

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011

(With Comparative Totals for 2010)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
True North Troy Preparatory Charter School

We have audited the accompanying statement of financial position of True North Troy Preparatory Charter School as of June 30, 2011, 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 Troy Preparatory Charter School as of June 30, 2010 and for the period from March 11, 2008 (date of inception) to June 30, 2010 and in our report dated October 7, 2010, 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 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 Troy Preparatory Charter School as of June 30, 2011, 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 18, 2011 on our consideration of True North Troy 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 18, 2011

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 294,933	\$ 249,195
Grants and other receivables	124,685	68,615
Prepaid expenses, current portion	83,449	123,297
TOTAL CURRENT ASSETS	<u>503,067</u>	<u>441,107</u>
<u>OTHER ASSETS</u>		
Property and equipment, net	186,588	182,391
Prepaid expenses	-	139,186
TOTAL ASSETS	<u>\$ 689,655</u>	<u>\$ 762,684</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 124,631	\$ 72,300
Deferred revenue	-	104,656
TOTAL CURRENT LIABILITIES	<u>124,631</u>	<u>176,956</u>
<u>NET ASSETS, unrestricted</u>	<u>565,024</u>	<u>585,728</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 689,655</u>	<u>\$ 762,684</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30, 2011	Period from March 11, 2008 (date of inception) to June 30, 2010
Operating revenue and support:		
State and local per pupil operating revenue	\$ 1,609,529	\$ 720,259
Government grants	389,232	1,167,848
Contributions	252,450	499,100
Other income	27	92
TOTAL OPERATING REVENUE AND SUPPORT	<u>2,251,238</u>	<u>2,387,299</u>
Expenses:		
Program services - education	1,784,632	1,533,818
General and administrative	348,124	267,753
TOTAL EXPENSES	<u>2,132,756</u>	<u>1,801,571</u>
CHANGE IN NET ASSETS FROM OPERATIONS	118,482	585,728
Loss on early termination of lease agreement	<u>(139,186)</u>	-
CHANGE IN NET ASSETS	(20,704)	585,728
Unrestricted net assets at beginning of year	<u>585,728</u>	-
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 565,024</u>	<u>\$ 585,728</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30, 2011			Period from March 11, 2008 (date of inception) to 2010
	Program services - education	General and administrative	Total	Total
Salaries	\$ 789,308	\$ 183,119	\$ 972,427	\$ 789,082
Payroll taxes and employee benefits	177,938	38,082	216,020	131,335
Occupancy	143,350	-	143,350	381,285
Grant passthrough	20,000	-	20,000	-
Repairs and maintenance	63,789	2,096	65,885	64,397
Textbooks	4,678	-	4,678	1,156
Instructional supplies and assessments	20,113	-	20,113	12,143
Computer and technology support	47,483	-	47,483	9,437
Student enrichment and services	229,853	-	229,853	147,753
Professional development	51,782	-	51,782	47,595
Professional services	-	21,613	21,613	17,936
Telephone	-	30,228	30,228	25,068
Insurance	-	15,638	15,638	10,816
Management fees	142,739	25,189	167,928	77,368
Office expense	23,900	29,187	53,087	45,062
Depreciation and amortization	69,699	646	70,345	30,796
Other	-	2,326	2,326	10,342
	<u>\$ 1,784,632</u>	<u>\$ 348,124</u>	<u>\$ 2,132,756</u>	<u>\$ 1,801,571</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30, 2011	Period from March 11, 2008 (date of inception) to June 30, 2010
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (20,704)	\$ 585,728
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	70,345	30,796
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(56,070)	(68,615)
Prepaid expenses	179,034	(262,483)
Accounts payable and accrued expenses	52,331	72,300
Deferred revenue	(104,656)	104,656
NET CASH PROVIDED FROM OPERATING ACTIVITIES	120,280	462,382
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(77,324)	(213,187)
Proceeds from sale of property and equipment	2,782	-
NET CASH USED FOR INVESTING ACTIVITIES	(74,542)	(213,187)
NET INCREASE IN CASH	45,738	249,195
Cash at beginning of year	249,195	-
CASH AT END OF YEAR	<u>\$ 294,933</u>	<u>\$ 249,195</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

The Charter School

True North Troy Preparatory Charter School (the “Charter School”), is an educational corporation operating as a charter school in Troy, New York. On March 11, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

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, 2011 or 2010.

