Growing Up Green Charter School II

Financial Statements

June 30, 2017

Independent Auditors' Report

Board of Trustees
Growing Up Green Charter School II

We have audited the accompanying financial statements of Growing Up Green Charter School II (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the period from December 15, 2015 (inception) to June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 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.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2017, and the changes in its net assets and its cash flows for the period from December 15, 2015 (inception) to June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2017

Growing Up Green Charter School II

Statement of Financial Position
June 30, 2017

ASSETS		
Current Assets		
Cash and cash equivalents	$	659,448
Grants and contracts receivable		172,930
Prepaid expenses and other current assets		61,514
Total Current Assets		893,892
Property and equipment, net		935,837
Restricted cash		25,020
Security deposits		74,780
	$	1,929,529
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$	110,355
Accrued payroll and payroll taxes		239,948
Refundable advances		29,178
Due to related party		369,423
Line of credit		284,490
Total Current Liabilities		1,033,394
Deferred rent		671,100
Total Liabilities		1,704,494
Net assets, unrestricted		225,035
	$	1,929,529

Growing Up Green Charter School II

Statement of Activities
Period from December 15, 2015 (Inception) to June 30, 2017

REVENUE AND SUPPORT	
State and local per pupil operating revenue	$ 3,183,529
Universal pre-kindergarten	421,550
State and local per pupil facilities funding	360,000
Federal grants	645,842
State and city grants	228,086
Contributions and private grants	11,969
Interest and other income	26,306
Total Revenue and Support	4,877,282
EXPENSES	
Program Services	
Regular education	2,469,503
Special education	1,437,859
After school	86,912
Total Program Services	3,994,274
Supporting Services	
Management and general	653,691
Fundraising	4,282
Total Expenses	4,652,247
Change in Net Assets	225,035
NET ASSETS, UNRESTRICTED	
Beginning of period	-
End of period	$ 225,035

Growing Up Green Charter School II

Statement of Functional Expenses
Period from December 15, 2015 (Inception) to June 30, 2017

	No. of Positions	Program Services: Regular Education	Program Services: Special Education	Program Services: After School	Program Services: Total	Management and General	Fundraising	Total
Personnel services costs:								
Administrative staff personnel	10	$ 252,619	$ 159,758	$ -	$ 412,377	$ 179,752	$ 1,238	$ 593,367
Instructional personnel	28	870,188	539,992	44,880	1,455,060	-	-	1,455,060
Total salaries and staff	38	1,122,807	699,750	44,880	1,867,437	179,752	1,238	2,048,427
Fringe benefits and payroll taxes		229,461	143,004	9,172	381,637	36,733	253	418,623
Retirement		19,140	11,929	765	31,834	3,065	21	34,920
Legal fees		46,695	29,101	1,866	77,662	7,476	51	85,189
Audit and accounting fees		-	-	-	-	170,182	-	170,182
Other purchased and professional services		125,787	46,112	1,264	173,163	137,362	1,921	312,446
Building and land rent and lease		565,178	352,227	22,591	939,996	90,481	623	1,031,100
Repairs and maintenance		25,329	15,785	1,012	42,126	4,055	28	46,209
Insurance		13,454	8,385	538	22,377	2,154	15	24,546
Utilities		19,024	11,856	760	31,640	3,046	21	34,707
Supplies and materials		132,730	40,325	362	173,417	1,450	10	174,877
Equipment and furnishings		29,757	10,362	235	40,354	944	6	41,304
Staff and professional development		10,946	3,070	-	14,016	-	-	14,016
Marketing and recruitment		40,045	15,121	454	55,620	1,818	13	57,451
Technology		25,619	15,966	1,024	42,609	4,102	28	46,739
Food services		7,873	2,207	-	10,080	-	-	10,080
Student services		1,723	483	-	2,206	-	-	2,206
Office expense		20,334	12,672	813	33,819	3,256	22	37,097
Depreciation		26,617	16,588	1,064	44,269	4,261	29	48,559
Other		6,984	2,916	112	10,012	3,554	3	13,569
Total Expenses		$ 2,469,503	$ 1,437,859	$ 86,912	$ 3,994,274	$ 653,691	$ 4,282	$ 4,652,247

Growing Up Green Charter School II

Statement of Cash Flows
Period from December 15, 2015 (Inception) to June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	225,035
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization		48,559
Deferred rent		671,100
Changes in operating assets and liabilities		
Grants and contracts receivable		(172,930)
Prepaid expenses and other current assets		(61,514)
Security deposits		(74,780)
Accounts payable and accrued expenses		110,355
Accrued payroll and payroll taxes		239,948
Refundable advances		29,178
Due to related party		369,423
Net Cash from Operating Activities		1,384,374
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(984,396)
Proceeds from line of credit		284,490
Restricted cash		(25,020)
Net Cash from Investing Activities		(724,926)
Net Change in Cash and Cash Equivalents		659,448
CASH AND CASH EQUIVALENTS		
Beginning of period		-
End of period	$	659,448

1. Organization and Tax Status

Growing Up Green Charter School II (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2015 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on December 15, 2015 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's mission is to empower children to be conscious, contributing members of their community through a rigorous curriculum and an engaging green culture. Graduates of the School will be prepared to attend high performing schools where their interdisciplinary academic foundations, knowledge of sustainability, and strong sense of self sets them apart as leaders of the future. Classes commenced in Jamaica, New York, on September 8, 2016 and the School provided education to approximately 216 students in grades pre-kindergarten through second during the 2016-2017 academic year. The School's 2017-2018 operating budget reflects student population growth to approximately 245. Management believes that such population growth will provide the School with the liquidity to meet its obligations as they become due.

