



Transmittal Form
Annual Financial Statement Audit Report
for SUNY Authorized Charter Schools

School Name:	Tapestry Charter School
Date (Report is due Nov. 1):	November 1, 2014
School Fiscal Contact Name:	Lisa M. Kirisits
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School Audit Firm Name:	Amato, Fox & Company, P.C.
School Audit Contact Name:	Carmella M. Kieffer
School Audit Contact Email:	ckieffer@amatofox.com
School Audit Contact Phone:	716.694.0336
Audit Period:	2013-14
Prior Year:	2012-13

The following items are required to be included:

- .. The independent auditor’s report on financial statements and notes.
- .. Excel template file containing the Financial Position, Statement of Activities, Cash Flow and Functional Expenses worksheets.
- .. Reports on internal controls over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$500,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below (if not applicable fill in N/A):
Management Letter	N/A
Management Letter Response	N/A
Form 990	Extension filed
Federal Single Audit (A-133) ¹	N/A
Corrective Action Plan	N/A

Please also send an ELECTRONIC copy of: 1.) This transmittal form; 2.) Audited Financial Report; and if applicable 3.) Management Letter and Response; 4.) Federal Single Audit (A-133) ONLY to the following offices via email. A copy of the Excel file containing the four schedules Does NOT need to be included.

NYS Education Department Public School Choice Programs 89 Washington Avenue Room 462 EBA Albany, New York 12234 charterschools@mail.nysed.gov	NYS Education Department Office of Audit Services 89 Washington Avenue Room 524 EBA Room 524 EBA Albany, New York 12234 fsanda133@mail.nysed.gov
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¹ A copy of the Federal Single Audit must be filed with the Federal Audit Clearinghouse. Please refer to [OMB Circular A-133](#) for the federal filing requirements.

TAPESTRY CHARTER SCHOOL

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

TAPESTRY CHARTER SCHOOL

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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*** 18-19

INDEPENDENT AUDITORS REPORT

The Board of Directors
Tapestry Charter School
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 Tapestry Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years 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 October 21, 2014, on our consideration of Tapestry Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considered Tapestry Charter School's internal control over financial reporting and compliance.

Amato, Fox & Company, P.C.

October 21, 2014

TAPESTRY CHARTER SCHOOL

**Statements of Financial Position
June 30, 2014 and 2013**

	2014	2013
<u>ASSETS</u>		
Current assets:		
Cash	\$ 2,333,197	\$ 1,460,324
Accounts receivable	143,102	143,387
Prepaid expenses	32,090	24,628
Total current assets	2,508,389	1,628,339
Property and equipment, net of accumulated depreciation of \$3,001,995 and \$2,251,748 in 2014 and 2013		
	14,771,672	15,267,195
Other assets:		
Deferred loan fees, net	10,638	14,925
Security deposit	250	250
Construction in progress	13,208	-
Total assets	\$ 17,304,157	\$ 16,910,709
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 297,989	\$ 88,665
Revolving lines of credit	18,907	10,916
Accrued expenses	1,408,680	1,224,456
Capital lease payable, current portion	19,373	48,094
Deferred revenue	6,917	2,380
Current maturities of long-term debt	353,428	292,770
Total current liabilities	2,105,294	1,667,281
Long term liabilities:		
Capital lease obligation, less current portion	12,843,819	12,800,877
Long-term debt, net of current maturities	706,856	1,135,052
Total long term liabilities	13,550,675	13,935,929
Total liabilities	15,655,969	15,603,210
Net assets:		
Unrestricted	1,624,631	1,285,552
Temporarily restricted	23,557	21,947
Total net assets	1,648,188	1,307,499
Total liabilities and net assets	\$ 17,304,157	\$ 16,910,709