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, 2011 or 2010.

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

Revenue and support recognition

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

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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 at a financial institution located in New York. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at the institution. In addition, certain non-interest bearing transaction accounts at the financial institution are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balance 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 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, 2011 or 2010.

Prepaid expenses

As of June 30, 2011, prepaid expenses relate to down payments and advance purchases for the 2011-2012 school year. As of June 30, 2010, prepaid expenses consisted primarily of prepaid rent which was being expensed over the term of the lease. As of June 30, 2011, the Charter School is relocating to another space and in accordance with the terms of the lease, forfeited the remaining portion of the prepaid rent.

Property and equipment

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

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 TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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, 2009 through June 30, 2011 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.

Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

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.

Comparatives for the period ended June 30, 2010

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 period ended June 30, 2010, 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 18, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2009, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the year ended June 30, 2011 was \$167,928 and for the period from March 11, 2008 (date of inception) to June 30, 2010 was \$77,368. At June 30, 2011, approximately \$15,800 was included in accounts payable, relating to USI. At June 30, 2010, approximately \$2,500 and \$17,800 were included in accounts receivable and accounts payable, respectively, relating to USI.

The Charter School is related to True North Rochester Preparatory Charter School ("Rochester Prep") and True North Rochester Preparatory Charter School – West Campus through common Board representation. As the Charter School does not have an economic interest in the net assets of any other school, the facts do not require consolidation of the Charter School in accordance with FASB ASC 958-810 (formerly SOP 94-3 "Reporting of Related Entities by Not-For-Profit Organizations").

The Charter School leased its facilities from True North Troy Real Estate, LLC, a wholly-owned subsidiary of USI. Rent expense incurred for the year ended June 30, 2011 and period ended June 30, 2010 was \$111,349 and \$148,465, respectively. The lease agreement was through August 2012 with rent of \$399,000 for the term of the lease, which was paid in full at the inception of the lease, therefore, no further lease payments were due. As of June 30, 2011, the Charter School is relocating to another space and in accordance with the terms of the lease with True North Troy Real Estate, forfeited the remaining portion of prepaid rent. This amount has been shown as loss on early termination of lease in the accompanying statement of activities and changes in net assets for the year ended June 30, 2011. At June 30, 2011 and 2010, approximately \$6,750 and \$22,700, respectively, is included in accounts payable relating to True North Troy Real Estate, LLC for occupancy charges.

Effective August 1, 2011, the Charter School signed a lease agreement with True North Tyler Street, LLC, a wholly-owned subsidiary of USI. The lease requires monthly payments of \$42,175 through November 2036. Future minimum payments on this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 463,925
2013	506,100
2014	506,100
2015	506,100
2016	506,100
Thereafter	<u>10,332,875</u>
	<u>\$ 12,821,200</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2011	2010
Furniture and fixtures	\$ 81,454	\$ 22,281
Computers and software	199,890	190,906
Leasehold improvements	6,385	-
	<u>287,729</u>	<u>213,187</u>
Less accumulated depreciation and amortization	101,141	30,796
	<u>\$ 186,588</u>	<u>\$ 182,391</u>

NOTE D: 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 pay, not to exceed \$3,500. The Charter School's total contribution to the Plan for the year ended June 30, 2011 approximated \$11,700. The Charter School's total contribution to the Plan for the period from March 11, 2008 (date of inception) to June 30, 2010 approximated \$11,200.

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE F: CONCENTRATION

At June 30, 2011 approximately 14% and 73% of accounts receivable are due from a grantor and New York State, respectively.

At June 30, 2010 approximately 49% and 38% of accounts receivable are due from a school district and New York State, respectively.

During the year ended June 30, 2011, 71% of total operating revenue and support came from per-pupil funding provided by New York State. During the period from March 11, 2008 (date of inception) to June 30, 2010, 31% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE G: MAJOR GRANTOR

Two public grants accounted for approximately 27% and 12%, respectively, of total operating revenue and support for the period ended June 30, 2010.

