

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
True North Troy Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of True North Troy Preparatory Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited True North Troy Preparatory Charter School's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 on our consideration of True North Troy Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 13, 2015

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 651,163	\$ 129,534
Grants and other receivables	1,111,776	2,199,914
Prepaid expenses	<u>62,004</u>	<u>35,831</u>
TOTAL CURRENT ASSETS	1,824,943	2,365,279
 <u>OTHER ASSETS</u>		
Property and equipment, net	<u>472,457</u>	<u>409,820</u>
TOTAL ASSETS	<u>\$ 2,297,400</u>	<u>\$ 2,775,099</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 279,346	\$ 354,586
Advance from Uncommon Schools, Inc.	<u>-</u>	<u>1,000,000</u>
TOTAL CURRENT LIABILITIES	279,346	1,354,586
 <u>NET ASSETS, unrestricted</u>	 <u>2,018,054</u>	 <u>1,420,513</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,297,400</u>	<u>\$ 2,775,099</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, 2015
(With Comparative Totals for 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 6,906,002	\$ 5,910,085
Government grants	691,001	813,530
Contributions	1,840	29,750
Other income	75	56,341
TOTAL OPERATING REVENUE AND SUPPORT	<u>7,598,918</u>	<u>6,809,706</u>
Expenses:		
Program services - education	6,222,483	5,766,292
General and administrative	778,894	780,681
TOTAL EXPENSES	<u>7,001,377</u>	<u>6,546,973</u>
CHANGE IN NET ASSETS	597,541	262,733
Unrestricted net assets at beginning of year	<u>1,420,513</u>	<u>1,157,780</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 2,018,054</u>	<u>\$ 1,420,513</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, 2015
(With Comparative Totals for 2014)

	Program services - education	General and administrative	<u>Total</u> Year ended June 30,	
			<u>2015</u>	<u>2014</u>
Salaries	\$ 2,827,638	\$ 298,259	\$ 3,125,897	\$ 2,851,633
Payroll taxes and employee benefits	605,890	63,648	669,538	597,128
Occupancy	594,153	-	594,153	575,981
Repairs and maintenance	145,939	28,091	174,030	166,041
Textbooks	5,570	-	5,570	24,826
Instructional supplies and assessments	91,873	-	91,873	114,335
Computer and technology support	224,653	-	224,653	151,058
Student enrichment and services	740,485	-	740,485	690,074
Professional development	187,675	-	187,675	188,575
Professional services	-	31,492	31,492	59,476
Telephone	-	77,940	77,940	64,249
Insurance	-	67,208	67,208	61,844
Management fees	514,858	90,857	605,715	552,853
Office expense	57,276	107,060	164,336	158,256
Depreciation and amortization	205,828	3,421	209,249	210,119
Other	-	10,918	10,918	16,391
Bad debt expense	20,645	-	20,645	64,134
	<u>\$ 6,222,483</u>	<u>\$ 778,894</u>	<u>\$ 7,001,377</u>	<u>\$ 6,546,973</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, 2015
(With Comparative Totals for 2014)

	June 30,	
	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 597,541	\$ 262,733
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Bad debt expense	20,645	64,134
Depreciation and amortization	209,249	210,119
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	1,067,493	(1,816,866)
Prepaid expenses	(26,173)	(32,706)
Accounts payable and accrued expenses	(75,240)	(103,534)
Deferred revenue	<u>-</u>	<u>(25,000)</u>
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	1,793,515	(1,441,120)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(271,886)</u>	<u>(139,098)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(271,886)</u>	<u>(139,098)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
(Repayment of) advance from Uncommon Schools, Inc.	<u>(1,000,000)</u>	<u>1,000,000</u>
NET CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	<u>(1,000,000)</u>	<u>1,000,000</u>
NET INCREASE (DECREASE) IN CASH	521,629	(580,218)
Cash at beginning of year	<u>129,534</u>	<u>709,752</u>
CASH AT END OF YEAR	<u>\$ 651,163</u>	<u>\$ 129,534</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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

The Charter School

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

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

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2015 or 2014.

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, 2015 or 2014.

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, 2015 AND 2014

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

Cont'd

Contributions

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

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

Cash

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

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off as bad debt expense or against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

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

Tax exempt status

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

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 the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2015, the Charter School is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to June 30, 2012. The tax returns for the years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

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

Cont'd

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 year ended June 30, 2014

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, 2014, 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 13, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note E.

