

**BRONX LIGHTHOUSE CHARTER SCHOOL**

**FINANCIAL REPORT**

**JUNE 30, 2010**

BRONX LIGHTHOUSE CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2010

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## Tempesta & Farrell, P.C.

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### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Bronx Lighthouse Charter School  
Bronx, New York

We have audited the accompanying statements of financial position of Bronx Lighthouse Charter School (the "School") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Lighthouse Charter School as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.



New York, New York  
September 16, 2010

**BRONX LIGHTHOUSE CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,301,781	\$ 1,866,917
Restricted cash	120,492	107,257
Receivables	304,282	149,301
Prepaid construction costs	427,029	-
Security deposits	16,970	29,930
Fixed assets - net	<u>54,982</u>	<u>69,849</u>
<b>Total assets</b>	<u><u>\$ 3,225,536</u></u>	<u><u>\$ 2,223,254</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 472,194	\$ 211,180
Accrued payroll and payroll taxes	203,666	411,111
Accrued compensated absences	42,047	19,312
Refund due to NYC DOE	58,001	-
Deferred revenue	<u>3,779</u>	<u>-</u>
<b>Total liabilities</b>	<u>779,687</u>	<u>641,602</u>
 Commitments and Contingencies		
Net assets		
Unrestricted	<u>2,445,849</u>	<u>1,581,652</u>
<b>Total net assets</b>	<u>2,445,849</u>	<u>1,581,652</u>
 Total liabilities and net assets	 <u><u>\$ 3,225,536</u></u>	 <u><u>\$ 2,223,254</u></u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
(With Comparative Totals For June 30, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b>REVENUE AND SUPPORT:</b>				
Student enrollment	\$ 5,589,462	\$ -	\$ 5,589,462	\$ 4,961,038
Federal grants	754,762	-	754,762	559,281
Public support	2,031	-	2,031	9,640
Investment income	3,583	-	3,583	3,451
Other	34,821	-	34,821	30,878
In-kind donation	629,822	-	629,822	605,000
	<u>7,014,481</u>	<u>-</u>	<u>7,014,481</u>	<u>6,169,288</u>
<b>EXPENSES:</b>				
Program services:				
Educational services	5,162,194	-	5,162,194	4,592,541
Total program expenses	<u>5,162,194</u>	<u>-</u>	<u>5,162,194</u>	<u>4,592,541</u>
Supporting services:				
Management and general	984,165	-	984,165	795,085
Fundraising expenses	3,925	-	3,925	1,476
Total supporting services	<u>988,090</u>	<u>-</u>	<u>988,090</u>	<u>796,561</u>
	<u>6,150,284</u>	<u>-</u>	<u>6,150,284</u>	<u>5,389,102</u>
<b>Change in net assets</b>	864,197	-	864,197	780,186
Net assets - beginning of year	<u>1,581,652</u>	<u>-</u>	<u>1,581,652</u>	<u>801,466</u>
<b>Net assets, end of year</b>	<u>\$ 2,445,849</u>	<u>\$ -</u>	<u>\$ 2,445,849</u>	<u>\$ 1,581,652</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>			
Student enrollment	\$ 4,961,038	\$ -	\$ 4,961,038
Federal grants	559,281	-	559,281
Public support	9,640	-	9,640
Investment income	3,451	-	3,451
Other	30,878	-	30,878
In-kind donation	605,000	-	605,000
	<u>6,169,288</u>	<u>-</u>	<u>6,169,288</u>
<b>EXPENSES:</b>			
Program services:			
Educational services	4,592,541	-	4,592,541
Total program expenses	<u>4,592,541</u>	<u>-</u>	<u>4,592,541</u>
Supporting services:			
Management and general	795,085	-	795,085
Fundraising expenses	1,476	-	1,476
Total supporting services	<u>796,562</u>	<u>-</u>	<u>796,562</u>
Total expenses	<u>5,389,102</u>	<u>-</u>	<u>5,389,102</u>
Change in net assets	780,186	-	780,186
Net assets - beginning of year	<u>801,466</u>	<u>-</u>	<u>801,466</u>
Net assets, end of year	<u>\$ 1,581,652</u>	<u>\$ -</u>	<u>\$ 1,581,652</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(With Comparative Totals For June 30, 2009)**

