Independent Auditors’ Report

Board of Trustees
New York City Charter School of the Arts

We have audited the accompanying financial statements of New York City Charter School of the Arts (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 January 4, 2016 (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.
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 then ended 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 September 28, 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
September 28, 2017
New York City Charter School of the Arts

Statement of Financial Position
June 30, 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$323,970</td>
<td></td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>109,243</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>173,376</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>606,589</td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>159,668</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>25,014</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$791,271</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$74,169</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll and payroll taxes</td>
<td>44,231</td>
<td></td>
</tr>
<tr>
<td>Refundable advances</td>
<td>5,795</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>124,195</td>
<td></td>
</tr>
<tr>
<td>Net assets, unrestricted</td>
<td>667,076</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$791,271</td>
<td></td>
</tr>
</tbody>
</table>

See notes to financial statements
New York City Charter School of the Arts  
Statement of Activities  
Period from January 4, 2016 (Inception) to June 30, 2017

**OPERATING REVENUE**
State and local per pupil operating revenue
- General education $1,431,178
- Special education 161,266
- Facilities 278,927
- Federal grants 805,820
- State and city grants 192,774
  - Total Operating Revenue 2,869,965

**EXPENSES**
Program Services
- Regular education 1,752,224
- Special education 620,672
  - Total Program Services 2,372,896
Supporting Services
- Management and general 514,576
- Fundraising 58,740
  - Total Expenses 2,946,212

  (Deficit) from Operations (76,247)

**SUPPORT AND OTHER REVENUE**
Grants and contributions 728,780
Donated services 3,330
Interest and other income 11,213
  - Total Support and Other Revenue 743,323