The accompanying notes are an integral part of these financial statements

TAPESTRY CHARTER SCHOOL

**Statement of Activities
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident student enrollment	\$ 9,454,519	\$ -	\$ 9,454,519
Revenue - Students with disabilities	776,543	-	776,543
Grants and contracts	-	326,232	326,232
Cafeteria income	250,174	-	250,174
Contributions	41,965	4,895	46,860
Fundraising income, net of direct expenses of \$25,726	10,090	-	10,090
Other income	111,839	-	111,839
Interest income	6,113	-	6,113
Net assets released from restrictions:			
Satisfaction of program restrictions	329,517	(329,517)	-
Total revenues, gains and other support	10,980,760	1,610	10,982,370
Expenses and Losses:			
Program services:			
Regular education	6,985,363	-	6,985,363
Special education	721,966	-	721,966
Other programs	1,150,218	-	1,150,218
Total program services	8,857,547	-	8,857,547
Supporting services:			
Management and general	1,711,225	-	1,711,225
Development activities	72,910	-	72,910
Total expenses and losses	10,641,681	-	10,641,681
Change in net assets	339,079	1,610	340,689
Net assets at beginning of year	1,285,552	21,947	1,307,499
Net assets at end of year	\$ 1,624,631	\$ 23,557	\$ 1,648,188

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL

**Statement of Activities
Year Ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident student enrollment	\$ 8,745,761	\$ -	\$ 8,745,761
Revenue - Students with disabilities	680,829	-	680,829
Grants and contracts	-	292,116	292,116
Cafeteria income	238,722	-	238,722
Contributions	36,220	27,795	64,015
Fundraising income, net of direct expenses of \$6,071	19,254	-	19,254
Other income	172,316	-	172,316
Interest income	5,600	-	5,600
Net assets released from restrictions:			
Satisfaction of program restrictions	305,357	(305,357)	-
Total revenues, gains and other support	10,204,059	14,554	10,218,613
Expenses and Losses:			
Program services:			
Regular education	6,720,216	-	6,720,216
Special education	639,739	-	639,739
Other programs	1,143,753	-	1,143,753
Total program services	8,503,708	-	8,503,708
Supporting services:			
Management and general	1,650,321	-	1,650,321
Development activities	89,233	-	89,233
Total expenses and losses	10,243,262	-	10,243,262
Change in net assets	(39,203)	14,554	(24,649)
Net assets at beginning of year	1,324,755	7,393	1,332,148
Net assets at end of year	\$ 1,285,552	\$ 21,947	\$ 1,307,499

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL

Statement of Functional Expenses Year Ended June 30, 2014

	Program Services				Supporting Services		Total
	Regular Education	Special Education	Other Programs	Total	Management and General	Development Activities	
Salaries and wages	3,309,759	404,673	493,358	\$ 4,207,790	843,439	62,108	\$ 5,113,337
Payroll taxes	278,888	34,099	41,571	354,558	71,070	5,233	430,861
Employee benefits	752,137	91,961	112,115	956,213	205,784	-	1,161,997
Food service	-	-	136,105	136,105	-	-	136,105
Accounting and legal	-	-	-	-	99,979	-	99,979
Books and instructional material	13,358	-	-	13,358	-	-	13,358
Contracted services and consultants	54,583	92,928	-	147,512	111,124	-	258,636
Travel and conferences	21,495	-	-	21,495	-	-	21,495
Utilities	93,318	5,832	5,832	104,982	10,498	1,166	116,646
Classroom supplies	46,663	-	-	46,663	-	-	46,663
Arts, dance and music	-	-	24,458	24,458	-	-	24,458
Postage	8,376	524	524	9,424	942	105	10,471
Student services	-	-	6,861	6,861	-	-	6,861
Staff development	35,895	-	-	35,895	-	-	35,895
Interest expense	1,091,807	68,238	68,238	1,228,283	136,476	-	1,364,759
Office expense	-	-	-	-	31,856	-	31,856
Advertising and promotion	-	-	-	-	9,356	-	9,356
Maintenance and repairs	224,404	14,025	14,025	252,454	25,245	2,805	280,504
Telephone	25,117	1,570	1,570	28,257	2,826	314	31,397
Technology expense	239,579	-	-	239,579	-	-	239,579
Field trips and activities	-	-	128,665	128,665	-	-	128,665
School store expense	-	-	4,283	4,283	-	-	4,283
Student testing and assessment	29,811	-	-	29,811	-	-	29,811
Sports expenses	-	-	35,200	35,200	-	-	35,200
Dues and subscriptions	10,141	634	634	11,409	1,268	-	12,677
Insurance	94,312	5,895	5,895	106,102	10,610	1,179	117,891
Vehicle expense	4,578	286	286	5,150	572	-	5,722
Mobile classroom	-	-	-	-	69,678	-	69,678
Miscellaneous	20,822	1,301	1,301	23,424	2,603	-	26,027
Moving and storage	-	-	-	-	125	-	125
Property taxes	-	-	-	-	22,855	-	22,855
Depreciation and amortization	630,319	-	69,296	699,615	54,918	-	754,533
Total	\$ 6,985,363	\$ 721,966	\$ 1,150,218	\$ 8,857,547	\$ 1,711,225	\$ 72,910	\$ 10,641,681