	<u>EDUCATIONAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL 2010</u>	<u>TOTAL 2009</u>
Salaries	\$ 2,781,686	\$ 296,558	\$ -	\$ 3,078,244	\$ 2,555,568
Payroll taxes and fringe benefits	823,859	87,832	-	911,691	743,615
	<u>3,605,545</u>	<u>384,390</u>	<u>-</u>	<u>3,989,935</u>	<u>3,299,183</u>
Professional fees and consultants	43,693	60,265	-	103,958	81,892
Management fees - Lighthouse Academies	-	170,000	-	170,000	162,000
Contracted services - other	15,172	42,188	-	57,360	69,933
Supplies	181,020	44,453	-	225,473	227,478
Advertising	-	6,752	-	6,752	9,105
Food	18,087	-	-	18,087	14,342
Fundraising	-	-	3,925	3,925	1,476
Insurance	-	70,459	-	70,459	79,737
Library	35,562	-	-	35,562	41,720
Repairs and maintenance	53,285	5,921	-	59,206	56,881
Printing	-	19,987	-	19,987	22,316
Staff development and recruitment	341,477	7,242	-	348,719	381,129
Telephone	19,215	2,135	-	21,350	18,814
Field trips and other activities	17,356	-	-	17,356	11,027
Travel	-	2,912	-	2,912	8,159
Utilities	198,976	22,108	-	221,084	187,828
In-kind donation - facility	526,500	58,500	-	585,000	585,000
In-kind donation - textbooks	24,359	-	-	24,359	20,000
Other	25,584	80,590	-	106,174	60,496
Depreciation and amortization	56,363	6,263	-	62,626	50,586
	<u>\$ 5,162,194</u>	<u>\$ 984,165</u>	<u>\$ 3,925</u>	<u>\$ 6,150,284</u>	<u>\$ 5,389,102</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>EDUCATIONAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 2,324,941	\$ 230,627	\$ -	\$ 2,555,568
Payroll taxes and fringe benefits	676,507	67,107	-	743,615
	<u>3,001,449</u>	<u>297,734</u>	<u>-</u>	<u>3,299,183</u>
Professional fees and consultants	27,989	53,902	-	81,892
Management fees - Lighthouse Academies	40,500	121,500	-	162,000
Contracted services - other	16,055	53,878	-	69,933
Supplies	204,933	22,545	-	227,478
Advertising	-	9,105	-	9,105
Food	14,342	-	-	14,342
Fundraising	-	-	1,476	1,476
Insurance	-	79,737	-	79,737
Library	41,720	-	-	41,720
Repairs and maintenance	51,193	5,688	-	56,881
Printing	-	22,316	-	22,316
Staff development and recruitment	374,516	6,613	-	381,129
Telephone	16,933	1,881	-	18,814
Field trips and other activities	11,027	-	-	11,027
Travel	-	8,159	-	8,159
Utilities	169,045	18,783	-	187,828
In-kind donation - facility	526,500	58,500	-	585,000
In-kind donation - textbooks	20,000	-	-	20,000
Other	30,811	29,685	-	60,496
Depreciation and amortization	45,527	5,059	-	50,586
	<u>\$ 4,592,541</u>	<u>\$ 795,085</u>	<u>\$ 1,476</u>	<u>\$ 5,389,102</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 864,197	\$ 780,186
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,626	50,586
Changes in:		
Receivables	(154,981)	(112,066)
Prepaid expenses	-	12,501
Prepaid construction costs	(427,029)	-
Security deposits	12,960	(10,425)
Accounts payable and accrued expenses	261,014	125,873
Accrued payroll and payroll taxes	(207,445)	111,740
Accrued compensated absences	22,736	(8,010)
Refund due to NYC DOE	58,001	-
Deferred revenue	3,779	-
Net cash provided by operating activities	<u>495,858</u>	<u>950,385</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(47,760)</u>	<u>(96,162)</u>
Net cash used in investing activities	<u>(47,760)</u>	<u>(96,162)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on note payable	<u>-</u>	<u>(6,842)</u>
Net cash used in financing activities	<u>-</u>	<u>(6,842)</u>
Net increase in cash	448,099	847,381
CASH AND RESTRICTED CASH, beginning of year	<u>1,974,174</u>	<u>1,126,793</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 2,422,273</u>	<u>\$ 1,974,174</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1. ORGANIZATION**