Change in Net Assets 667,076

**NET ASSETS, UNRESTRICTED**
Beginning of period -
End of period $667,076

See notes to financial statements
## Statement of Functional Expenses

**Period from January 4, 2016 (Inception) to June 30, 2017**

### Program Services

<table>
<thead>
<tr>
<th></th>
<th>Regular Education</th>
<th>Special Education</th>
<th>Total</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$832,306</td>
<td>$310,761</td>
<td>$1,143,067</td>
<td>$172,536</td>
<td>$22,392</td>
<td>$1,337,995</td>
</tr>
<tr>
<td>Employee benefits and payroll taxes</td>
<td>122,504</td>
<td>45,740</td>
<td>168,244</td>
<td>25,395</td>
<td>3,296</td>
<td>196,935</td>
</tr>
<tr>
<td>Accounting/audit fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,500</td>
<td>-</td>
<td>24,500</td>
</tr>
<tr>
<td>Legal fees</td>
<td>10,704</td>
<td>3,996</td>
<td>14,700</td>
<td>2,219</td>
<td>288</td>
<td>17,207</td>
</tr>
<tr>
<td>Advertising and recruiting</td>
<td>30,077</td>
<td>6,289</td>
<td>36,366</td>
<td>831</td>
<td>108</td>
<td>37,305</td>
</tr>
<tr>
<td>Outside contracted services/consultants</td>
<td>153,823</td>
<td>71,094</td>
<td>224,917</td>
<td>30,955</td>
<td>18,998</td>
<td>274,870</td>
</tr>
<tr>
<td>Special events</td>
<td>654</td>
<td>120</td>
<td>774</td>
<td>-</td>
<td>-</td>
<td>774</td>
</tr>
<tr>
<td>Financial management services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>179,458</td>
<td>-</td>
<td>179,458</td>
</tr>
<tr>
<td>Student meals</td>
<td>65,234</td>
<td>11,990</td>
<td>77,224</td>
<td>-</td>
<td>-</td>
<td>77,224</td>
</tr>
<tr>
<td>Staff lunches and team building</td>
<td>10,220</td>
<td>1,879</td>
<td>12,099</td>
<td>-</td>
<td>-</td>
<td>12,099</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,496</td>
<td>5,786</td>
<td>21,282</td>
<td>3,212</td>
<td>417</td>
<td>24,911</td>
</tr>
<tr>
<td>Utilities</td>
<td>20,959</td>
<td>7,826</td>
<td>28,785</td>
<td>4,344</td>
<td>564</td>
<td>33,693</td>
</tr>
<tr>
<td>Occupancy/rent</td>
<td>259,868</td>
<td>97,028</td>
<td>356,896</td>
<td>53,870</td>
<td>6,991</td>
<td>417,757</td>
</tr>
<tr>
<td>Classroom supplies</td>
<td>25,337</td>
<td>4,657</td>
<td>29,994</td>
<td>-</td>
<td>-</td>
<td>29,994</td>
</tr>
<tr>
<td>Instructional materials</td>
<td>68,844</td>
<td>13,470</td>
<td>82,314</td>
<td>-</td>
<td>-</td>
<td>82,314</td>
</tr>
<tr>
<td>Professional development</td>
<td>32,505</td>
<td>5,975</td>
<td>38,480</td>
<td>-</td>
<td>-</td>
<td>38,480</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>5,111</td>
<td>1,908</td>
<td>7,019</td>
<td>1,060</td>
<td>138</td>
<td>8,217</td>
</tr>
<tr>
<td>Office supplies</td>
<td>46,939</td>
<td>14,732</td>
<td>61,671</td>
<td>7,524</td>
<td>866</td>
<td>70,061</td>
</tr>
<tr>
<td>Telephone and internet services</td>
<td>5,438</td>
<td>2,031</td>
<td>7,469</td>
<td>1,128</td>
<td>146</td>
<td>8,743</td>
</tr>
<tr>
<td>Technology</td>
<td>9,635</td>
<td>3,597</td>
<td>13,232</td>
<td>1,998</td>
<td>259</td>
<td>15,489</td>
</tr>
<tr>
<td>Student travel</td>
<td>9,816</td>
<td>1,804</td>
<td>11,620</td>
<td>-</td>
<td>-</td>
<td>11,620</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>21,194</td>
<td>7,913</td>
<td>29,107</td>
<td>4,393</td>
<td>570</td>
<td>34,070</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,560</td>
<td>2,076</td>
<td>7,636</td>
<td>1,153</td>
<td>3,707</td>
<td>12,496</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,752,224</td>
<td>$620,672</td>
<td>$2,372,896</td>
<td>$514,576</td>
<td>$58,740</td>
<td>$2,946,212</td>
</tr>
</tbody>
</table>
CASH FLOWS FROM OPERATING ACTIVITIES
Change in net assets $ 667,076
Adjustments to reconcile change in net assets to net cash from operating activities
Depreciation and amortization 34,070
Changes in operating assets and liabilities
Grants and contracts receivable (109,243)
Prepaid expenses and other current assets (173,376)
Accounts payable and accrued expenses 74,169
Accrued payroll and payroll taxes 44,231
Refundable advances 5,795
Net Cash from Operating Activities 542,722

CASH FLOWS FROM INVESTING ACTIVITIES
Purchases of property and equipment (193,738)
Restricted cash (25,014)
Net Cash from Investing Activities (218,752)

Net Change in Cash and Cash Equivalents 323,970

CASH AND CASH EQUIVALENTS
Beginning of period -
End of period $ 323,970

See notes to financial statements
1. Organization and Tax Status

New York City Charter School of the Arts (the “School”) is a New York State, not-for-profit educational corporation that was incorporated on January 4, 2016 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 January 4, 2016 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 inspire a diverse community of young people to engage with the arts as a pathway to rich and rigorous academic scholarship and a creative purposeful life. The School provided education to approximately 99 students in sixth grade during the 2016-2017 academic year.

The School shares space with a New York City public school beginning in August 2017. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School’s programs that take place outside the district’s school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities.

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.

Net Assets 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.
2. Summary of Significant Accounting Policies (continued)

**Net Assets Presentation (continued)**

*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 debt 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.

