
**PENINSULA PREPARATORY ACADEMY
CHARTER SCHOOL**

Financial Statements

For the year ended June 30, 2018

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL
Financial Statements
June 30, 2018

Contents	<u>Page</u>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to financial statements	8-13
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	14-15

Independent Auditors' Report

To the Board of Trustees of
Peninsula Preparatory Academy Charter School
New York, New York

Report on the financial statements

We have audited the accompanying financial statements of Peninsula Preparatory Academy Charter School, which comprise the statement of financial position as of June 30, 2018, 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.

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. 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 Peninsula Preparatory Academy Charter School as of June 30, 2018, 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.

Prior period financial statements

The financial Statements of Peninsula Preparatory Academy Charter School, as of and for the year ended June 30, 2017, were audited by other auditors whose report dated October 31, 2017 expressed an unmodified opinion on those statements.

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2018, on our consideration of Peninsula Preparatory Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Peninsula Preparatory Academy Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "N. Cheng, LLP". The signature is written in a cursive, slightly slanted style.

New York, New York
October 30, 2018

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**Statement of Financial Position**

June 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 539,132	\$ 465,660
Grants and other receivables	193,635	285,051
Prepaid expenses	21,683	28,979
Total current assets	754,450	779,690
Property and equipment, net - Note 3	487,376	489,340
Other assets		
Restricted cash	75,445	75,428
Security deposits	47,778	47,778
Total assets	<u>\$ 1,365,049</u>	<u>\$ 1,392,236</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 349,997	\$ 439,069
Accrued salaries and other payroll-related expenses - Note 4	386,388	311,408
Obligation under capital lease	-	2,090
Refundable advances	-	46,408
Deferred rent	18,732	9,180
Total current liabilities	755,117	808,155
Deferred Rent	-	18,732
Total liabilities	755,117	826,887
Net assets - unrestricted		
Undesignated	534,487	489,921
Reserve - contingency	75,445	75,428
Total unrestricted net assets	609,932	565,349
Total liabilities and unrestricted net assets	<u>\$ 1,365,049</u>	<u>\$ 1,392,236</u>

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

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**Statement of Activities**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 4,631,542	\$ 4,476,758
Special education	368,300	427,868
	<u>4,999,842</u>	<u>4,904,626</u>
Grants and contracts		
State and local	751,454	160,961
Federal	214,556	207,763
Contributions and other	16,837	16,235
	<u>982,847</u>	<u>384,959</u>
Total operating revenue and other support	<u>5,982,689</u>	<u>5,289,585</u>
<u>Expenses</u>		
Program expenses		
Regular education	3,980,616	3,572,772
Special education	1,172,497	1,190,092
	<u>5,153,113</u>	<u>4,762,864</u>
Supporting services		
Management and general	783,941	597,048
Fundraising	1,052	-
	<u>784,993</u>	<u>597,048</u>
Total program and supporting services expenses	<u>5,938,106</u>	<u>5,359,912</u>
Change in net assets	44,583	(70,327)
Unrestricted net assets - beginning of year	565,349	635,676
Unrestricted net assets - end of year	<u>\$ 609,932</u>	<u>\$ 565,349</u>

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

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2018

	Program services			Supporting services		Total 2018
	Regular education	Special education	Total programs	Management & general	Fund- raising	
Salaries and staff						
Instructional personnel	\$ 2,025,541	\$ 627,662	\$ 2,653,203	\$ -	\$ -	\$ 2,653,203
Administrative staff personnel	148,760	25,498	174,258	365,870	-	540,128
Total salaries and staff	<u>2,174,301</u>	<u>653,160</u>	<u>2,827,461</u>	<u>365,870</u>	<u>-</u>	<u>3,193,331</u>
Operating expenses						
Payroll taxes and fringe benefits	643,984	193,453	837,437	108,363	-	945,800
Retirement	42,420	12,743	55,163	7,138	-	62,301
Auditing and accounting fees	-	-	-	18,100	-	18,100
Other professional fees	21,581	3,294	24,875	118,867	-	143,742
Office expense	35,263	10,371	45,634	6,223	-	51,857
Insurance	31,145	9,356	40,501	5,240	-	45,741
Maintenance and repairs	170,876	51,331	222,207	28,753	-	250,960
Equipment and furnishings	4,638	1,393	6,031	781	-	6,812
Building and land rent and lease	318,903	95,798	414,701	53,663	-	468,364
Utilities	52,403	15,742	68,145	8,818	-	76,963
Staff development	34,231	10,283	44,514	5,761	-	50,275
Advertising and recruitment	35,929	10,793	46,722	6,046	-	52,768
Student services	17,486	2,256	19,742	-	1,052	20,794
Instruction supplies and materials	98,424	12,695	111,119	-	-	111,119
Technology and communication	44,586	13,394	57,980	7,502	-	65,482
Depreciation	252,917	75,976	328,893	42,559	-	371,452
Other expenses	1,529	459	1,988	257	-	2,245
Total operating expenses	<u>1,806,315</u>	<u>519,337</u>	<u>2,325,652</u>	<u>418,071</u>	<u>1,052</u>	<u>2,744,775</u>
Total expenses	<u>\$ 3,980,616</u>	<u>\$ 1,172,497</u>	<u>\$ 5,153,113</u>	<u>\$ 783,941</u>	<u>\$ 1,052</u>	<u>\$ 5,938,106</u>