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2009 which was renewed for an additional five years on July 1, 2014, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 9% for 2014, 8.5% for 2015, and 8% for 2016-2019. The fees incurred for the years ended June 30, 2015 and 2014 were approximately \$606,000 and \$553,000, respectively. At June 30, 2015, approximately \$7,000 and \$80,000 were included in accounts receivable and accounts payable, respectively, relating to USI. At June 30, 2014, approximately \$6,000 and \$168,000 were included in accounts receivable and accounts payable, respectively, relating to USI.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

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

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

Future minimum payments on these leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 511,850
2017	511,850
2018	506,100
2019	506,100
2020	506,100
Thereafter	<u>8,139,775</u>
	<u>\$ 10,681,775</u>

Rent expense incurred was \$521,792 and \$506,100 for the years ended June 30, 2015 and June 30, 2014, respectively.

During the year ended June 30, 2014 the Charter School obtained a \$1,000,000 advance from USI to cover cash flow needs while the school was awaiting receipt of outstanding per pupil funding amounts from certain districts. The loan was interest-free with no set repayment terms; however, the Charter School repaid the loan in full during October 2014 upon receipt of the majority of the outstanding accounts receivable balances.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2015	2014
Furniture and fixtures	\$ 159,645	\$ 159,645
Computers and software	794,815	750,615
Leasehold improvements	347,240	119,554
	1,301,700	1,029,814
Less accumulated depreciation and amortization	829,243	619,994
	<u>\$ 472,457</u>	<u>\$ 409,820</u>

NOTE D: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have 2 years of service or less the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. Effective July 1, 2012, for employees who have 3 years of service or more the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. Effective July 1, 2013, for employees who have 4 years of service or more the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2015 and 2014 approximated \$77,200 and \$73,600, respectively.

NOTE E: CONTINGENCY

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

There are amounts approximating \$110,000 and \$813,000 due from the Troy City School District and Lansingburgh Central School District, respectively, which are included in the accounts receivable balance at June 30, 2015. Historically the Charter School has had difficulty collecting receivables directly from these districts and has needed to file intercepts with New York State to collect the amounts due directly from the New York State Education Department. Intercepts will be filed for the outstanding amounts due from these districts as of June 30, 2015. Subsequent to the fiscal year end, New York State Education Department has approved intercept funds of \$755,812 towards the amount owed by the Lansingburgh Central School District. Historically the Charter School has been successful collecting intercept funds, and management believes that all amounts due will eventually be received.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015 AND 2014

NOTE F: CONCENTRATIONS

At June 30, 2015 approximately 83% of accounts receivable were due from two school districts.

At June 30, 2014 approximately 87% of accounts receivable were due from two school districts, respectively.

During the years ended June 30, 2015 and 2014, 83% and 87%, 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.

NOTE G: OPERATING LEASE

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 19,000
2017	16,000
2018	14,300
2019	5,000
	<u>\$ 54,300</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
True North Troy Preparatory Charter School

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

We have also audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2014, and our report thereon dated October 22, 2014, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2014 financial statements as a whole. The 2014 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2014 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 2014 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 2014 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, 2014, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 13, 2015

