

**TRUE NORTH ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**ROCHESTER, 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 Rochester Preparatory Charter School

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of True North Rochester Preparatory Charter School 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 Rochester Preparatory Charter School as of June 30, 2016, and 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 Rochester Preparatory Charter School's June 30, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 27, 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 audited financial statement from which they are derived.

**Other Report Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016 on our consideration of True North Rochester 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 19, 2016

TRUE NORTH ROCHESTER 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	\$ 3,626,125	\$ 3,148,588
Grants and contracts receivable	1,584,077	613,935
Accounts receivable	527,413	496,683
Prepaid expenses and other current assets	257,410	208,635
TOTAL CURRENT ASSETS	<u>5,995,025</u>	<u>4,467,841</u>
<u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$2,853,343 and \$2,273,750, respectively	1,909,979	1,442,499
<u>ESCROW ACCOUNT</u>	<u>239,334</u>	<u>239,285</u>
TOTAL ASSETS	<u>\$ 8,144,338</u>	<u>\$ 6,149,625</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,019,487	\$ 845,513
Deferred revenue	-	35,000
TOTAL CURRENT LIABILITIES	<u>1,019,487</u>	<u>880,513</u>
<u>NET ASSETS, unrestricted</u>	<u>7,124,851</u>	<u>5,269,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,144,338</u>	<u>\$ 6,149,625</u>

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

TRUE NORTH ROCHESTER 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	\$ 19,862,624	\$ 16,697,442
Students with disabilities	619,761	442,441
Grants and contracts:		
Federal - Title and IDEA	723,434	769,513
Federal - Other	604,209	441,842
Food service/child nutrition program	<u>1,547,209</u>	<u>1,313,580</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	23,357,237	19,664,818
Expenses:		
Program services:		
Regular education	18,740,553	15,915,661
Special education	<u>579,604</u>	<u>492,237</u>
TOTAL PROGRAM SERVICES	19,320,157	16,407,898
General and administrative	<u>2,553,693</u>	<u>2,299,533</u>
TOTAL OPERATING EXPENSES	<u>21,873,850</u>	<u>18,707,431</u>
SURPLUS FROM SCHOOL OPERATIONS	1,483,387	957,387
Support and other revenue:		
Contributions:		
Foundations	335,000	-
Individuals	500	-
Miscellaneous income	<u>36,852</u>	<u>88,827</u>
TOTAL SUPPORT AND OTHER REVENUE	372,352	88,827
CHANGE IN NET ASSETS	1,855,739	1,046,214
Unrestricted net assets at beginning of year	<u>5,269,112</u>	<u>4,222,898</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 7,124,851</u>	<u>\$ 5,269,112</u>

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	June 30,					2015 Total
		2016			Support Services		
		Regular education	Special education	Total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	48	\$ 2,418,214	\$ 74,790	\$ 2,493,004	\$ 959,645	\$ 3,452,649	\$ 2,946,031
Instructional personnel	177	6,381,001	197,351	6,578,352	-	6,578,352	5,846,552
Non-instructional personnel	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,131</u>	<u>115,131</u>	<u>123,066</u>
Total salaries and staff	229	8,799,215	272,141	9,071,356	1,074,776	10,146,132	8,915,649
Fringe benefits and payroll taxes		1,605,571	49,657	1,655,228	204,417	1,859,645	1,707,514
Retirement		233,137	7,210	240,347	-	240,347	224,169
Management fees		1,531,019	47,351	1,578,370	278,535	1,856,905	1,543,691
Legal service		-	-	-	22,988	22,988	17,804
Accounting and audit services		-	-	-	39,948	39,948	30,375
Other professional and consulting services		372,875	11,532	384,407	39,630	424,037	365,344
Building and land rent		855,510	26,459	881,969	-	881,969	467,888
Repairs and maintenance		441,972	13,669	455,641	-	455,641	367,959
Insurance		-	-	-	223,042	223,042	186,154
Utilities		193,538	5,986	199,524	111,169	310,693	364,086
Supplies and materials		323,691	10,011	333,702	-	333,702	296,715
Equipment/Furnishings		106,541	3,295	109,836	19,141	128,977	144,069
Professional development		666,713	20,620	687,333	-	687,333	517,763
Marketing and recruitment		116,983	3,618	120,601	-	120,601	85,818
Technology		471,617	14,586	486,203	121,165	607,368	545,398
Food service		1,296,101	40,086	1,336,187	-	1,336,187	1,118,076
Student services		918,827	28,417	947,244	-	947,244	638,335
Office expense		247,287	7,648	254,935	355,351	610,286	566,494
Depreciation and amortization		559,956	17,318	577,274	2,319	579,593	515,304
Other		<u>-</u>	<u>-</u>	<u>-</u>	<u>61,212</u>	<u>61,212</u>	<u>88,826</u>
		<u>\$ 18,740,553</u>	<u>\$ 579,604</u>	<u>\$ 19,320,157</u>	<u>\$ 2,553,693</u>	<u>\$ 21,873,850</u>	<u>\$ 18,707,431</u>

