Children's Day School

June 30, 2019

Report

to

The Audit Committee

HOOD & STRONG LLP

CERTIFIED PUBLIC ACCOUNTANTS

A Century Strong

September 25, 2019

THE AUDIT COMMITTEE
OF THE BOARD OF TRUSTEES
CHILDREN'S DAY SCHOOL
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of **CHILDREN'S DAY SCHOOL (the School)** as of June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility of the School's financial reporting process.

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

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the School.

Hood & Strong LLP

CHILDREN'S DAY SCHOOL

Report to The Audit Committee

CHILDREN'S DAY SCHOOL

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance)* require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated July 22, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the School. The School adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as discussed in the notes to the consolidated financial statements. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Required Communications

Area	Comments
	Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Passed adjustments and disclosures	We are not aware of any passed adjustments. There are no accounting pronouncements effective in the future that are deemed applicable to the school.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Certain Written Communications between Management and Our Firm	Written communications between our Firm and the School consist of the engagement letter and representation letter.

CHILDREN'S DAY SCHOOL

Summary of Significant Accounting Estimates
Year Ended June 30, 2019

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the School's June 30, 2019 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Functional expense allocation.	Expenses are charged to various programs, administrative or development functions based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among the four functions based on estimated usage.	On an annual basis, management analyzes the allocation of employees' salaries and indirect costs to evaluate any changes in staffing or staff roles.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with the applicable generally accepted accounting principles (GAAP) requirements.
Economic useful life assigned to property and equipment.	Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Amortization of building improvements is computed over the lesser of the useful life of the improvement or the useful life of the building.	The School maintains a capitalization policy which outlines the depreciable lives assigned to property and equipment. The policy is adhered to as purchases are made.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with the applicable generally accepted accounting principles (GAAP) requirements.