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TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Middle School</u>	<u>Elementary School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 3,245,621	\$ 3,660,381	\$ 6,906,002
Government grants	348,895	342,106	691,001
Contributions	1,500	340	1,840
Other income	-	75	75
TOTAL OPERATING REVENUE AND SUPPORT	<u>3,596,016</u>	<u>4,002,902</u>	<u>7,598,918</u>
Salaries	1,507,105	1,618,792	3,125,897
Payroll taxes and employee benefits	305,059	364,479	669,538
Occupancy	289,339	304,814	594,153
Repairs and maintenance	76,509	97,521	174,030
Textbooks	881	4,689	5,570
Instructional supplies and assessments	54,299	37,574	91,873
Computer and technology supplies	126,501	98,152	224,653
Student enrichment and services	363,136	377,349	740,485
Professional development	76,154	111,521	187,675
Professional services	18,581	12,911	31,492
Telephone	25,398	52,542	77,940
Insurance	38,957	28,251	67,208
Management fees	284,695	321,020	605,715
Office expense	77,470	86,866	164,336
Depreciation and amortization	167,913	41,336	209,249
Other	5,844	5,074	10,918
Bad debt expense	15,762	4,883	20,645
TOTAL EXPENSES	<u>3,433,603</u>	<u>3,567,774</u>	<u>7,001,377</u>
CHANGE IN NET ASSETS	<u>\$ 162,413</u>	<u>\$ 435,128</u>	<u>\$ 597,541</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Middle School</u>	<u>Elementary School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 3,209,164	\$ 2,700,921	\$ 5,910,085
Government grants	360,647	452,883	813,530
Contributions	-	29,750	29,750
Other income	<u>27,354</u>	<u>28,987</u>	<u>56,341</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,597,165	3,212,541	6,809,706
Salaries	1,573,854	1,277,779	2,851,633
Payroll taxes and employee benefits	370,435	226,693	597,128
Occupancy	284,202	291,779	575,981
Repairs and maintenance	87,452	78,589	166,041
Textbooks	2,092	22,734	24,826
Instructional supplies and assessments	47,029	67,306	114,335
Computer and technology supplies	88,883	62,175	151,058
Student enrichment and services	366,172	323,902	690,074
Professional development	86,376	102,199	188,575
Professional services	29,282	30,194	59,476
Telephone	31,404	32,845	64,249
Insurance	37,602	24,242	61,844
Management fees	300,266	252,587	552,853
Office expense	79,260	78,996	158,256
Depreciation and amortization	158,149	51,970	210,119
Other	7,794	8,597	16,391
Bad debt expense	<u>42,980</u>	<u>21,154</u>	<u>64,134</u>
TOTAL EXPENSES	<u>3,593,232</u>	<u>2,953,741</u>	<u>6,546,973</u>
CHANGE IN NET ASSETS	<u>\$ 3,933</u>	<u>\$ 258,800</u>	<u>\$ 262,733</u>

**TRUE NORTH TROY PREPARATORY CHARTER
SCHOOL**

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 13, 2015

To the Board of Trustees
True North Troy Preparatory Charter School

In planning and performing our audit of the financial statements of True North Troy Preparatory Charter School (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing our auditing 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 the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the financial statements of True North Troy Preparatory Charter School as of June 30, 2015 and for year then ended, we observed the Charter School’s significant accounting policies and procedures and certain business, financial and administrative practices. As a result of our observations, we suggest you consider the following comments which we do not consider to be significant deficiencies or material weaknesses:

Meal Reimbursements

The Charter School qualifies for the Community Eligibility Provision, which allows it to serve meals to students and have the expenses reimbursed. To keep track of how many meals it needs to submit reimbursement for each month, each homeroom in the Charter School counts the number of students every day who take a breakfast, lunch, and/or snack. During the performance of our audit procedures, we noted that a clerical error in the Excel spreadsheet used to summarize the meal counts caused the Charter School to under count the number of meals to be reimbursed during the month of March 2015.

Recommendation

We recommend the Charter School institute a more thorough review process to ensure that mistakes are caught before the the reimbursement request is made.

* * * * *

We believe that the implementation of this recommendation will improve the controls in place and efficiency of the Charter School's internal control.

This communication is intended solely for the information and use of Management, Finance Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Ray Jacobi or Ryan Snyder.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP

**TRUE NORTH TROY PREPARATORY CHARTER
SCHOOL**

TROY, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
True North Troy Preparatory Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2015 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 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered True North Troy Preparatory Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of True North Troy Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of True North Troy Preparatory Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of True North Troy Preparatory Charter School in a separate letter dated October 13, 2015.

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 13, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
True North Troy Preparatory Charter School

Report on Compliance for Each Major Federal Program

We have audited True North Troy Preparatory Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on True North Troy Preparatory Charter School's major federal programs for the year ended June 30, 2015. True North Troy Preparatory Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of True North Troy Preparatory Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about True North Troy Preparatory Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, True North Troy Preparatory Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of True North Troy Preparatory Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered True North Troy Preparatory Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of True North Troy Preparatory Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2015, and have issued our report thereon dated October 13, 2015, 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 OMB Circular A-133 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 Expenditures 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 13, 2015

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 215,267
Title IIA - Improving Teacher Quality	84.367	0147	<u>5,935</u>
TOTAL DEPARTMENT OF EDUCATION			<u>221,202</u>
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	1000004740	138,006
National School Lunch Program	10.555	1000004740	<u>261,364</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>399,370</u>
TOTAL ALL PROGRAMS			<u>\$ 620,572</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of True North Troy Preparatory Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major program:

CFDA Number:

10.553
10.555

Name of Federal Program or Cluster:

School Breakfast Program
National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.