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

TRUE NORTH ROCHESTER 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>
<b><u>CASH FLOWS - OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 1,855,739	\$ 1,046,214
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	579,593	515,304
Bad debt expense	18,034	33,060
Changes in certain assets and liabilities affecting operations:		
State and local per pupil receivable	(48,764)	(38,612)
Grants and other receivables	(970,142)	(379,749)
Prepaid expenses and other current assets	(48,775)	(72,546)
Accounts payable and accrued expenses	173,974	(90,919)
Deferred revenue	<u>(35,000)</u>	<u>35,000</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,524,659	1,047,752
<b><u>CASH FLOWS - INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(1,047,073)	(418,219)
Increase in escrow account	<u>(49)</u>	<u>(1,807)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(1,047,122)	(420,026)
NET INCREASE IN CASH	477,537	627,726
Cash at beginning of year	<u>3,148,588</u>	<u>2,520,862</u>
CASH AT END OF YEAR	<u>\$ 3,626,125</u>	<u>\$ 3,148,588</u>

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



TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(With Comparative Totals for 2015)

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

The Charter School

True North Rochester Preparatory Charter School (the “Charter School”), is an educational corporation operating as a charter school in Rochester, New York. On June 27, 2006, 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. On January 10, 2011, the Charter School was granted a five year charter renewal good through June 27, 2016. On February 18, 2014, the Charter School entered into an amended and restated renewal charter agreement which included the addition of Rochester Prep Charter School 3 through July 31, 2019. On January 26, 2016 the Charter School was granted a five year renewal for both True North Rochester Preparatory School (TNRP) and TNRP – West Campus through July 31, 2021.

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.

West Campus Merger

Effective July 1, 2013, True North Rochester Preparatory Charter School and True North Rochester Preparatory Charter School – West Campus merged in accordance with the approval of the Charter School’s Board of Trustees and the New York State Board of Regents.

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.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

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

Cont'd

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.

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. 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.

Receivables

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 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 is 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.

Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

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

Cont'd

Escrow account

The Charter School maintains cash in an escrow account in accordance with the terms of their charter agreement. The escrow is restricted to fund legal and other costs in the event of dissolution of the Charter School.

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.

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction.

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.

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.

Reclassifications

Certain prior year amounts have been reclassified to reflect current year presentation.

Comparatives for 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 19, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

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 September 26, 2006 which was renewed for an additional five years effective July 1, 2011 and was revised July 1, 2014 for an additional five years, 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 tuition 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 was fixed at 8% for Rochester Prep and 10% for West Campus for the 2014 year and is fixed for the fiscal years 2015 through 2019 for each of the schools ranging from 8% to 10% as outlined in the agreement. The fee incurred for the years ended June 30, 2016 and 2015 was \$1,856,905 and \$1,543,691, respectively. At June 30, 2016 no amount was due from USI. At June 30, 2015 approximately \$52,700 was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2016 and 2015, approximately \$369,700 and \$206,500, respectively, is included in accounts payable relating to USI.

The Charter School leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly-owned subsidiary of USI (Brooks Avenue location). The lease agreement expired in July 2011 and is renewable in four successive periods of five years. Rent for this lease is calculated based on a formula of certain expenses of the landlord. The Charter School is currently in the process of renewing the lease. At June 30, 2016 no amount was due from True North Rochester Real Estate LLC. At June 30, 2015, approximately \$29,900 was included in accounts receivable relating to true up of rent from True North Rochester Real Estate LLC.

The Charter School leases its Rochester Prep Elementary School facilities from True North Rochester Real Estate Ames Street, LLC, a wholly-owned subsidiary of USI (Jay Street location). A new lease agreement was negotiated in March 2016. The lease agreement expires in August 2022, but will terminate if the Charter School's charter is not renewed. Rent for this lease is approximately \$28,300 per month and will decrease to \$23,268 after the first four months and remain until the termination of the lease. Previously monthly payments ranged from \$10,900 to \$11,300 with the rate resetting in March 2017. The Charter School is also responsible for all other expenses relating to the property and must remain in compliance with a certain financial covenant. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

Effective February 18, 2016, the Charter School began leasing space for its Rochester Prep – West Campus Middle School from Rochester Chili Avenue, LLC, a wholly-owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in August 2022. The Charter School is responsible for all other expenses related to the property. Required monthly payments under the agreement are \$32,894 beginning on May 1, 2016 through June 30, 2016 and then decreasing to \$20,394 for the remaining term. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective July 1, 2016, the Charter School began leasing space for its second Rochester Prep Elementary School and its Rochester Prep – West Campus Elementary School from True North St. Jacob Street, LLC, a wholly-owned subsidiary of USI. The agreement will require the School remain in compliance with a financial covenant and expires in July 2021. The Charter School is responsible for all other expenses related to the property. Required payments vary over the term of the lease ranging from \$10,238 to \$11,190. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

Effective October 1, 2016, the Charter School began leasing space for a future location of its West Campus Elementary School from True North Andrews Street, LLC, a wholly owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in July 1, 2021. The Charter School is responsible for all other expenses related to the property. Payments under the agreement are \$10,033 from October 1, 2016 through June 1, 2017 then decreasing to monthly payments ranging from \$7,684 to \$8,648 through July 1, 2021. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

At June 30, 2016 and 2015, the Charter School was in compliance with its financial covenants referred to above.

The Charter School, in connection with the above agreements, have committed to advancing \$200,000 to Rochester Chili Avenue, LLC and \$650,000 to True North St. Jacob Street, LLC to fund construction at the sites in preparation for the occupancy by the Charter School. As of June 30, 2016, approximately \$381,000 of these payments have been made and they are included as construction in progress in Note D.

Rent expense incurred for the years ended June 30, 2016 and 2015 relating to the above leases was \$351,344 and \$214,263, respectively.

The future minimum lease payments for the Rochester Prep Elementary School to related parties are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 805,200
2018	739,000
2019	745,500
2020	752,100
2021	759,000
Thereafter	<u>658,400</u>
	<u>\$ 4,459,200</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

NOTE C: SCHOOL FACILITY

In addition to the related party leased facilities described in Note B, the Charter School leased a facility from an unrelated third party for its West Campus programs (Maple Street location). Rent for this lease is \$11,500 a month through June 30, 2015. The lease was renewed at a monthly payment of \$33,333 through August 31, 2016. Rent expense incurred for the years ended June 30, 2016 and 2015 related to this lease was approximately \$400,800 and \$138,000, respectively. Future payments due under this agreement is limited to \$66,666 in the 2017 fiscal year.

The Charter School also leases space from the Rochester City School District for its high school (Martin Street location). The lease is renewable in one year extensions through June 2019. Rent expense was \$115,625 for the years ended June 30, 2016 and 2015 which was payable in monthly installments of \$9,635. The lease was renewed through June 30, 2017 under the same payment terms.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 203,124	\$ 198,292
Computer equipment and software	2,166,206	1,672,895
Leasehold improvements	2,012,969	1,845,062
Construction in process	<u>381,023</u>	<u>-</u>
	4,763,322	3,716,249
Less accumulated depreciation and amortization	<u>2,853,343</u>	<u>2,273,750</u>
	<u>\$ 1,909,979</u>	<u>\$ 1,442,499</u>

Construction in progress consists of costs related to two new locations that the Charter School will move into during the 2017 fiscal year. No depreciation will be taken on these assets until they are placed into service. See Note B for additional comments regarding these costs and future commitments related to the construction at the leased locations.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

(With Comparative Totals for 2015)

NOTE E: COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through March, 2020. The approximate future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 182,000
2018	125,000
2019	59,000
2020	<u>15,000</u>
	<u>\$ 381,000</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. 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 \$240,300 and \$224,200, respectively.

NOTE G: 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.

NOTE H: CONCENTRATIONS

At June 30, 2016 and 2015, approximately 56% and 42%, respectively, of receivables are due from New York State, and 13% and 24%, respectively, of accounts receivable are due from the Rochester City School District.

During the years ended June 30, 2016 and 2015, 86% and 87%, respectively, of total revenue, gains and other support came from per-pupil funding provided by New York State through the school districts in which the students reside. 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 ROCHESTER PREPARATORY CHARTER SCHOOL**

**OTHER FINANCIAL INFORMATION**



INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2016, and we have issued our report thereon dated October 19, 2016, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2016, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 19, 2016

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ROCHESTER PREP AND WEST CAMPUS ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Rochester Prep	West Campus	Total
Revenue, gains and other support:			
Public school district			
Resident student enrollment	\$ 11,371,403	\$ 8,491,221	\$ 19,862,624
Students with disabilities	391,410	228,351	619,761
Grants and contracts			
Federal - Title and IDEA	422,822	300,612	723,434
Federal - Other	437,292	166,917	604,209
Food service/child nutrition program	1,039,724	507,485	1,547,209
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	13,662,651	9,694,586	23,357,237
Personnel services costs:			
Administrative staff personnel	2,200,023	1,252,626	3,452,649
Instructional personnel	3,946,131	2,632,221	6,578,352
Non-instructional personnel	36,991	78,140	115,131
TOTAL STAFF AND SALARIES	6,183,145	3,962,987	10,146,132
Fringe benefits and payroll taxes	1,107,395	752,250	1,859,645
Retirement	157,099	83,248	240,347
Management fees	1,002,803	854,102	1,856,905
Legal service	13,792	9,196	22,988
Accounting and audit services	24,017	15,931	39,948
Other professional and consulting services	242,937	181,100	424,037
Building and land rent	401,181	480,788	881,969
Repairs and maintenance	344,937	110,704	455,641
Insurance	144,498	78,544	223,042
Utilities	216,523	94,170	310,693
Supplies and materials	173,913	159,789	333,702
Equipment/Furnishings	88,035	40,942	128,977
Professional development	417,855	269,478	687,333
Marketing and recruitment	76,364	44,237	120,601
Technology	345,341	262,027	607,368
Food service	772,194	563,993	1,336,187
Student services	598,070	349,174	947,244
Office expense	402,332	207,954	610,286
Depreciation and amortization	443,307	136,286	579,593
Other	47,509	13,703	61,212
TOTAL EXPENSES	13,203,247	8,670,603	21,873,850
SURPLUS FROM SCHOOL OPERATIONS	459,404	1,023,983	1,483,387
Support and other revenue:			
Contributions:			
Foundations	35,000	300,000	335,000
Individuals	500	-	500
Miscellaneous income	14,525	22,327	36,852
TOTAL SUPPORT AND OTHER REVENUE	50,025	322,327	372,352
CHANGE IN NET ASSETS	\$ 509,429	\$ 1,346,310	\$ 1,855,739

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL, MIDDLE SCHOOL, AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2016

	West Campus			Rochester Prep				Total
	Middle School	Elementary School	Total	High School	Middle School	Elementary Schools	Total	
Revenue, gains and other support								
Public school district								
Resident student enrollment	\$ 4,136,031	\$ 4,355,190	\$ 8,491,221	\$ 1,513,715	\$ 4,136,275	\$ 5,721,413	\$ 11,371,403	\$ 19,862,624
Students with disabilities	156,760	71,591	228,351	67,450	216,113	107,847	391,410	619,761
Grants and contracts								
Federal - Title and IDEA	22,428	278,184	300,612	3,866	80,553	338,403	422,822	723,434
Federal - Other	36,166	130,751	166,917	49,287	166,178	221,827	437,292	604,209
Food service/child nutrition program	348,122	159,363	507,485	85,096	437,860	516,768	1,039,724	1,547,209
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>4,699,507</b>	<b>4,995,079</b>	<b>9,694,586</b>	<b>1,719,414</b>	<b>5,036,979</b>	<b>6,906,258</b>	<b>13,662,651</b>	<b>23,357,237</b>
Personnel services costs:								
Administrative staff personnel	668,827	583,799	1,252,626	608,503	751,923	839,597	2,200,023	3,452,649
Instructional personnel	1,163,113	1,469,108	2,632,221	590,311	1,262,712	2,093,108	3,946,131	6,578,352
Non-instructional personnel	41,468	36,672	78,140	-	36,485	506	36,991	115,131
<b>TOTAL STAFF AND SALARIES</b>	<b>1,873,408</b>	<b>2,089,579</b>	<b>3,962,987</b>	<b>1,198,814</b>	<b>2,051,120</b>	<b>2,933,211</b>	<b>6,183,145</b>	<b>10,146,132</b>
Fringe benefits and payroll taxes	351,442	400,808	752,250	154,707	392,611	560,077	1,107,395	1,859,645
Retirement	39,800	43,448	83,248	29,182	52,446	75,471	157,099	240,347
Management fees	388,175	465,927	854,102	158,503	351,025	493,275	1,002,803	1,856,905
Legal service	4,598	4,598	9,196	4,596	4,598	4,598	13,792	22,988
Accounting and audit services	8,108	7,823	15,931	7,845	8,038	8,134	24,017	39,948
Other professional and consulting services	91,800	89,300	181,100	69,596	76,055	97,286	242,937	424,037
Building and land rent	306,488	174,300	480,788	115,625	83,573	201,983	401,181	881,969
Repairs and maintenance	64,612	46,092	110,704	9,583	130,757	204,597	344,937	455,641
Insurance	39,128	39,416	78,544	20,720	72,038	51,740	144,498	223,042
Utilities	63,459	30,711	94,170	75,550	79,400	61,573	216,523	310,693
Supplies and materials	52,290	107,499	159,789	40,651	52,441	80,821	173,913	333,702
Equipment/Furnishings	2,259	38,683	40,942	63,622	11,053	13,360	88,035	128,977
Professional development	149,331	120,147	269,478	79,394	128,505	209,956	417,855	687,333
Marketing and recruitment	21,875	22,362	44,237	25,160	26,269	24,935	76,364	120,601
Technology	128,203	133,824	262,027	136,806	83,968	124,567	345,341	607,368
Food service	399,233	164,760	563,993	97,965	285,617	388,612	772,194	1,336,187
Student services	221,227	127,947	349,174	125,028	260,181	212,861	598,070	947,244
Office expense	121,801	86,153	207,954	62,053	150,216	190,063	402,332	610,286
Depreciation and amortization	64,940	71,346	136,286	69,529	229,302	144,476	443,307	579,593
Other	6,032	7,671	13,703	4,362	23,211	19,936	47,509	61,212
<b>TOTAL EXPENSES</b>	<b>4,398,209</b>	<b>4,272,394</b>	<b>8,670,603</b>	<b>2,549,291</b>	<b>4,552,424</b>	<b>6,101,532</b>	<b>13,203,247</b>	<b>21,873,850</b>
<b>SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS</b>	<b>301,298</b>	<b>722,685</b>	<b>1,023,983</b>	<b>(829,877)</b>	<b>484,555</b>	<b>804,726</b>	<b>459,404</b>	<b>1,483,387</b>
Support and other revenue:								
Contributions:								
Foundations	300,000	-	300,000	35,000	-	-	35,000	335,000
Individuals	-	-	-	-	-	500	500	500
Miscellaneous income	1,680	20,647	22,327	517	7,022	6,986	14,525	36,852
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>301,680</b>	<b>20,647</b>	<b>322,327</b>	<b>35,517</b>	<b>7,022</b>	<b>7,486</b>	<b>50,025</b>	<b>372,352</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 602,978</b>	<b>\$ 743,332</b>	<b>\$ 1,346,310</b>	<b>\$ (794,360)</b>	<b>\$ 491,577</b>	<b>\$ 812,212</b>	<b>\$ 509,429</b>	<b>\$ 1,855,739</b>

**TRUE NORTH ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**ROCHESTER, 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 Rochester 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 Rochester 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 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered True North Rochester 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 Rochester Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of True North Rochester 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 Rochester 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*.

We noted certain other matters that we reported to management of True North Rochester Preparatory Charter School in a separate letter dated October 19, 2016.

### **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 19, 2016

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 Rochester Preparatory Charter School

**Report on Compliance for Each Major Federal Program**

We have audited True North Rochester 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 Rochester Preparatory Charter School's major federal programs for the year ended June 30, 2016. True North Rochester 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 Rochester 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 Rochester 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 Rochester Preparatory Charter School's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, True North Rochester 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 Rochester 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 Rochester 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 Rochester 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 significant deficiencies or 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 Rochester Preparatory Charter School as of and for the year ended June 30, 2016, and have issued our report thereon dated October 19, 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 19, 2016

TRUE NORTH ROCHESTER 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 Agriculture:			
<u>Passed through New York State Education Department:</u>			
School Breakfast Program	10.553	1000004543	\$ 501,311
National School Lunch Program	10.555	1000004543	<u>1,004,516</u>
Total U.S. Department of Agriculture			1,505,827
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	638,789
Title IIA - Improving Teacher Quality	84.367	0147	15,913
2013-2016 NY Charter School Dissemination Program	84.282A	1000004543	98,834
<u>Passed through Uncommon Schools, Inc.:</u>			
CSP Grants for the Replication and Expansion of High-Quality Charter Schools	84.282M	U282M100013	<u>257,747</u>
Total U.S. Department of Education			<u>1,011,283</u>
TOTAL ALL PROGRAMS			<u>\$ 2,517,110</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of True North Rochester 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 ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

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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 ROCHESTER 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.