NOTE H: OPERATING LEASE

The Charter School leases office equipment under a non-cancelable lease agreement expiring in September 2012. The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 13,149
2013	<u>3,287</u>
	<u>\$ 16,436</u>

TRUE NORTH TROY 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 Troy Preparatory Charter School

Our report on our audit of the basic financial statements of True North Troy Preparatory Charter School as of June 30, 2011 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 18, 2011

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2011

	<u>Middle School</u>	<u>Elementary School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 1,609,529	\$ -	\$ 1,609,529
Government grants	312,792	76,440	389,232
Contributions	107,450	145,000	252,450
Other income	<u>27</u>	<u>-</u>	<u>27</u>
TOTAL OPERATING REVENUE AND SUPPORT	2,029,798	221,440	2,251,238
Salaries	850,394	122,033	972,427
Payroll taxes and employee benefits	194,589	21,431	216,020
Occupancy	143,350	-	143,350
Contributions	-	20,000	20,000
Repairs and maintenance	65,885	-	65,885
Textbooks	4,678	-	4,678
Instructional supplies and assessments	20,113	-	20,113
Computer and technology supplies	47,483	-	47,483
Student enrichment and services	219,754	10,099	229,853
Professional development	43,918	7,864	51,782
Professional services	21,613	-	21,613
Telephone	28,619	1,609	30,228
Insurance	15,638	-	15,638
Management fees	167,928	-	167,928
Office expense	53,055	32	53,087
Depreciation and amortization	70,345	-	70,345
Other	<u>2,326</u>	<u>-</u>	<u>2,326</u>
TOTAL EXPENSES	<u>1,949,688</u>	<u>183,068</u>	<u>2,132,756</u>
CHANGE IN NET ASSETS FROM OPERATIONS	80,110	38,372	118,482
Loss on early termination of lease agreement	<u>139,186</u>	<u>-</u>	<u>139,186</u>
CHANGE IN NET ASSETS	<u>\$ (59,076)</u>	<u>\$ 38,372</u>	<u>\$ (20,704)</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

	Elementary School	Middle School		
	For the period from March 11, 2008 (date of inception) to June 30, 2010	For the period from March 11, 2008 (date of inception) to June 30, 2009	Year ended June 30, 2010	Total
State and local per pupil operating revenue	\$ -	\$ -	\$ 720,259	\$ 720,259
Government grants	-	681,534	486,314	1,167,848
Contributions	65,000	91,284	342,816	499,100
Other income	-	70	22	92
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUE AND SUPPORT	65,000	772,888	1,549,411	2,387,299
Salaries	46,667	94,388	648,027	789,082
Payroll taxes and employee benefits	4,240	16,626	110,469	131,335
Occupancy	-	206,028	175,257	381,285
Repairs and maintenance	-	-	64,397	64,397
Textbooks	-	-	1,156	1,156
Instructional supplies and assessments	-	-	12,143	12,143
Computer and technology supplies	-	570	8,867	9,437
Student enrichment and services	-	-	147,753	147,753
Professional development	1,508	38,844	7,243	47,595
Professional services	-	-	17,936	17,936
Telephone	674	1,741	22,653	25,068
Insurance	-	-	10,816	10,816
Management fees	-	-	77,368	77,368
Office expense	-	9,441	35,621	45,062
Depreciation	-	-	30,796	30,796
Other	-	8,508	1,834	10,342
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	53,089	376,146	1,372,336	1,801,571
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	\$ 11,911	\$ 396,742	\$ 177,075	\$ 585,728

TRUE NORTH TROY 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 Troy Preparatory Charter School

We have audited the financial statements of True North Troy Preparatory Charter School as of June 30, 2011 and for the year then ended, and have issued our report thereon dated October 18, 2011. 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 Troy 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 Troy 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 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.

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 Troy Preparatory Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of True North Troy Preparatory Charter School in a separate letter dated October 18, 2011.

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 and the 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 18, 2011