Bronx Lighthouse Charter School ("the School") is a Charter School incorporated on May 18, 2004, pursuant to the New York Charter School Act of 1998. The School is located in the South Bronx, and offers classes from Kindergarten through seventh grade. On April 21, 2009, the School was granted a second charter renewal through May 17, 2014 by the Board of Regents of the University of the State of New York on behalf of the State Education Department.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following summary of policies is provided to assist the reader in the interpretation of the accompanying financial statements.

**A) Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

**B) Financial Statement Presentation**

The School reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted – net assets, generally of an endowment nature, resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. The School has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School has no temporarily restricted net assets.

Unrestricted – unexpended net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

**D) Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the School considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

**E) Fixed Assets**

Fixed assets such as furniture and equipment, which are required to be expensed for contract reimbursement purposes, have been capitalized for financial reporting purposes (when cost exceeds \$1,000), and are depreciated over their respective estimated useful lives, generally not exceeding seven years. Building and building improvements are depreciated over 39 years. Leasehold improvements are capitalized at cost and amortized over the lesser of the term of the lease or the estimated useful life of the improvement.

Under the terms of its grant with its principal government-funding agency, title to capitalized assets acquired with government contract revenues reverts to that agency in the event the School should cease operations.

**F) Revenue**

Student enrollment fees received for future years are deferred to the applicable year and are shown as deferred revenue on the statements of financial position.

The School is reimbursed based on the approved per pupil operating expenses of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil operating expenses and the full time equivalent student enrollment of the School. The School is also the recipient of awards from other various government entities. The awards are subject to compliance requirements and financial audits by the funding source.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G) Tax-Exempt Status

The School is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code.

The School adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes. FIN 48 requires the evaluation of tax positions taken on previously filed tax returns or expected to be taken on future tax returns. These positions must meet a "more-likely-than-not" standard that, based on the technical merits, have more than fifty percent likelihood of being sustained by the applicable tax authority. The School has concluded that the adoption of FIN 48 resulted in no effect on the School's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain tax positions taken or expected to be taken.

H) Functional Allocation of Expenses

The direct costs of providing educational programs and other activities have been summarized on a functional basis in the statements of activities. In addition, certain indirect costs have been allocated among the programs.

I) Deferred revenue

The School recognizes revenues received but not earned as deferred revenues. These revenues are recognized in subsequent periods.

J) Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the Statement of Financial Position date through October 4, 2010. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with general accepted accounting principles.

In August, 2010, the School acquired land for the purpose of constructing a new facility for its high school. Two parcels of land were purchased with an acquisition cost of \$2,231,880, with \$638,880 paid at closing and the balance with a short term bridge loan for \$1,593,000. The loan calls for monthly payments of \$18,088 beginning September 1, 2010, amortized over 120 months with interest at the greater rate of prime plus 2 points or 6.5%. The bridge loan is due July 1, 2012 and is expected to be refinanced with long term debt including the debt used to construct the building. The estimated cost to construct the building is \$9,500,000 and the debt is expected to be financed through new tax market credits and bonds totaling \$11,000,000.

Management has determined that there are no other subsequent events that require additional disclosure.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 3. RESTRICTED CASH**

The School is required to deposit \$1,089 per month into a contingency fund to serve as a reserve for its lease payments. In addition, at the request of the New York City Department of Education (NYC DOE), the School established a dissolution escrow as a contingency fund for dissolution expenses. The restricted cash balance as of June 30, 2010 and 2009 was \$120,492 and \$107,257, respectively.