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL

Statement of Functional Expenses Year Ended June 30, 2013

	Program Services				Supporting Services		Total
	Regular Education	Special Education	Other Programs	Total	Management and General	Development Activities	
Salaries and wages	\$ 3,254,688	\$ 379,166	\$ 507,215	\$ 4,141,069	\$ 897,745	\$ 28,025	\$ 5,066,839
Payroll taxes	268,125	31,236	41,785	341,146	73,957	2,309	417,412
Employee benefits	605,144	70,498	94,306	769,948	172,128	-	942,076
Food service	-	-	128,348	128,348	-	-	128,348
Accounting and legal	-	-	-	-	118,995	-	118,995
Books and instructional material	19,048	-	-	19,048	-	-	19,048
Contracted services and consultants	52,028	63,567	-	115,595	92,741	53,925	262,261
Travel and conferences	18,781	-	-	18,781	-	-	18,781
Utilities	80,247	5,015	5,015	90,277	9,028	1,003	100,308
Classroom supplies	61,112	-	-	61,112	-	-	61,112
Arts, dance and music	-	-	30,656	30,656	-	-	30,656
Postage	7,005	438	438	7,881	788	88	8,757
Nurse office expense	-	-	7,052	7,052	-	-	7,052
Staff development	71,871	-	-	71,871	-	-	71,871
Interest expense	1,089,741	68,109	68,109	1,225,959	136,218	-	1,362,177
Office expense	-	-	-	-	34,093	-	34,093
Advertising and promotion	-	-	-	-	11,918	-	11,918
Maintenance and repairs	213,189	13,324	13,324	239,837	23,984	2,665	266,486
Telephone	21,390	1,337	1,337	24,064	2,407	267	26,738
Technology expense	149,151	-	-	149,151	-	-	149,151
Field trips and activities	-	-	159,222	159,222	-	-	159,222
School store expense	-	-	2,501	2,501	-	-	2,501
Student testing and assessment	17,225	-	-	17,225	-	-	17,225
Sports expenses	-	-	37,713	37,713	-	-	37,713
Dues and subscriptions	9,598	600	600	10,798	1,200	-	11,998
Insurance	76,084	4,755	4,755	85,594	8,559	951	95,104
Vehicle expense	4,125	258	258	4,641	516	-	5,157
Miscellaneous	22,981	1,436	1,436	25,853	2,873	-	28,726
Property taxes	-	-	-	-	21,091	-	21,091
Depreciation and amortization	678,683	-	39,683	718,366	42,080	-	760,446
Total	\$ 6,720,216	\$ 639,739	\$ 1,143,753	\$ 8,503,708	\$ 1,650,321	\$ 89,233	\$ 10,243,262

