

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 15, 2019 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, Baw & Co. LLP

Rochester, New York
October 15, 2019

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,647,688	\$ 1,530,991
Grants and contracts receivable	308,703	361,107
Accounts receivable	417,053	911,738
Prepaid expenses	<u>379,566</u>	<u>260,924</u>
TOTAL CURRENT ASSETS	3,753,010	3,064,760
 <u>PROPERTY AND EQUIPMENT, NET</u>	 1,628,741	 1,647,068
 <u>ESCROW ACCOUNT</u>	 <u>75,984</u>	 <u>75,465</u>
TOTAL ASSETS	<u>\$ 5,457,735</u>	<u>\$ 4,787,293</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 552,509	\$ 457,394
 <u>NET ASSETS</u> , without donor restrictions	 <u>4,905,226</u>	 <u>4,329,899</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,457,735</u>	<u>\$ 4,787,293</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, 2019
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 9,992,424	\$ 8,834,919
Students with disabilities	376,833	337,965
Grants and contracts:		
Federal - Title and IDEA	325,724	373,023
Federal - Other	209,104	349,596
Food service/child nutrition program	<u>612,672</u>	<u>567,751</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	11,516,757	10,463,254
 Expenses:		
Program services:		
Regular education	9,199,985	8,009,341
Special education	<u>383,334</u>	<u>333,720</u>
TOTAL PROGRAM SERVICES	9,583,319	8,343,061
Management and general	<u>1,597,208</u>	<u>1,420,850</u>
TOTAL OPERATING EXPENSES	<u>11,180,527</u>	<u>9,763,911</u>
 SURPLUS FROM SCHOOL OPERATIONS	336,230	699,343
 Support and other revenue:		
Contributions:		
Foundations	127,499	4,000
Miscellaneous income	<u>111,598</u>	<u>10,805</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>239,097</u>	<u>14,805</u>
 CHANGE IN NET ASSETS	575,327	714,148
 Net assets without donor restrictions at beginning of year	<u>4,329,899</u>	<u>3,615,751</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 4,905,226</u>	<u>\$ 4,329,899</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, 2019
(With Comparative Totals for 2018)

	No. of Positions	June 30,					2018 Total
		2019					
		Regular education	Special education	Total	Support Services Management and General	Total	
Personnel services costs:							
Administrative staff personnel	19	\$ 999,422	\$ 41,643	\$ 1,041,065	\$ 786,251	\$ 1,827,316	\$ 1,546,063
Instructional personnel	63	2,733,561	113,898	2,847,459	-	2,847,459	2,649,659
Non-instructional personnel	3	66,246	2,760	69,006	-	69,006	78,159
Total salaries and staff	85	3,799,229	158,301	3,957,530	786,251	4,743,781	4,273,881
Fringe benefits and payroll taxes		727,608	30,317	757,925	150,664	908,589	725,449
Retirement		90,355	3,765	94,120	17,977	112,097	99,591
Management fees		719,600	29,983	749,583	132,280	881,863	777,592
Legal service		-	-	-	24,447	24,447	40,404
Accounting and audit services		-	-	-	27,498	27,498	28,467
Other professional and consulting services		169,359	7,057	176,416	30,013	206,429	185,723
Building and land rent		841,410	35,059	876,469	-	876,469	553,086
Repairs and maintenance		357,878	14,912	372,790	-	372,790	318,307
Insurance		-	-	-	139,501	139,501	117,451
Utilities		92,485	3,854	96,339	34,122	130,461	110,419
Supplies and materials		150,783	6,283	157,066	-	157,066	191,925
Equipment/Furnishings		11,445	477	11,922	14,536	26,458	68,174
Professional development		262,248	10,927	273,175	-	273,175	295,048
Marketing and recruitment		33,330	1,389	34,719	-	34,719	35,759
Technology		71,286	2,970	74,256	81,707	155,963	176,777
Food service		568,938	23,706	592,644	-	592,644	557,128
Student services		636,014	26,501	662,515	-	662,515	472,602
Office expense		74,194	3,091	77,285	139,699	216,984	223,045
Depreciation and amortization		402,803	16,783	419,586	4,723	424,309	329,579
Other		191,020	7,959	198,979	13,790	212,769	183,504
		<u>\$ 9,199,985</u>	<u>\$ 383,334</u>	<u>\$ 9,583,319</u>	<u>\$ 1,597,208</u>	<u>\$ 11,180,527</u>	<u>\$ 9,763,911</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, 2019
(With Comparative Totals for 2018)

	June 30,	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 575,327	\$ 714,148
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	198,979	178,808
Depreciation and amortization	424,309	329,579
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	52,404	275,958
Accounts receivable	295,706	(139,859)
Prepaid expenses	(118,642)	(221,555)
Accounts payable and accrued expenses	<u>95,115</u>	<u>(109,105)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,523,198	1,027,974
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(405,982)	(1,168,847)
Increase in escrow account	<u>(519)</u>	<u>(151)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(406,501)</u>	<u>(1,168,998)</u>
NET INCREASE (DECREASE) IN CASH	1,116,697	(141,024)
Cash at beginning of year	<u>1,530,991</u>	<u>1,672,015</u>
CASH AT END OF YEAR	<u>\$ 2,647,688</u>	<u>\$ 1,530,991</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019, the charter, which was set to expire on July 31, 2019, was approved for a full-term renewal for a period of five years to commence August 1, 2019.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at June 30, 2019 or 2018.

Net Assets Without Donor Restrictions – 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 net assets without donor restrictions 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, 2019 AND 2018

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

Cont'd

Contributions

Contributions received are recorded in the appropriate class of net assets 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 revenue without donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Escrow account

A savings account is held by the Charter School as an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2019 and 2018 was \$75,984 and \$75,465, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

Grants and contracts receivables

Grants and contracts 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, 2019 or 2018.

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 files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 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 will not recognize any liability for unrecognized tax benefits.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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. The Charter School received donated transportation and other services from the local school district. The Charter School was unable to determine a value for these services.

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, 2018

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, 2018, from which the summarized information was derived.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 “*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*”. The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

- 4) Provide enhanced disclosures about:
- a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
 - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
 - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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

Cont'd

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations. The standard is currently effective for the Charter School’s fiscal year ending June 30, 2021, but FASB is considering proposals to delay the effective date by one year.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure, except as disclosed in Note B, were noted.

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 and amended on November 1, 2017, which among other changes, extended the term through June 30, 2022. Under the agreement, 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 8% through June 30, 2022 for the Troy Prep Elementary School program and the Troy Prep Middle School program. The percentage for the Troy Prep High School program is fixed at 10% for years ended June 30, 2018 through 2020. The rate decreases to 9.5% for the year ended June 30, 2021, and again to 9% for year ended June 30, 2022. The fees incurred for the years ended June 30, 2019 and 2018 were approximately \$882,000 and \$778,000, respectively. Approximately \$162,000 and \$133,000 were included in accounts payable, relating to USI, at June 30, 2019 and 2018, respectively. Approximately \$121,000 was included in accounts receivable from USI relating to a grant from a foundation being passed through USI at June 30, 2019. There were no amounts included in accounts receivable, relating to USI, at June 30, 2018.

Subsequent to the end of the year the Charter School entered into a revised five year agreement effective July 1, 2019. This agreement sets the service fee at 13.5% of all recurring public revenue less facilities expenses for all schools. Recurring public revenue is defined as annual public entitlement aid including core and tuition which includes general, SPED and State special funding and all ESSA funding which includes Title I, Title IIA, IID, III, IV, V and IDEA funding. Facilities expense includes building expenses (leases, taxes), utilities, maintenance and furniture and fixtures, and excludes building related expenditures which are capitalized and amortized/depreciated.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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. The rent for the option periods will total \$1 per year, however the parties may subsequently determine to modify this by mutual agreement, no later than 90 days prior to the expiration of the lease. In the current year, the agreement automatically renewed and no other rent payment was agreed upon, therefore the basic rent for the five-year option period will be \$1 per year.

Effective July 1, 2017, the Charter School signed a lease with True North River Street, LLC, a wholly-owned subsidiary of USI. The lease requires annual payments of \$40,000 through June 2018. In addition, the Charter School has committed to paying \$360,000 towards renovation work on the property. This amount was paid on October 11, 2017. Effective July 1, 2018, the annual rent increased to \$330,000 through June 30, 2019 with five automatic renewal periods for five years each through June 30, 2044.

Future minimum payments on these leases are as follows assuming all renewals are selected:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 836,100
2021	836,100
2022	836,100
2023	836,100
2024	836,100
Thereafter	<u>12,715,375</u>
	<u>\$ 16,895,875</u>

Rent expense incurred was \$876,469 and \$553,086 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE C: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service, as well as the conduct of services undertaken to support those activities, to be general expenditures.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

NOTE C: LIQUIDITY AND AVAILABILITY, Cont'd

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 2,647,688
Grants and contracts receivable	308,703
Accounts receivable	<u>417,053</u>
	<u>\$ 3,373,444</u>

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 334,014	\$ 282,792
Computers and software	1,223,312	972,696
Leasehold improvements	1,539,499	1,435,355
Construction in Progress	<u>30,000</u>	<u>30,000</u>
	3,126,825	2,720,843
Less accumulated depreciation and amortization	<u>1,498,084</u>	<u>1,073,775</u>
	<u>\$ 1,628,741</u>	<u>\$ 1,647,068</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have less than 2 years of service, the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. For employees who have 2 to 3 years of service, the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. 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, 2019 and 2018 approximated \$112,100 and \$99,600, respectively.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019 AND 2018

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.

At the year ended June 30, 2018, there was amounts approximating \$825,000 due from the Lansingburgh Central School District which were included in the accounts receivable balance. Historically the Charter School has had difficulty collecting receivables directly from this district and has needed to file intercepts with New York State to collect the amounts due directly from the New York State Education Department. During the current year ended June 30, 2019, the Charter School was able to settle these collectability issues through filing intercepts with the New York State Education Department. During the year ended June 30, 2019, the New York State Education Department authorized a total of \$588,466 to be deducted from state funds appropriated to Lansingburgh Central School District and be paid directly to the Charter School for amounts due from the 2017-2018 school year and approximately \$37,000 was received from the 2016-2017 school year. The remaining outstanding balance of approximately \$200,000 owed from Lansingburgh Central Schools was written off. However, on September 17, 2019, Lansingburgh Central School District filed a lawsuit against the New York State Education Department to recover the intercepts paid the Charter School. Any action to recover any amounts recorded through the intercept process will be vigorously litigated by the Charter School. All amounts receivable from Lansingburgh Central School District at June 30, 2019 are related to the fiscal year ending June 30, 2019 and management expects payments to be made in full either from the District or via the intercept process.

NOTE G: CONCENTRATIONS

At June 30, 2019 approximately 45% of accounts receivable was due from two school districts. At June 30, 2018 approximately 90% of accounts receivable was due from one school district.

During the years ended June 30, 2019 and 2018, 90% and 88%, respectively, of total revenues, gains and other 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, 2019 AND 2018

NOTE H: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements through November 2022. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 33,291
2021	29,016
2022	9,645
2023	2,603
	<u>\$ 74,555</u>

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

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, 2019, and we have issued our report thereon dated October 15, 2019, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 financial statements as a whole. The 2019 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2019 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 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 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, 2019, 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, 2018, and our report thereon dated October 16, 2018, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2018 financial statements as a whole. The 2018 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2018 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 2018 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 2018 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, 2018, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 15, 2019

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2019

	<u>High School</u>	<u>Middle School</u>	<u>Elementary School</u>	<u>Total</u>
Revenues, gains and other support:				
Public school district				
Resident student enrollment	\$ 1,243,367	\$ 3,677,141	\$ 5,071,916	\$ 9,992,424
Students with disabilities	69,820	166,745	140,268	376,833
Grants and contracts:				
Federal - Title and IDEA	-	500	325,224	325,724
Federal - Other	149,744	20,693	38,667	209,104
Food service/child nutrition program	<u>204,203</u>	<u>204,204</u>	<u>204,265</u>	<u>612,672</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,667,134	4,069,283	5,780,340	11,516,757
Personnel services costs:				
Administrative staff personnel	489,954	597,505	739,857	1,827,316
Instructional personnel	496,549	932,295	1,418,615	2,847,459
Non-instructional personnel	<u>-</u>	<u>-</u>	<u>69,006</u>	<u>69,006</u>
TOTAL STAFF AND SALARIES	986,503	1,529,800	2,227,478	4,743,781
Fringe benefits and payroll taxes	187,740	305,933	414,916	908,589
Retirement	11,535	44,921	55,641	112,097
Management fees	131,319	307,551	442,993	881,863
Legal service	8,148	8,149	8,150	24,447
Accounting and audit services	9,165	9,167	9,166	27,498
Other professional and consulting services	61,807	65,536	79,086	206,429
Building and land rent	61,248	195,832	619,389	876,469
Repairs and maintenance	83,166	99,547	190,077	372,790
Insurance	46,499	46,499	46,503	139,501
Utilities	43,032	38,681	48,748	130,461
Supplies and materials	55,925	51,830	49,311	157,066
Equipment/Furnishings	8,008	6,189	12,261	26,458
Professional development	93,319	71,671	108,185	273,175
Marketing and recruitment	14,537	7,290	12,892	34,719
Technology	45,965	40,906	69,092	155,963
Food service	71,045	217,522	304,077	592,644
Student services	188,537	206,406	267,572	662,515
Office expense	46,162	80,119	90,703	216,984
Depreciation and amortization	90,146	111,711	222,452	424,309
Other	<u>9,920</u>	<u>197,770</u>	<u>5,079</u>	<u>212,769</u>
TOTAL EXPENSES	<u>2,253,726</u>	<u>3,643,030</u>	<u>5,283,771</u>	<u>11,180,527</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	<u>(586,592)</u>	<u>426,253</u>	<u>496,569</u>	<u>336,230</u>
Support and other revenue:				
Contributions:				
Foundations	120,999	2,000	4,500	127,499
Miscellaneous income	<u>262</u>	<u>262</u>	<u>111,074</u>	<u>111,598</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>121,261</u>	<u>2,262</u>	<u>115,574</u>	<u>239,097</u>
CHANGE IN NET ASSETS	<u>\$ (465,331)</u>	<u>\$ 428,515</u>	<u>\$ 612,143</u>	<u>\$ 575,327</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2018

