maintains a separate account with a minimum balance requirement of \$70,000. The minimum balance is required at all times based on the School's charter documents.

Hyde Leadership Charter School

Notes to Financial Statements

(d) Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Pledges receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the gifts. All of the School's grant, contract and other receivables are expected to be collected within one year.

(e) Fixed Assets

Property and equipment are recorded at cost. Additions and improvements or betterments in excess of \$500 with an estimated useful life of three or more years are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract. The estimated useful lives of the assets are as follows:

Computers and software	3 years
Furniture and equipment	5 years
Leasehold improvements	10 years
Instructional assets	3-5 years

(f) Asset Impairment

The School reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2016, there was no such loss.

(g) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the School would use in pricing the School's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the School are traded. The School estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Hyde Leadership Charter School

Notes to Financial Statements

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

All of the School's investment assets at June 30, 2016 are in certificates of deposit and are classified as Level 1. The School's holdings in equity securities are determined by quoted market prices. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value. Investments are stated at their fair values in the statement of financial position. Net realized gains and losses for the period are shown in the statement of activities. At June 30, 2016, cost approximates fair value.

(h) Revenue Recognition

The School recognizes gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from state and local governments 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 is recognized by the School when qualifying expenditures are incurred and billable to the government or when required services have been provided.

The School recognizes as income donated services that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if they had not been contributed.

A number of volunteers have made a contribution of their time to the School to develop its academic programs and to serve on the School's Board of Trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition.

(i) Expenses

Expenses are classified according to the functional categories for which they are incurred, as follows:

- Program Services - represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.
- Development - represents expenses directly associated with the School's effort to raise funds to support the operations of the School.

Hyde Leadership Charter School

Notes to Financial Statements

- Management and General - represents expenses related to the overall administration and operation of the School that are not associated with any program services or development.

(j) Income Taxes

The School is incorporated under a charter granted by the Board of Regents on behalf of the New York State Education Department and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2016.

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities. The School is subject to routine audits by a taxing authority. As of June 30, 2016, the School was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to June 30, 2013.

(k) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(l) Concentration of Credit Risk

The School maintains cash and cash equivalent balances in bank deposit accounts, which may exceed Federally-insured limits. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

(m) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Hyde Leadership Charter School

Notes to Financial Statements

3. Fixed Assets, Net

The School's property and equipment consist of the following:

June 30, 2016

Furniture and equipment	\$ 394,665
Computers and software	989,114
Office equipment	393,499
Leasehold improvements	204,657
Instructional assets	210,538
	<hr/> 2,192,473
Less: Accumulated depreciation and amortization	(1,576,541)
	<hr/> \$ 615,932

For the year ended June 30, 2016, depreciation expense was \$363,231.

4. Investments at Fair Value

The following table shows, by level within the fair value hierarchy, the School's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset or liability's placement within the fair value hierarchy levels.

	Fair Value Measurement at Report Date Using			Balance as of June 30, 2016
	(Level 1)	(Level 2)	(Level 3)	
Assets				
Certificates of deposit	\$3,789,137	\$-	\$-	\$3,789,137
Equities - common stock	1,176	-	-	1,176
Total	\$3,790,313	\$-	\$-	\$3,790,313

The School has investments in certificates of deposit with original maturities of greater than 3 months from the date of purchase, which the School considers to be short-term investments. The certificates of deposit represent interest-bearing cash accounts and are categorized as Level 1 of the fair value hierarchy.

Hyde Leadership Charter School

Notes to Financial Statements

5. Revenue Concentrations

The School receives substantially all of its support and revenue from the New York City Department of Education. If the charter of the School was modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

6. Agreement for School Facility

The School operates under a Facility Shared Use Agreement (the "Agreement") with the NYCDOE for dedicated and shared space at 730 Bryant Avenue, Bronx, New York. The Agreement commenced on July 1, 2006 at a cost of \$1. The School is responsible for any overtime-related costs for services provided beyond the regular operating hours.

7. Commitments and Contingencies

(a) Lease Commitments

The School entered into a 35-year lease in March 2010. The lease provides for the use of a new building with a commencement date of August 18, 2011. The lease requires a security deposit of \$500,000, which is included in prepaid expenses and other assets on the statement of financial position. Minimum future obligations under the lease are as follows:

Year ending June 30,

2017	\$ 1,245,938
2018	1,283,316
2019	1,321,816
2020	1,361,470
2021	1,402,314
Thereafter	53,041,879

\$59,656,733

The rent expense for the year ended June 30, 2016 was \$1,863,675, of which \$1,209,649 was paid to the lessor under the lease agreement, and \$654,026 was a noncash expense, attributable to an increase in deferred rent payable.

(b) 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 for in the accompanying financial statements for such potential claims.

Hyde Leadership Charter School

Notes to Financial Statements

8. Licensing and Services Agreement

The Hyde Foundation, a not-for-profit organization dedicated to helping start and support certain aspects of charter schools, provides management, fundraising, and other administrative support services to the School. Pursuant to the terms of a three-year licensing and services agreement with an effective date of July 1, 2013, the School pays the Hyde Foundation an annual fee of \$150,000 for use of licensed educational models, program materials, training of new faculty and accreditation services. Upon expiration, there are automatic successive one-year renewal terms unless terminated by the School and/or the Hyde Foundation by a written 90-day notice.

9. Employee Benefit Plan

The School maintains a deferred compensation plan qualified under Section 403(b) of the IRC. The School matches employee contributions up to 5% of each employee's annual compensation not to exceed the employee's annual salary deferral amount. The School may also elect to make additional contributions to the plan on a discretionary basis. The School made contributions totaling \$322,950 for the year ended June 30, 2016.

10. Deferred Rent Payable

The School has an operating lease which contains predetermined increases in the rentals payable during the term of such lease. For this lease, the aggregate rental expense is recognized on a straight-line basis over the lease term. The difference between the expenses charged to operations in any year and the amount payable under the lease during the year is recorded as deferred rent payable on the School's statement of financial position, which will reverse over the lease term. Deferred rent payable amounted to \$3,505,985 as of June 30, 2016.

11. Subsequent Events

The School's management has performed subsequent event procedures through October 27, 2016, which is the date the financial statements were available to be issued and there were no other subsequent events requiring adjustment to the financial statements or disclosures as stated herein.



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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
Hyde Leadership Charter School
Bronx, 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 Hyde Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, 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 October 27, 2016.

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 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 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.

BDO USA, LLP

October 27, 2016