**NOTE 4. RECEIVABLES**

Receivables are summarized as follows:

	<u>2010</u>	<u>2009</u>
State Education Department	\$ 221,920	\$ 41,343
U.S. Department of Education	80,672	96,898
New York City Department of Education	-	10,156
Other	<u>1,690</u>	<u>904</u>
	<u>\$ 304,282</u>	<u>\$ 149,301</u>

**NOTE 5. PREPAID CONSTRUCTION COSTS**

During the fiscal year ending June 30, 2010, the School incurred pre-construction costs on the construction of the new School building. Construction commenced in 2011 (see note 2J). As of June 30, 2010, prepaid construction costs amounted to \$427,029.

**NOTE 6. FIXED ASSETS**

Fixed assets are summarized as follows:

	<u>2010</u>	<u>2009</u>
Furniture & equipment	\$ 71,416	\$ 71,416
Computer equipment	<u>310,241</u>	<u>262,482</u>
	381,657	333,898
Less: accumulated depreciation/amortization	<u>(326,675)</u>	<u>(264,049)</u>
	<u>\$ 54,982</u>	<u>\$ 69,849</u>

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 7. LINE OF CREDIT**

The School has an available line of credit for \$400,000 with a financial institution. The line of credit is payable upon demand with an interest rate determined by the bank's prime rate. There was no outstanding balance as of June 30, 2010 and June 30, 2009.

**NOTE 8. MANAGEMENT FEES**

The School has contracted the management of certain academic and business operations to Lighthouse Academies, Inc. The contract for the year ended June 30, 2009 called for an annual management fee of \$125,000, with a bonus provision subject to the School meeting certain milestones. The contract was extended for another five years. The management fee for the year ending June 30, 2010 was \$150,000. Travel and other direct expenses are also reimbursed to Lighthouse Academies, Inc. For the years ended June 30, 2010 and 2009, management fees, bonuses and reimbursed expenses totaled \$183,391 and \$182,391, respectively.

**NOTE 9. RETIREMENT PLAN**

The School has a 401(k) Plan for employees who are at least 21 years old and have completed one month of service. The eligibility requirement is waived for all employees hired as of September 1, 2004. Matching contributions are discretionary each plan year. In order for an employee to receive an allocation he or she must have deferred compensation and be employed on the last day of the plan year (June 30). Employer contributions made to the plan is fully vested in three years. For the years ended June 30, 2010 and 2009, employer contributions totaled \$88,000 and \$88,000, respectively.

**NOTE 10. IN-KIND DONATIONS**

NYC DOE donates space to the School for the purpose set forth in the School's Charter. The agreement commenced on July 1, 2005 and terminates in one year or upon the expiration/termination of the School's charter or upon expiration/termination of the lease in the event that the School is located in a leased premise, whichever is earlier. The agreement may be extended by a written agreement signed by the parties. The agreement was renewed for 2010 and 2009. The annual fee for the use of the dedicated space is \$1. Management estimates the fair market value for the space is \$585,000 in 2010 and 2009. The value of the donated space is reflected in the accompanying statements of activities.

The School also received donated textbooks and other technology related donations throughout the year. For 2010 and 2009, the fair market values of these donations were \$44,822 and \$20,000, respectively.

**BRONX LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 11. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage (FDIC) limit.

Concentration of risk also exists between the School and the New York City Department of Education. The School receives a significant portion of its funding from New York City Department of Education in the form of student enrollment fees.

**NOTE 12. RELATED PARTY TRANSACTIONS**

- A) The School has a management fee arrangement with Lighthouse Academies, Inc., to provide educational and business services (See Note 8). A Regional Director and a board member of Lighthouse Academies, Inc. are also board members of the School.
- B) In May, 2010, the School entered into a project management contract with Charter Facilities Management, LLC, a subsidiary of Lighthouse Academies, Inc., in the amount of \$245,000 to manage the development of a new facility for a high school.

## Tempesta & Farrell, P.C.

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Certified Public Accountants

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### 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  
Bronx Lighthouse Charter School  
Bronx, New York

We have audited the financial statements of Bronx Lighthouse Charter School ("the School") as of and for the year ended June 30, 2010, and have issued our report thereon dated September 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated September 16, 2010.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tempata & Fanelli, P.C.".

New York, New York  
September 16, 2010