

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016

(With Comparative Totals for 2015)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
True North Troy Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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.

Auditor's 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 of 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 True North Troy Preparatory Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited True North Troy Preparatory Charter School's June 30, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of True North Troy Preparatory 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* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 7, 2016

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Comparative Totals for 2015)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,573,469	\$ 576,068
Grants and contracts receivable	439,682	129,840
Accounts receivable	498,024	981,936
Prepaid expenses	<u>42,968</u>	<u>62,004</u>
TOTAL CURRENT ASSETS	2,554,143	1,749,848
 <u>PROPERTY AND EQUIPMENT, NET</u>	 419,673	 472,457
 <u>ESCROW ACCOUNT</u>	 <u>75,171</u>	 <u>75,095</u>
TOTAL ASSETS	<u>\$ 3,048,987</u>	<u>\$ 2,297,400</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 328,677	\$ 279,346
 <u>NET ASSETS, unrestricted</u>	 <u>2,720,310</u>	 <u>2,018,054</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,048,987</u>	<u>\$ 2,297,400</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	7,570,535	6,674,756
Students with disabilities	246,262	231,246
Grants and contracts:		
Federal - Title and IDEA	275,994	221,202
Federal - Other	49,658	58,968
Food service/child nutrition program	<u>504,100</u>	<u>410,831</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,646,549	7,597,003
Expenses:		
Program services:		
Regular education	6,867,789	6,035,808
Special education	<u>212,403</u>	<u>186,675</u>
TOTAL PROGRAM SERVICES	7,080,192	6,222,483
General and administrative	<u>875,637</u>	<u>778,894</u>
TOTAL OPERATING EXPENSES	<u>7,955,829</u>	<u>7,001,377</u>
SURPLUS FROM SCHOOL OPERATIONS	690,720	595,626
Support and other revenue:		
Contributions:		
Individuals	400	1,500
Corporate	600	340
Miscellaneous income	<u>10,536</u>	<u>75</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>11,536</u>	<u>1,915</u>
CHANGE IN NET ASSETS	702,256	597,541
Unrestricted net assets at beginning of year	<u>2,018,054</u>	<u>1,420,513</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 2,720,310</u>	<u>\$ 2,018,054</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

		June 30,						
		2016			2015			
		Program Services		Support Services				
		Regular education	Special education	Total	Management and General	Total	Total	
		No. of Positions						
Personnel services costs:								
Administrative staff personnel	19	\$ 888,823	\$ 27,489	\$ 916,312	\$ 374,990	\$ 1,291,302	\$ 1,109,942	
Instructional personnel	50	2,313,141	71,540	2,384,681	-	2,384,681	2,015,955	
Non-instructional personnel	2	36,860	1,140	38,000	-	38,000	-	
Total salaries and staff	71	3,238,824	100,169	3,338,993	374,990	3,713,983	3,125,897	
Fringe benefits and payroll taxes		553,526	17,119	570,645	74,485	645,130	592,336	
Retirement		89,321	2,762	92,083	-	92,083	77,202	
Management fees		533,394	16,497	549,891	97,040	646,931	605,715	
Legal service		-	-	-	4,554	4,554	7,617	
Accounting and audit services		-	-	-	22,357	22,357	23,875	
Other professional and consulting services		146,906	4,543	151,449	11,654	163,103	121,811	
Building and land rent		490,917	15,183	506,100	-	506,100	521,792	
Repairs and maintenance		184,204	5,697	189,901	10,795	200,696	139,866	
Insurance		-	-	-	82,478	82,478	67,208	
Utilities		34,038	1,053	35,091	30,020	65,111	101,176	
Supplies and materials		119,252	3,688	122,940	-	122,940	97,443	
Equipment/Furnishings		15,626	483	16,109	-	16,109	42,473	
Professional development		179,720	5,558	185,278	-	185,278	181,544	
Marketing and recruitment		19,344	598	19,942	-	19,942	25,960	
Technology		175,067	5,414	180,481	36,550	217,031	156,840	
Food service		510,632	15,793	526,425	-	526,425	442,925	
Student services		369,008	11,413	380,421	-	380,421	274,529	
Office expense		56,013	1,732	57,745	107,045	164,790	154,356	
Depreciation and amortization		137,832	4,263	142,095	3,412	145,507	209,249	
Other		14,165	438	14,603	20,257	34,860	31,563	
		<u>\$ 6,867,789</u>	<u>\$ 212,403</u>	<u>\$ 7,080,192</u>	<u>\$ 875,637</u>	<u>\$ 7,955,829</u>	<u>\$ 7,001,377</u>	

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	June 30,	
	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 702,256	\$ 597,541
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	14,603	20,645
Depreciation and amortization	145,507	209,249
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(309,842)	73,511
Accounts receivable	469,309	993,982
Prepaid expenses	19,036	(26,173)
Accounts payable and accrued expenses	<u>49,331</u>	<u>(75,240)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,090,200	1,793,515
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(92,723)	(271,886)
Increase in escrow account	<u>(76)</u>	<u>(75)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(92,799)</u>	<u>(271,961)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayment of advance from Uncommon Schools, Inc.	<u>-</u>	<u>(1,000,000)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>-</u>	<u>(1,000,000)</u>
NET INCREASE IN CASH	997,401	521,554
Cash at beginning of year	<u>576,068</u>	<u>54,514</u>
CASH AT END OF YEAR	<u>\$ 1,573,469</u>	<u>\$ 576,068</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

True North Troy Preparatory Charter School (the “Charter School”), is an educational corporation operating as a charter school in Troy, New York. On March 11, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. During the year ended June 30, 2013, the charter was extended through July 31, 2014. During the year ended June 30, 2014, the charter was approved for a full-term renewal for a period of five years to commence August 1, 2014.

The Charter School’s mission is to prepare all students to enter and succeed in college through effort, achievement, and the content of their character.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter 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 Charter School. The Charter School had no permanently restricted net assets at June 30, 2016 or 2015.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2016 or 2015.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Escrow account

A savings account is held by the Charter School as an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2016 and 2015 was \$75,171 and \$75,095, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off as bad debt expense or against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2016 or 2015.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Use of estimates in the preparation of financial statements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for the year ended June 30, 2015

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 7, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note E.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2009 which was renewed for an additional five years on July 1, 2014, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 8.5% for 2015, and 8% for 2016-2019. The fees incurred for the years ended June 30, 2016 and 2015 were approximately \$647,000 and \$606,000, respectively. At June 30, 2016, approximately \$140,000 was included accounts payable relating to USI. At June 30, 2015, approximately \$7,000 and \$80,000 were included in accounts receivable and accounts payable, respectively, relating to USI.

Effective August 1, 2011, the Charter School signed a lease agreement with True North Tyler Street, LLC, a wholly-owned subsidiary of USI. The lease requires monthly payments of \$42,175 through July 2036.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective October 7, 2014, the Charter School signed a lease with True North Troy Real Estate, LLC, a wholly-owned subsidiary of USI for a parking lot. The lease requires yearly payments of \$5,750 through February 2018. After that point in time, the lease shall automatically be renewed for periods of five years, not to extend beyond July 2036. Parking lot rent for all future periods is not currently known, but shall be mutually agreed upon by the two parties no later than 90 days prior to the expiration of the lease.

Future minimum payments on these leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 511,850
2018	506,100
2019	506,100
2020	506,100
2021	506,100
Thereafter	<u>7,633,675</u>
	<u>\$ 10,169,925</u>

Rent expense incurred was \$506,100 and \$522,042 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 159,645	\$ 159,645
Computers and software	821,791	794,815
Leasehold improvements	<u>412,988</u>	<u>347,241</u>
	1,394,424	1,301,701
Less accumulated depreciation and amortization	<u>974,751</u>	<u>829,244</u>
	<u>\$ 419,673</u>	<u>\$ 472,457</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE D: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have 2 years of service or less the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. Effective July 1, 2012, for employees who have 3 years of service or more the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. Effective July 1, 2013, for employees who have 4 years of service or more the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2016 and 2015 approximated \$92,100 and \$77,200, respectively.

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

There are amounts approximating \$143,000 and \$313,000 due from the Troy City School District and Lansingburgh Central School District, respectively, which are included in the accounts receivable balance at June 30, 2016. Historically the Charter School has had difficulty collecting receivables directly from these districts and has needed to file intercepts with New York State to collect the amounts due directly from the New York State Education Department. Intercepts will be filed for the outstanding amounts due from these districts as of June 30, 2016. Historically the Charter School has been successful collecting intercept funds, and management believes that all amounts due will eventually be received.

NOTE F: CONCENTRATIONS

At June 30, 2016 and 2015 approximately 89% and 94% of accounts receivable were due from two school districts, respectively.

During the years ended June 30, 2016 and 2015, 90% and 91%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016 AND 2015

NOTE G: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements through March 2019. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 16,100
2018	14,300
2019	<u>5,000</u>
	<u>\$ 35,400</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
True North Troy Preparatory Charter School

We have audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2016, and we have issued our report thereon dated October 7, 2016, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2016 financial statements as a whole. The 2016 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2016 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2016, as a whole.

We have also audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2015, and our report thereon dated October 13, 2015, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2015 financial statements as a whole. The 2015 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2015 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 2015 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2015, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 7, 2016