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

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

Net Asset Presentation

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

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial instruments with maturities of three months or less at the time of purchase.

Restricted Cash

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

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

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of $1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, whereby such assets are expensed as incurred.

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

Equipment	5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the years ended June 30, 2017 and 2016.

Refundable Advances

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

Revenue and Support

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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

Functional Expense Allocation

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. All Forms 990 filed by the School are subject to examination.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 30, 2017.

3. Grants and Contracts Receivable

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

4. Property and Equipment

Property and equipment consists of the following at June 30, 2017:

Equipment	$ 106,333
Furniture and fixtures	61,855
Software	3,126
Leasehold improvements	466,715
Construction in progress	346,367
	984,396
Accumulated depreciation and amortization	(48,559)
	$ 935,837

Construction in progress at June 30, 2017 consists of various improvements including architectural and engineering consultation work associated with the facilities at 84-35 152nd street, Jamaica, New York (see Note 10).

5. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of the participant's annual compensation. Total employer match for the period from December 15, 2015 (inception) to June 30, 2017 amounted to $29,425.

6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2017, approximately $430,000 of cash was maintained with an institution in excess of FDIC limits.

7. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the period from December 15, 2015 (inception) to June 30, 2017, the School received approximately 81% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

8. Related Party Transactions (not disclosed elsewhere)

Friends of Growing Up Green

The School is an affiliate of Friends of Growing Up Green ("Friends of GUG"), a New York State not-for-profit corporation, through common management. Friends of GUG supports the School through technical and financial assistance. During the period from December 15, 2015 (inception) to June 30, 2017, there were no material transactions between Friends of GUG and the School.

Growing Up Green Charter School

The School is an affiliate of Growing Up Green Charter School ("GUG"), a New York State not-for-profit education corporation who both share common management and board members. The School was not required to consolidate financial statement with GUG as the School does not have an economic interest in the net assets of GUG. During the period from December 15, 2015 (inception) to June 30, 2017, GUG charged $112,654 of operating expenses to the School. In addition, the School entered into four interest free loan agreements between February 2016 and January 2017, totaling $346,000 with GUG. These loans are due by June 30, 2018 and were used for startup costs for the School. Balance due to GUG at June 30, 2017 was $369,423. Subsequent to June 30, 2017, the School paid the first quarterly principal payment of $86,500 to GUG.

8. Related Party Transactions *(continued) (not disclosed elsewhere)*

Growing Up Green Charter School (continued)

On March 21, 2017, GUG co-signed a $750,000 commercial line of credit with a financial institution along with the School. GUG assigned and granted the lender a security interest in one of its deposit accounts with the financial institution. At June 30, 2017, the balance of the pledged deposit account was $752,378. The liability for the line of credit is reflected on the School's financial statements (see Note 9).

9. Line of Credit

On March 21, 2017, the School co-signed for a $750,000 commercial line of credit with a financial institution along with GUG. The line of credit matures on March 21, 2018 and monthly payments consist of the greater of 2% of the outstanding principal balance on the last day of the billing period, or $100, plus accrued interest. The interest rate is 0.500 percentage points over the greater of the Prime Rate or the Minimum Interest Rate. At June 30, 2017, the interest rate was 4.75% and the balance of $284,490 under this line of credit is reflected on the School's statement of financial position. GUG assigned and granted the lender a security interest in one of its deposit account.

10. Commitments

The School is obligated under a non-cancelable operating lease for office and classroom space at 84-35 152nd Street, Jamaica, New York, expiring on June 30, 2036, with a renewal option for an additional ten years and subsequently a renewal option for an additional five years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

The future minimum lease payments for the lease, not inclusive of renewal options, are as follows:

Year ending June 30, 2018	$ 540,000
2019	720,000
2020	900,000
2021	918,000
2022	993,673
Thereafter	16,190,324
	$ 20,261,997

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense for the period from December 15, 2015 (inception) to June 30, 2017 amounted to $1,031,100.

11. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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Independent Auditors' 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*

Board of Trustees
Growing Up Green Charter School II

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 Growing Up Green Charter School II (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the period from December 15, 2015 (inception) to June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2017

Growing Up Green Charter School II

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2017

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors Communication on
Internal Control Matters

The Board of Trustees
Growing Up Green Charter School II

In planning and performing our audit of the financial statements of Growing Up Green Charter School II (the "School") as of and for the period from December 15, 2015 (inception) to June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, audit committee, board of Trustees, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the Personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

October 30, 2017

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

October 30, 2017

To the Board of Trustees
Growing Up Green Charter School II

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of Growing Up Green Charter School II (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated October 30, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 31, 2017. This letter provides additional required communications related to our audit.

Our responsibility under professional standards

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the School are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

In connection with our audit we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Qualitative aspects of significant accounting practices

Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

Qualitative aspects of significant accounting practices *(continued)*

Significant accounting estimates

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as collectability of grants receivable, useful lives of fixed assets, and functional allocation of expenses. Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial statement disclosures

The financial statement disclosures are consistent and clear.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Our audit did not identify misstatements that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other matters discussed with management

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Auditor independence

We affirm that PKF O'Connor Davies, LLP is independent with respect to the School in accordance with the AICPA's *Code of Professional Conduct*.

This communication is intended solely for the information and use of the Board of Trustees and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP