

**TRUE NORTH ROCHESTER PREPARATORY
CHARTER SCHOOL**

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2010
(With Comparative Totals for 2009)

CONTENTS

| <u>AUDITED FINANCIAL STATEMENTS</u> | <u>PAGE</u> |
|---|-------------|
| Independent Auditors' Report | 3 |
| Statement of Financial Position | 5 |
| Statement of Activities and Changes in Net Assets | 6 |
| Statement of Functional Expenses | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| <u>OTHER FINANCIAL INFORMATION</u> | |
| Independent Auditors' Report on Other Financial Information | 16 |
| Schedule of Middle School and Elementary School Activities | 17 |
| <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u> | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 19 |



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
True North Rochester Preparatory Charter School

We have audited the accompanying statement of financial position of True North Rochester Preparatory Charter School as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of True North Rochester Preparatory Charter School as of June 30, 2009 and for the year then ended and, in our report dated November 2, 2009, we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of True North Rochester Preparatory Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 29, 2010

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(With Comparative Totals for 2009)

| <u>ASSETS</u> | <u>June 30,</u> | |
|---|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 198,751 | \$ 90,166 |
| Grants and other receivables | 954,048 | 313,662 |
| Pledge receivable | 57,966 | 85,963 |
| Prepaid expenses and other current assets | 4,794 | 644 |
| TOTAL CURRENT ASSETS | <u>1,215,559</u> | <u>490,435</u> |
| <u>PROPERTY AND EQUIPMENT, net</u> | <u>751,183</u> | <u>740,594</u> |
| TOTAL ASSETS | <u>\$ 1,966,742</u> | <u>\$ 1,231,029</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 493,921 | \$ 185,939 |
| Note payable to related party | 350,000 | - |
| TOTAL CURRENT LIABILITIES | <u>843,921</u> | <u>185,939</u> |
| <u>NET ASSETS, unrestricted</u> | <u>1,122,821</u> | <u>1,045,090</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,966,742</u> | <u>\$ 1,231,029</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, 2010
(With Comparative Totals for 2009)

| | <u>Year ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Operating revenue and support: | | |
| State and local per pupil operating revenue | \$ 2,984,082 | \$ 2,390,489 |
| Government grants | 296,784 | 547,494 |
| Contributions | 524,103 | 164,830 |
| Other income | <u>1,893</u> | <u>16,166</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 3,806,862 | 3,118,979 |
| Expenses: | | |
| Program services - education | 3,184,302 | 2,371,157 |
| General and administrative | <u>544,829</u> | <u>304,924</u> |
| TOTAL EXPENSES | <u>3,729,131</u> | <u>2,676,081</u> |
| CHANGE IN NET ASSETS | 77,731 | 442,898 |
| Unrestricted net assets at beginning of year | <u>1,045,090</u> | <u>602,192</u> |
| UNRESTRICTED NET ASSETS AT END OF YEAR | <u>\$ 1,122,821</u> | <u>\$ 1,045,090</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, 2010
(With Comparative Totals for 2009)

| | Year ended June 30, | | | 2009 |
|--|----------------------------------|-------------------|---------------------|---------------------|
| | 2010 | | | |
| Program services - education | General and administrative | Total | Total | |
| Salaries | \$ 1,700,876 | \$ 248,820 | \$ 1,949,696 | \$ 1,407,375 |
| Payroll taxes and employee benefits | 324,228 | 46,724 | 370,952 | 293,021 |
| Occupancy | 165,932 | - | 165,932 | 112,817 |
| Repairs and maintenance | 92,418 | 6,327 | 98,745 | 57,576 |
| Textbooks | 4,587 | - | 4,587 | 4,222 |
| Instructional supplies and assessments | 63,810 | - | 63,810 | 52,471 |
| Computer and technology support | 38,640 | - | 38,640 | 33,585 |
| Student enrichment and services | 219,560 | - | 219,560 | 163,440 |
| Professional development | 147,847 | - | 147,847 | 66,962 |
| Professional services | - | 13,465 | 13,465 | 32,538 |
| Telephone | - | 22,786 | 22,786 | 18,696 |
| Insurance | - | 30,637 | 30,637 | 23,165 |
| Management fees | 261,803 | 46,200 | 308,003 | 252,823 |
| Office expense | 32,966 | 127,788 | 160,754 | 53,610 |
| Depreciation and amortization | 131,635 | 1,858 | 133,493 | 101,889 |
| Other | - | 224 | 224 | 1,891 |
| | <u>\$ 3,184,302</u> | <u>\$ 544,829</u> | <u>\$ 3,729,131</u> | <u>\$ 2,676,081</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, 2010
(With Comparative Totals for 2009)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|------------------|
| | <u>2010</u> | <u>2009</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 77,731 | \$ 442,898 |
| Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities: | | |
| Depreciation and amortization | 133,493 | 101,889 |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and other receivables | (640,386) | 291,897 |
| Pledge receivable | 27,997 | (85,963) |
| Prepaid expenses and other current assets | (4,150) | (644) |
| Accounts payable and accrued expenses | 307,982 | 12,690 |
| Deferred revenue | - | (350,100) |
| NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES | <u>(97,333)</u> | <u>412,667</u> |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | <u>(144,082)</u> | <u>(309,780)</u> |
| NET CASH USED FOR INVESTING ACTIVITIES | <u>(144,082)</u> | <u>(309,780)</u> |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Proceeds from (repayment of) note payable to related party | <u>350,000</u> | <u>(125,000)</u> |
| NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES | <u>350,000</u> | <u>(125,000)</u> |
| NET INCREASE (DECREASE) IN CASH | 108,585 | (22,113) |
| Cash at beginning of year | <u>90,166</u> | <u>112,279</u> |
| CASH AT END OF YEAR | <u>\$ 198,751</u> | <u>\$ 90,166</u> |

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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.

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. 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, 2010 or 2009.

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, 2010 or 2009.

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 ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

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

The Charter School maintains its cash balances in certain financial institutions located in New York. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. There are no uninsured balances at June 30, 2010. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk in cash.

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 against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2010 or 2009.

Pledge receivable

Pledge receivable represents an unconditional promise to give of \$30,000 per year over 4 years, through June 30, 2012. The amount to be collected in future years is recorded at the present value of estimated future collections. A discount of \$2,034 at June 30, 2010 on those amounts is computed using an interest rate applicable to the year in which the promise is received (2.33%). Discount amortization is included in contribution revenue. There was no allowance for uncollectible pledge receivable at June 30, 2010.

Property and equipment

Property and equipment are recorded at cost. Depreciation 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 seven years.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

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

Cont'd

Tax exempt status

The Charter School is tax-exempt under section 501(c)(3) of the Internal Revenue Code. 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 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2007 through June 30, 2010 are still subject to potential audit by the IRS. The Charter School adopted the provisions of FASB ASC 740-10 Accounting for Uncertainty in Income Taxes (formerly FIN 48), and its related amendment on July 1, 2009. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 29, 2010, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Comparatives for period from June 30, 2009

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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, 2009, from which the summarized information was derived.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

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, 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 expense 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 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the years ended June 30, 2010 and 2009 was \$308,003 and \$252,823, respectively.

The Charter School entered into two line of credit agreements with USI during fiscal 2010 totaling \$350,000. The lines of credit are interest free and payable in full when the School's cash flow is deemed high enough to cover two months of annual expenses. At June 30, 2010, \$350,000 is outstanding on these lines of credit.

The Charter School leases its Middle School facilities from True North Rochester Real Estate LLC, a wholly-owned subsidiary of USI. The lease agreement expires 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 leases its Elementary School facilities from True North Rochester Real Estate Ames Street, LLC, a wholly-owned subsidiary of USI. The lease agreement expires in March 2025, but will terminate if the Charter School's charter is not renewed. Rent for this lease is approximately \$10,600 per month and will increase annually until it reaches approximately \$11,300 per month in February 2017, at which point the monthly rental payment will be reset as defined in the lease. The Charter School is also responsible for all other expenses relating to the property. At June 30, 2010, the Charter School was in compliance with its financial covenant.