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL

**Statements of Cash Flows
Years Ended June 30, 2014 and 2013**

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 340,689	\$ (24,649)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	754,533	760,445
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	285	(46,939)
Prepaid expenses	(7,462)	27,541
Increase (decrease) in:		
Accounts payable	217,315	(65,836)
Accrued expenses	184,224	116,177
Deferred revenue	4,537	1,630
Net cash provided by operating activities	1,494,121	768,369
 Cash flows from investing activities:		
Construction in progress payments	(13,208)	-
Purchase of property and equipment	(281,620)	(1,173,438)
Net cash used in investing activities	(294,828)	(1,173,438)
 Cash flows from financing activities:		
Proceeds from long-term debt	-	800,000
Payment of loan fees	-	(13,762)
Principal payments on capital lease obligation	41,118	31,220
Principal payments on long-term debt	(367,538)	(292,937)
Net cash provided by (used in) financing activities	(326,420)	524,521
 Net increase in cash	872,873	119,453
 Cash at beginning of period	1,460,324	1,340,871
 Cash at end of period	\$ 2,333,197	\$ 1,460,324
 Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,364,759	\$ 1,362,177

The accompanying notes are an integral part of these financial statements

TAPESTRY CHARTER SCHOOL

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The mission of Tapestry Charter School (the School) is to provide a learning center that offers challenging educational opportunities in a multi-age setting. The School provides an environment where students are encouraged to become self directed, independent learners. Progressive, interdisciplinary teaching techniques are utilized along with the best resources available to fit the individual learning style of each student. Parent involvement is a significant component in the success of the Tapestry Charter School. The School enrolls students from families of diverse cultural, racial and socio-economic backgrounds.

The School received a provisional charter on April 24, 2001 from the Education Department of the State of New York for an initial period of five years. The charter was renewed in May 2011 for a term of five years through April 24, 2016 in accordance with the provisions of Article 5b of the Education Law.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958-205-45. Under ASC Topic 958-205-45, the School is required to report 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives of the assets.

Income Taxes - The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation". Therefore, no provision for income taxes is reflected in the financial statements.

TAPESTRY CHARTER SCHOOL

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions - Management has determined that the School does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The School's Return of Organization Exempt from Income Tax Returns (Form 990) for tax years 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

Restricted and Unrestricted Support and Revenue - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditioned promises to give.

Advertising - The School follows the policy of charging the costs of advertising to expense as incurred. Advertising and promotional expense for the years ending June 30, 2014 and 2013 was \$9,356 and \$11,918, respectively.

Functional Allocation of Expenses - The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events - The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 21, 2014 (the date the financial statements were available to be issued).

TAPESTRY CHARTER SCHOOL

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 2 - Property and Equipment

Property and equipment at June 30, 2014 and 2013 consists of the following:

	2014	2013
Land and improvements	\$ 1,436,738	\$ 1,436,737
Building	13,645,223	13,645,223
Building improvements	1,220,195	1,092,636
Office equipment	166,105	193,002
Instructional equipment	1,027,598	879,496
Kitchen equipment	156,012	156,012
Library equipment	74,356	71,832
Maintenance equipment	4,240	805
Vehicles	43,200	43,200
	17,773,667	17,518,943
Less accumulated depreciation	3,001,995	2,251,748
	\$ 14,771,672	\$ 15,267,195

Note 3 - Revolving Lines of Credit

The School has various revolving lines of credit available for operating expenses. The balances outstanding as of June 30, 2014 and 2013 are as follows:

	Credit Limit	Interest Rate	2014	2013
American Express	\$ 28,000	19.24%	\$ -	\$ 3,118
Capital One	20,000	14.90%	18,126	7,798
Sam's Club	2,000	21.90%	781	-
			\$ 18,907	\$ 10,916

The School pays the entire balance on its outstanding credit cards in an effort to avoid finance charges. No finance charges were incurred for the years ended June 30, 2014 and 2013.