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

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Statement of Functional Expenses

For the year ended June 30, 2017

	Program services			Supporting services	Total 2017
	Regular education	Special education	Total programs	Management & general	
Salaries and staff					
Instructional personnel	\$ 1,683,279	\$ 704,968	\$ 2,388,247	\$ -	\$ 2,388,247
Administrative staff personnel	241,009	44,301	285,310	203,664	488,974
Total salaries and staff	<u>1,924,288</u>	<u>749,269</u>	<u>2,673,557</u>	<u>203,664</u>	<u>2,877,221</u>
Operating expenses					
Payroll taxes and fringe benefits	600,972	165,485	766,457	104,517	870,974
Retirement	58,573	16,129	74,702	10,186	84,888
Auditing and accounting fees	-	-	-	16,300	16,300
Other professional fees	11,612	3,197	14,809	108,520	123,329
Office expense	25,981	7,154	33,135	4,519	37,654
Insurance	31,330	8,223	39,553	4,715	44,268
Maintenance and repairs	152,443	41,977	194,420	26,512	220,932
Equipment and furnishings	1,621	446	2,067	282	2,349
Building and land rent and lease	323,171	88,989	412,160	56,204	468,364
Utilities	53,244	14,661	67,905	9,260	77,165
Staff development	25,355	5,933	31,288	5,454	36,742
Advertising and recruitment	5,500	988	6,488	1,840	8,328
Student meals	4,315	1,188	5,503	750	6,253
Student services	21,237	3,815	25,052	-	25,052
Instruction supplies and materials	95,021	17,072	112,093	-	112,093
Technology and communication	55,495	15,281	70,776	9,652	80,428
Depreciation	182,614	50,285	232,899	31,759	264,658
Other expenses	-	-	-	2,914	2,914
Total operating expenses	<u>1,648,484</u>	<u>440,823</u>	<u>2,089,307</u>	<u>393,384</u>	<u>2,482,691</u>
Total expenses	<u>\$ 3,572,772</u>	<u>\$ 1,190,092</u>	<u>\$ 4,762,864</u>	<u>\$ 597,048</u>	<u>\$ 5,359,912</u>

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

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**Statement of Cash Flows**

For the year ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 44,583	\$ (70,327)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	371,452	264,658
Loss on abandonment of property, plant and equipment	-	627
Changes in operating assets and liabilities		
Grants and other receivables	91,416	(166,235)
Prepaid expenses	7,296	34,415
Accounts payable and accrued expenses	(89,072)	191,188
Accrued salaries and other payroll-related benefits	74,980	(90,943)
Deferred rent	(9,180)	184
Refundable advances	(46,408)	46,408
Net cash provided by operating activities	<u>445,067</u>	<u>209,975</u>
Cash flows used in investing activities		
Restricted cash	(17)	(16)
Security deposits	-	(11,353)
Acquisition of fixed assets	(369,488)	(146,670)
Net cash used in investing activities	<u>(369,505)</u>	<u>(158,039)</u>
Cash flows used in financing activities		
Capital lease	(2,090)	(12,381)
Net cash used in financing activities	<u>(2,090)</u>	<u>(12,381)</u>
Net increase in cash and cash equivalents	73,472	39,555
Cash and cash equivalents - beginning of year	<u>465,660</u>	<u>426,105</u>
Cash and cash equivalents - end of year	<u>\$ 539,132</u>	<u>\$ 465,660</u>

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

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 1 Organization

Peninsula Preparatory Academy Charter School (the “School”), a 501 (c) (3) tax-exempt organization, is a public charter school located in Far Rockaway, New York. The School’s charter was renewed in 2014 for an additional five years. The school operated classes from kindergarten to fifth grades until August 2017, pre-kindergarten classes were added in 2017. The mission of the School is to create a challenging, technology-rich learning environment in which the cornerstone of high expectations and focused instruction guarantee that every child, including those at-risk, succeeds academically. Enrollment in available class slots is open to all potential student candidates, with those residing in the immediate area given first preference. A lottery is held to award these available slots.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity 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. Actual results could differ from those estimates.