	High School	Middle School	Elementary School	Total
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 644,375	\$ 3,369,914	\$ 4,820,630	\$ 8,834,919
Students with disabilities	21,468	181,470	135,027	337,965
Grants and contracts:				
Federal - Title and IDEA	-	-	373,023	373,023
Federal - Other	188,427	44,846	116,323	349,596
Food service/child nutrition program	64,251	220,901	282,599	567,751
TOTAL REVENUE, GAINS AND OTHER SUPPORT	918,521	3,817,131	5,727,602	10,463,254
Personnel services costs:				
Administrative staff personnel	329,913	621,464	594,686	1,546,063
Instructional personnel	314,832	921,652	1,413,175	2,649,659
Non-instructional personnel	-	-	78,159	78,159
TOTAL STAFF AND SALARIES	644,745	1,543,116	2,086,020	4,273,881
Fringe benefits and payroll taxes	88,000	269,575	367,874	725,449
Retirement	5,980	45,485	48,126	99,591
Management fees	66,584	284,714	426,294	777,592
Legal service	12,185	14,820	13,399	40,404
Accounting and audit services	13,744	7,360	7,363	28,467
Other professional and consulting services	37,200	61,610	86,913	185,723
Building and land rent	35,427	205,315	312,344	553,086
Repairs and maintenance	79,653	95,426	143,228	318,307
Insurance	39,150	39,151	39,150	117,451
Utilities	28,964	33,279	48,176	110,419
Supplies and materials	82,690	37,397	71,838	191,925
Equipment/Furnishings	24,699	12,182	31,293	68,174
Professional development	74,351	91,694	129,003	295,048
Marketing and recruitment	18,784	10,232	6,743	35,759
Technology	68,420	49,507	58,850	176,777
Food service	48,859	220,046	288,223	557,128
Student services	103,849	179,177	189,576	472,602
Office expense	36,567	93,055	93,423	223,045
Depreciation and amortization	45,061	101,418	183,100	329,579
Other	1,363	58,690	123,451	183,504
TOTAL EXPENSES	1,556,275	3,453,249	4,754,387	9,763,911
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(637,754)	363,882	973,215	699,343
Support and other revenue:				
Contributions				
Foundations	-	-	4,000	4,000
Miscellaneous income	-	3,380	7,425	10,805
TOTAL SUPPORT AND OTHER REVENUE	-	3,380	11,425	14,805
CHANGE IN NET ASSETS	\$ (637,754)	\$ 367,262	\$ 984,640	\$ 714,148

TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2019



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 15, 2019

The Finance Committee
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, 2019, and have issued our report thereon dated October 15, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 14, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and *Government Auditing Standards*. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of True North Troy Preparatory Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by True North Troy Preparatory Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the year, the entity adopted ASU 2016-14 "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities". Accordingly, the financial statements and the related notes have been updated to include the required presentation and disclosures. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the collectability of grants and other receivables, as well as the allocation of costs for the statement of functional expenses. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting True North Troy Preparatory Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to True North Troy Preparatory Charter School's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with True North Troy Preparatory Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as True North Troy Preparatory Charter School's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Ray Jacobi or Ryan Snyder will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Finance Committee, the Board of Trustees, and management of True North Troy Preparatory Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

TROY, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM
GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019



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, 2019 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 15, 2019.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of 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, Barz & Co. LLP

Rochester, New York
October 15, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
True North 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) Compliance Supplement* that could have a direct and material effect on each of True North Troy Preparatory Charter School's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about True North 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, 2019.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of True North 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.

Purpose of the Report

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2019, and have issued our report thereon dated October 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 15, 2019

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

	<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	\$ 273,355
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	32,468
Title IV - Student Support and Academic Enrichment Program	84.424	0204	19,901
<u>Passed through Uncommon Schools, Inc.</u>			
CSP - Uncommon 2021	84.282M	U282M160015	<u>129,392</u>
TOTAL DEPARTMENT OF EDUCATION			455,116
U.S. Department of Agriculture:			
<i>Child Nutrition Cluster</i>			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	1000004740	179,906
National School Lunch Program	10.555	1000004740	<u>418,158</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>598,064</u>
TOTAL ALL PROGRAMS			<u>\$ 1,053,180</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

True North Troy Preparatory Charter School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

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 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

<i>CFDA Number:</i>	<i>Name of Federal Program or Cluster:</i>
84.010	Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.