TAPESTRY CHARTER SCHOOL

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 4 - Long-term Debt

Long-term debt as of June 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Northwest Savings Bank term note payable in monthly installments of \$11,238 including interest at a fixed rate of 4.75%	\$ 635,774	\$ 759,458
Northwest Savings Bank term note payable in 60 monthlt installments of \$11,234, including interest at a fixed interest rate of 6.5%.	162,503	281,967
Northwest Savings Bank term note payable in 84 monthly installments of \$2,043 plus interest at a variable rate of interest equivalent to the bank's prime rate plus 100 basis points (5.00% at June 30, 2012) to finance land acquisition.	67,412	91,925
Northwest Savings Bank term note payable in 60 monthly installments of \$3,862, including interest at a fixed interest rate of 6.5%.	59,313	100,166
Northwest Savings Bank term note payable in 36 monthly installments of \$2,718 plus interest at a variable rate of interest equivalent to the bank's prime rate plus 100 basis points (5.00% at June 30, 2013).	-	10,852
Northwest Savings Bank term note payable in 60 monthly installments of \$4,903, including interest at a fixed interest rate of 6.5%.	135,282	183,454
	<u>1,060,284</u>	<u>1,427,822</u>
Less: current maturities	<u>353,428</u>	<u>292,770</u>
Net long-term debt	<u><u>\$ 706,856</u></u>	<u><u>\$ 1,135,052</u></u>

TAPESTRY CHARTER SCHOOL

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 4 - Long-term Debt (Continued)

Principal maturities of long-term debt are as follows:

2015	\$	353,428
2016		240,073
2017		163,087
2018		303,696
		303,696
	\$	1,060,284

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are funds restricted by the donor for educational purposes or specific grant programs. Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	2014	2013
Educational and arts programs	\$ 4,010	\$ 4,060
Private donations	613	473
Scholarships	13,433	11,913
Pepper Grove project	625	625
Athletics programs	4,876	4,876
	4,876	4,876
	\$ 23,557	\$ 21,947

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2014	2013
Regular education	\$ 290,537	\$ 292,116
Educational and arts programs and equipment	38,980	12,868
Building and improvements	-	373
	-	373
	\$ 329,517	\$ 305,357

TAPESTRY CHARTER SCHOOL

Notes to Financial Statements June 30, 2014 and 2013

Note 6 - Note Payable

The School has a \$300,000 line of credit with a local bank with an interest rate floating at the Wall Street Journal prime rate plus 1%. The note is due on demand and was renewed on April 30, 2011. The bank may withdraw its commitment to extend the line of credit at any time. The note was secured by the assets of the School. The balance outstanding as of June 30, 2014 and 2013 was \$-0-.

Note 7 - Public School District Revenue

The School receives public school district funds for regular student enrollment. The rate per student is mandated by the State of New York Education Department. For the years ended June 30, 2014 and 2013, the Buffalo School District rate was \$12,005 per student. The School had 783 and 731 students enrolled during the 2014 and 2013 school years, respectively, with the majority from the Buffalo School District. Total public school district revenue for the years ended June 30, 2014 and 2013 was \$10,231,062 and \$9,426,590, respectively.

Note 8 - Retirement Plan

The School participates in the New York State Teachers' Retirement System (TRS), a cost sharing multiple employer, defined benefit pension plan. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability. TRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report can be found on the TRS website at www.nystrs.org/main/library/annual-report.htm.

TRS requires employee contributions of 3% of their annual salary for the first 10 years of service for those employees who joined the Plan between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3.5% of their annual salary throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate for the years ended June 30, 2014 and 2013 is 16.25% and 11.84% of the annual covered payroll, respectively. The School's required contribution was \$730,136 and \$510,330 for the years ended June 30, 2014 and 2013, respectively.

TAPESTRY CHARTER SCHOOL

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 9 - Capital Lease Payable

During the year ended June 30, 2013, the School acquired equipment under a capital lease obligation. The lease payments relating to the equipment have been capitalized and included in equipment on the accompanying financial statements. The leased equipment has a cost of \$25,785.