Reclassifications. Certain accounts relating to the prior year have been reclassified to conform to the current year’s presentation. The reclassification had no effect on 2017 total assets, liabilities and net assets.

Net asset presentation. The classification of the School'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.

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies (continued)

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. The School has no permanently restricted net assets at June 30, 2018.
- 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 and changes in unrestricted net assets. The School has no temporarily restricted net assets at June 30, 2018.
- Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor – imposed stipulations.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds to be cash equivalents.

Grants and other receivables. Grants receivable are recorded at net realizable value. The allowance for doubtful accounts the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability, Grant receivables are \$193,635 and \$285,051 at June 30, 2018 and 2017, respectively. No allowance was recorded at June 30, 2018 as management believes all amounts are collectible.

Donated Goods and Services. The school receives donated from unpaid volunteers. No amounts have been recognized in the accompanying statements of activities and changes in unrestricted net assets, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to free lunches. The office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies (continued)

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Functional allocation of expenses. 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 using bases determined by management to be reasonable. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Property, plant and equipment. Property, plant and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets.

The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful life</u>
Building	39 years
Furniture and fixtures	7 years
Leasehold improvements	3-7 years
Machinery & equipment	3-7 years
Computer & Office equipment	3 years

Refundable advances. 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 statements of financial position.

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 2 Summary of significant accounting policies - (continued)

Income taxes. On July 5, 2005, the School received approval of its application for tax-exempt status from the Internal Revenue Service (IRS), under Section 501(c)(3) of the Internal Revenue Code (IRC), to be classified as a publicly supported organization, as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

The School is no longer subject to income tax examination by tax authorities for years before June 30, 2014.

Subsequent Events. Management has evaluated subsequent events occurring after June 30, 2018 through October 30, 2018, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

Note 3 Property and equipment

Property and equipment consisted of the following at June 30:

	2018	2017
Leasehold improvements	\$ 1,476,069	\$ 1,205,824
Furniture and fixtures	211,607	161,464
Computer equipment	388,916	382,616
Office equipment	17,161	17,161
Machinery and equipment	252,066	249,066
Construction in progress	39,800	-
	<u>2,385,619</u>	<u>2,016,131</u>
Less: accumulated depreciation	<u>(1,898,243)</u>	<u>(1,526,791)</u>
Total	<u>\$ 487,376</u>	<u>\$ 489,340</u>

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 4 Accrued salaries and other payroll-related expenses

Accrued payroll and benefits consist of amounts earned by the staff during the school year that is paid out over the summer months. As of June 30, 2018 and 2017, total accrued salaries and other payroll-related expenses amounted to \$386,388 and \$311,408.

Note 5 Restricted cash

Pursuant to an addendum to the Charter Agreement dated August 4, 2008, from the New York City Department of Education (NYCDOE), the NYCDOE requires the School to establish an escrow of at least \$75,000 to be used in the event of termination of the charter. At June 30, 2018 and 2017, the balance held in escrow is \$75,445 and \$75,428, respectively.

Note 6 Retirement plan

The School offers a 401(k) plan for all employees. Employees are eligible for the plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches the employee contribution up to 4% of the employee's annual compensation. For the year ended June 30, 2018 and 2017, the School's matching contribution was \$62,301 and \$84,888. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

Note 7 Commitment

The School is a lessee under an operating lease, principally for classroom space and administrative offices. For the years ended June 30, 2018 and 2017, rent of \$468,364 was included in occupancy expense. The accompanying statement of activities reflects occupancy expense on a straight-line basis over the term of the lease. At June 30, 2018 and 2017 deferred rent payable in the amount of \$18,732 and \$27,912, represents the excess of the rental expense recognized over the actual rent billed.

Minimum lease payments for the year ended June 30, 2019 is \$487,095.

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Notes to Financial Statements

June 30, 2018

Note 8 Revenue concentration of risk

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 84% and 93% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2018 and 2017, respectively. Additionally, the School's grants receivable consists of approximately 97% and 87%, respectively, from the New York State Department of Education and the Federal Title I grants.

Note 9 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 10 Support services

The School entered into an agreement (the "Agreement") with a third party service to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. The agreement expired on June 30, 2018, but was renewed for an additional year. For the years ended June 30, 2018 and 2017, fees under this agreement amounted to \$113,500 and \$106,500, respectively.

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

To the Board of Trustees of
Peninsula Preparatory Academy Charter School
New York, 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 Peninsula Preparatory Academy Charter School, which comprise the statement of financial position as of June 30, 2018, 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 30, 2018.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered Peninsula Preparatory Academy Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peninsula Preparatory Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Peninsula Preparatory Academy Charter 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 Peninsula Preparatory Academy Charter 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 audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChang LLP

New York, New York
October 30, 2018