**Property and Equipment**

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of $2,500 and a useful life in excess of one year. 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>7 years</td>
</tr>
<tr>
<td>Software</td>
<td>3 years</td>
</tr>
<tr>
<td>Computers and equipment</td>
<td>3 - 5 years</td>
</tr>
</tbody>
</table>
2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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 period ended June 30, 2017.

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 period activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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 returns filed by the School are subject to examinations by the applicable taxing jurisdictions.

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 September 28, 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>$97,761</td>
</tr>
<tr>
<td>Software</td>
<td>4,200</td>
</tr>
<tr>
<td>Computers and equipment</td>
<td>$91,777</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>(34,070)</td>
</tr>
<tr>
<td></td>
<td>$159,668</td>
</tr>
</tbody>
</table>

5. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 2% of the participant’s annual compensation. Employee match for the period from January 4, 2016 (inception) to June 30, 2017 amounted to $7,273.

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 $100,000 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 January 4, 2016 (inception) to June 30, 2017, the School received approximately 52% 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. Commitment

On March 9, 2016, the School signed a lease agreement with Green Ivy Pine Street, LLC for office space under a non-cancelable lease that expired July 30, 2017. Under the terms of the lease, the School paid a security deposit in the amount of $74,165, included in prepaid expenses and other current assets in the accompanying statement of financial position. Rent expense under this lease for the period from January 4, 2016 (inception) to June 30, 2017 amounted to $407,913. Future minimum lease payments total $37,083 through July 30, 2017. The School did not renew the lease upon expiration, and moved into free facilities co-located in a New York City public school building for the 2017-2018 academic year.

9. 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.

*****
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
New York City Charter School of the Arts

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 New York City Charter School of the Arts (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 January 4, 2016 (inception) to June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 28, 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.

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
PKF O’Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.
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.

We noted certain matters that were reported to the management of the School in a separate letter dated September 28, 2017.

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.
New York City Charter School of the Arts

Independent Auditors’ Report on Communication of Internal Control Matters Identified in the Audit

June 30, 2017
The Board of Trustees  
New York City Charter School of the Arts

In planning and performing our audit of the financial statements of New York City Charter School of the Arts (the “School”) as of June 30, 2017, and for the period from January 4, 2016 (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 have other observations and recommendations that are opportunities for strengthening internal control and/or operating efficiency, presented in Addendum A to this letter.

This communication is intended solely for the information and use of management, audit committee, Board of Trustees, The Charter Schools Institute of the State University of New York, 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

September 28, 2017
Addendum A

Other Observations and Recommendations for Strengthening Internal Control and/or Operating Efficiency

1. Maintenance of Student Records

We noted the following exceptions during our test of 25 student files:

- Three student files did not contain ethnic identification form, prior school records, and proper proof of residency
- Three student files did not contain proper proof of residency
- One student file did not contain birth certificate, ethnic identification form, prior school records, and proper proof of residency
- One student file did not contain birth certificate and proper proof of residency
- One student file did not contain prior school records

In an effort to ensure that student records are complete, we recommend that the School's checklist be utilized periodically to ensure that information is complete and updated for each student file. Even though the School was able to provide us with some of the missing documentation, management should follow up to obtain the missing information for student files. All current and new student files should be annually reviewed by the School to ensure that adequate follow-up with the student's parent or guardian can be made to obtain missing student records.
September 28, 2017

To the Board of Trustees
New York City Charter School of the Arts

Re: Auditors’ Communication with Those Charged with Governance

We have audited the financial statements of New York City Charter School of the Arts (the “School”) as of June 30, 2017, and for the period from January 4, 2016 (inception) to June 30, 2017, and have issued our report thereon dated September 28, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, 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.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to such supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.
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.

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 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.

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 the best of 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 Company, 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.

We have provided our comments regarding other observations and recommendations for strengthening internal control and/or operating efficiency noted during our audit in a separate letter to you dated September 28, 2017.

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