Future minimum lease payments under this capital lease are as follows:

2015	\$	6,333
2016		6,333
2017		6,333
2018		4,222
		<hr/>
		23,221
Less: amount attributable to interest		<hr/>
		(3,848)
		<hr/>
Total	\$	<u>19,373</u>

Note 10 - Concentration of Credit Risk

The School maintains its cash balances at financial institutions within the Buffalo, New York area, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of June 30, 2014 and 2013, the maximum loss that would have resulted from that risk totaled approximately \$2,301,216 and \$1,360,123 respectively. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

TAPESTRY CHARTER SCHOOL

Notes to Financial Statements June 30, 2014 and 2013

Note 11 - Lease Commitment

In November 2009, the School entered into an agreement with 1238 Group, LLC (“landlord”) to rehabilitate and build a high school on the property at 65 Great Arrow in Buffalo, New York. As part of this proposal, the landlord will lease the building from the School for an annual rate of \$1 per year. The landlord will in turn make approximately \$5.7 million in leasehold improvements and sublease the property back to the School under an absolute triple net lease. As part of the absolute triple net lease, the School will be responsible for all maintenance, structure, insurance and upkeep of the building. The School has adopted Financial Accounting Standards Board (FASB) Accounting Codification (ASC) 840-10-25-1 which requires the lease be considered a capital lease since certain criteria have been satisfied. Accordingly, the School has recorded a capital asset with a carrying cost of \$4,848,248 less accumulated depreciation of \$619,498 for a net book value of \$4,228,750 at June 30, 2014. Also as part of the proposed “initial” lease agreement, the mortgage note with Allentown Properties in the amount of \$840,000 as of November 1, 2009 was assumed and paid off by the landlord. The mortgage note was refinanced with a capital lease obligation; therefore the capital lease obligation was recorded at the carrying costs of the asset \$4,848,248 plus the \$940,000 mortgage note assumed by the landlord.

In October 2010, the School entered into a lease amendment with the landlord to construct a building for grades K to 8 with an estimated cost of \$6.9 million (“Phase II”). The School took possession of the K to 8 building in September 2011 and began paying and amortizing the lease amendment in September 2011. The School recorded a capital asset with a carrying cost of \$6,914,575 less accumulated depreciation of \$653,043 for a net book value of \$6,261,531 at June 30, 2014.

The minimum future rental payments under the capital lease and the net present value of those payments at June 30, 2014 are summarized as follows:

Years ended June 30:	
2015	\$ 1,251,252
2016	1,308,132
2017	1,319,608
2018	1,387,778
2019	1,401,408
Thereafter	26,987,153
	<hr/>
	33,655,331
Less: amount representing interest	(20,811,512)
	<hr/>
Present value of future minimum capital lease payments	<u><u>\$ 12,843,819</u></u>

TAPESTRY CHARTER SCHOOL

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 11 - Lease Commitment (Continued)

Under the lease agreement and lease amendment, the School has the option to buyout its leasehold interest and improvements in the property and building after October 2014. The buyout price will be equal to the sum of the amount due on the landlord's mortgage plus the "Tapestry Buyout" pursuant to the lease agreement which represents the landlord's required equity contribution to the project plus a 2.5% inflationary factor.

During 2012, the School entered into an agreement to purchase approximately 7 acres of land and a building for a purchase price of \$900,000. An earnest money deposit in the amount of \$20,000 was paid in February 2012. The School closed on the purchase of the land in December 2012, the purchase price and closing costs of which amounted to \$1,021,916 at June 30, 2013 and are included in property and equipment in the accompanying Statement of Financial Position.

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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**

The Board of Directors
Tapestry Charter School

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 Tapestry Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tapestry 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 to for the purpose of expressing an opinion on the effectiveness of Tapestry Charter 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 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tapestry 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 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 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.

Amato, Fox & Company, P.C.

October 21, 2014