Rent expense incurred for the years ended June 30, 2010 and 2009 was \$86,727 and \$71,518, respectively.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The future minimum lease payments for the Elementary School are approximately as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2011 | \$ 118,000 |
| 2012 | 128,000 |
| 2013 | 129,000 |
| 2014 | 131,000 |
| 2015 | 132,000 |
| Thereafter | <u>223,000</u> |
| | <u>\$ 861,000</u> |

At June 30, 2010 and 2009 approximately \$164,000 and \$1,300, respectively, are included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2010 and 2009, approximately \$232,000 and \$87,000, respectively, are included in accounts payable relating to USI.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>June 30,</u> | |
|--|-------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Furniture and fixtures | \$ 89,848 | \$ 81,543 |
| Computer software | 156,252 | 123,145 |
| Leasehold improvements | <u>800,099</u> | <u>697,429</u> |
| | 1,046,199 | 902,117 |
| Less accumulated depreciation and amortization | <u>295,016</u> | <u>161,523</u> |
| | <u>\$ 751,183</u> | <u>\$ 740,594</u> |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE D: COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through May 2013. The approximate future minimum payments on these agreements are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2011 | \$ 18,000 |
| 2012 | 14,000 |
| 2013 | 12,000 |
| | <u>\$ 44,000</u> |

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the years ended June 30, 2010 and 2009 approximated \$33,000 and \$31,000, respectively.

NOTE F: 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 G: MAJOR GRANTOR

There were no major grants in the year ended June 30, 2010. One public start-up grant accounted for 11% of total operating revenue and support for the year ended June 30, 2009.

NOTE H: CONCENTRATION

At June 30, 2010 and 2009, approximately 53% and 82% of accounts receivable are due from New York State, respectively.

During the years ended June 30, 2010 and 2009, 78% and 77%, 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 ROCHESTER PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
True North Rochester Preparatory Charter School

Our report on our audit of the basic financial statements of True North Rochester Preparatory Charter School as of June 30, 2010 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 29, 2010

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF MIDDLE SCHOOL AND ELEMENTARY SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2010

| | <u>Middle School</u> | <u>Elementary School</u> | <u>Total</u> |
|---|--------------------------|------------------------------|------------------|
| State and local per pupil operating revenue | \$ 2,984,082 | \$ - | \$ 2,984,082 |
| Government grants | 296,784 | - | 296,784 |
| Contributions | 193,753 | 330,350 | 524,103 |
| Other income | <u>1,893</u> | <u>-</u> | <u>1,893</u> |
| TOTAL OPERATING REVENUE AND SUPPORT | 3,476,512 | 330,350 | 3,806,862 |
| Salaries | 1,748,837 | 200,859 | 1,949,696 |
| Payroll taxes and employee benefits | 361,691 | 9,261 | 370,952 |
| Occupancy | 101,889 | 64,043 | 165,932 |
| Repairs and maintenance | 97,240 | 1,505 | 98,745 |
| Textbooks | 4,587 | - | 4,587 |
| Instructional supplies and assessments | 63,800 | 10 | 63,810 |
| Computer and technology supplies | 38,547 | 93 | 38,640 |
| Student enrichment and services | 219,103 | 457 | 219,560 |
| Professional development | 106,417 | 41,430 | 147,847 |
| Professional services | 13,465 | - | 13,465 |
| Telephone | 22,348 | 438 | 22,786 |
| Insurance | 30,637 | - | 30,637 |
| Management fees | 308,003 | - | 308,003 |
| Office expense | 160,714 | 40 | 160,754 |
| Depreciation and amortization | 132,568 | 925 | 133,493 |
| Other | <u>224</u> | <u>-</u> | <u>224</u> |
| TOTAL EXPENSES | <u>3,410,070</u> | <u>319,061</u> | <u>3,729,131</u> |
| CHANGE IN NET ASSETS | <u>\$ 66,442</u> | <u>\$ 11,289</u> | <u>\$ 77,731</u> |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of June 30, 2010, and have issued our report thereon dated October 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered True North Rochester Preparatory Charter School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 matters that we reported to management of True North Rochester Preparatory Charter School in a separate letter dated October 29, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, State Education Department of the State University of New York and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 29, 2010