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Middle School	Elementary School	Total
Revenues, gains and other support:			
Public school district			
Resident student enrollment	\$ 3,009,832	\$ 4,560,703	7,570,535
Students with disabilities	180,343	65,919	246,262
Grants and contracts:			
Federal - Title and IDEA	88,876	187,118	275,994
Federal - Other	21,627	28,031	49,658
Food service/child nutrition program	263,645	240,455	504,100
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,564,323	5,082,226	8,646,549
Personnel services costs:			
Administrative staff personnel	581,398	709,904	1,291,302
Instructional personnel	1,004,804	1,379,877	2,384,681
Non-instructional personnel	19,000	19,000	38,000
TOTAL STAFF AND SALARIES	1,605,202	2,108,781	3,713,983
Fringe benefits and payroll taxes	308,632	336,498	645,130
Retirement	41,214	50,869	92,083
Management fees	262,047	384,884	646,931
Legal service	2,277	2,277	4,554
Accounting and audit services	10,935	11,422	22,357
Other professional and consulting services	74,490	88,613	163,103
Building and land rent	253,051	253,049	506,100
Repairs and maintenance	86,255	114,441	200,696
Insurance	44,548	37,930	82,478
Utilities	27,583	37,528	65,111
Supplies and materials	42,592	80,348	122,940
Equipment/Furnishings	3,830	12,279	16,109
Professional development	70,865	114,413	185,278
Marketing and recruitment	10,458	9,484	19,942
Technology	88,062	128,969	217,031
Food service	207,537	318,888	526,425
Student services	193,639	186,782	380,421
Office expense	75,893	88,897	164,790
Depreciation and amortization	75,334	70,173	145,507
Other	19,096	15,764	34,860
TOTAL EXPENSES	3,503,540	4,452,289	7,955,829
SURPLUS FROM SCHOOL OPERATIONS	60,783	629,937	690,720
Support and other revenue:			
Contributions			
Individuals	400	-	400
Corporate	400	200	600
Miscellaneous income	3,858	6,678	10,536
TOTAL SUPPORT AND OTHER REVENUE	4,658	6,878	11,536
CHANGE IN NET ASSETS	\$ 65,441	\$ 636,815	\$ 702,256

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Middle School	Elementary School	Total
Revenue, gains and other support:			
Public school district			
Resident student enrollment	\$ 3,014,375	\$ 3,660,381	\$ 6,674,756
Students with disabilities	231,246	-	231,246
Grants and contracts:			
Federal - Title and IDEA	104,872	116,330	221,202
Federal - Other	27,967	31,001	58,968
Food service/child nutrition program	216,056	194,775	410,831
TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,594,516	4,002,487	7,597,003
Personnel services costs:			
Administrative staff personnel	552,260	557,682	1,109,942
Instructional personnel	954,845	1,061,110	2,015,955
Total salaries and staff	1,507,105	1,618,792	3,125,897
Fringe benefits and payroll taxes	263,525	328,811	592,336
Retirement	41,534	35,668	77,202
Management fees	284,695	321,020	605,715
Legal service	5,122	2,495	7,617
Accounting and audit services	13,459	10,416	23,875
Other professional and consulting services	61,442	60,369	121,811
Building and land rent	258,021	263,771	521,792
Repairs and maintenance	65,708	74,158	139,866
Insurance	38,957	28,251	67,208
Utilities	39,346	61,830	101,176
Supplies and materials	55,180	42,263	97,443
Equipment/Furnishings	10,926	31,547	42,473
Professional development	72,350	109,194	181,544
Marketing and recruitment	14,382	11,578	25,960
Technology	87,912	68,928	156,840
Food service	207,167	235,758	442,925
Student services	145,068	129,461	274,529
Office expense	72,185	82,171	154,356
Depreciation and amortization	167,913	41,336	209,249
Other	21,606	9,957	31,563
TOTAL EXPENSES	3,433,603	3,567,774	7,001,377
SURPLUS FROM SCHOOL OPERATIONS	160,913	434,713	595,626
Support and other revenue:			
Contributions			
Individuals	1,500	-	1,500
Corporate	-	340	340
Miscellaneous income	-	75	75
TOTAL SUPPORT AND OTHER REVENUE	1,500	415	1,915
CHANGE IN NET ASSETS	\$ 162,413	\$ 435,128	\$ 597,541

**TRUE NORTH TROY PREPARATORY CHARTER
SCHOOL**

TROY, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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
True North Troy Preparatory Charter School

We have audited, 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, the financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, 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 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered True North Troy Preparatory 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 True North Troy Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of True North Troy Preparatory 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 True North Troy Preparatory 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 7, 2016



MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
True North Troy Preparatory Charter School

Report on Compliance for Each Major Federal Program

We have audited True North Troy Preparatory Charter School's compliance with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of True North Troy Preparatory Charter School's major federal programs for the year ended June 30, 2016. True North Troy Preparatory Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of True North Troy Preparatory Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about True North Troy Preparatory Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of True North Troy Preparatory Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, True North Troy Preparatory Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of True North Troy Preparatory Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered True North Troy Preparatory Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of True North Troy Preparatory Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2016, and have issued our report thereon dated October 7, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 7, 2016

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 270,044
Title IIA - Improving Teacher Quality	84.367	0147	<u>5,950</u>
TOTAL DEPARTMENT OF EDUCATION			275,994
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	1000004740	165,692
National School Lunch Program	10.555	1000004740	<u>324,876</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>490,568</u>
TOTAL ALL PROGRAMS			<u>\$ 766,562</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of True North Troy Preparatory Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

CFDA Number:

84.010
84.367

Name of Federal Program or Cluster:

Title I - Grants to Local Education Agencies
Title IIA - Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.