

**TRUE NORTH ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**ROCHESTER, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2017**

**(With Comparative Totals for 2016)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	18
Schedule of Rochester Prep and West Campus Activities: Year Ended June 30, 2017	19
Schedule of Elementary School, Middle School, and High School Activities: Year Ended June 30, 2017	20

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
True North Rochester Preparatory Charter School

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of True North Rochester Preparatory Charter School as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of True North Rochester Preparatory Charter School as of June 30, 2017, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited True North Rochester Preparatory Charter School's June 30, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statement from which they are derived.

**Other Report Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of True North Rochester Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 20, 2017

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 3,408,303	\$ 3,626,125
Grants and contracts receivable	2,390,012	1,584,077
Accounts receivable	1,498,658	527,413
Prepaid expenses and other current assets	<u>138,809</u>	<u>257,410</u>
TOTAL CURRENT ASSETS	7,435,782	5,995,025
 <u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$3,764,117 and \$2,853,343, respectively		
	3,629,228	1,909,979
 <u>ESCROW ACCOUNT</u>		
	<u>238,206</u>	<u>239,334</u>
TOTAL ASSETS	<u>\$ 11,303,216</u>	<u>\$ 8,144,338</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,704,315	\$ 1,019,487
Deferred revenue	<u>57,710</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	1,762,025	1,019,487
 <u>NET ASSETS, unrestricted</u>		
	<u>9,541,191</u>	<u>7,124,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,303,216</u>	<u>\$ 8,144,338</u>

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017  
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 23,685,625	\$ 19,862,624
Students with disabilities	757,969	619,761
Grants and contracts:		
State and Local	396,012	-
Federal - Title and IDEA	1,032,044	723,434
Federal - Other	836,669	604,209
Food service/child nutrition program	<u>1,760,616</u>	<u>1,547,209</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	28,468,935	23,357,237
Expenses:		
Program services:		
Regular education	22,608,331	18,740,552
Special education	<u>699,227</u>	<u>579,605</u>
TOTAL PROGRAM SERVICES	23,307,558	19,320,157
General and administrative	<u>3,148,977</u>	<u>2,553,693</u>
TOTAL OPERATING EXPENSES	<u>26,456,535</u>	<u>21,873,850</u>
SURPLUS FROM SCHOOL OPERATIONS	2,012,400	1,483,387
Support and other revenue:		
Contributions:		
Foundations	303,790	335,000
Individuals	55,000	500
Miscellaneous income	<u>45,150</u>	<u>36,852</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>403,940</u>	<u>372,352</u>
CHANGE IN NET ASSETS	2,416,340	1,855,739
Unrestricted net assets at beginning of year	<u>7,124,851</u>	<u>5,269,112</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 9,541,191</u>	<u>\$ 7,124,851</u>

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017  
(With Comparative Totals for 2016)

		June 30,					
		2017			2016		
	No. of Positions	Program Services		Total	Support Services		Total
		Regular education	Special education		Management and General	Total	
Personnel services costs:							
Administrative staff personnel	52	\$ 2,624,043	\$ 81,156	\$ 2,705,199	\$ -	\$ 3,878,674	\$ 3,452,649
Instructional personnel	178	7,998,300	247,370	8,245,670	1,173,475	8,245,670	6,715,832
Non-instructional personnel	3				112,722	112,722	115,131
Total salaries and staff	233			10,950,869		12,237,066	10,283,612
		10,622,343			1,286,197		
Fringe benefits and payroll taxes							
Retirement		1,919,964	328,526	1,979,344		2,209,601	1,859,645
Management fees			8,335	277,841	230,257		240,347
Legal service	-	1,835,888	56,780	1,892,668	-	2,228,168	1,856,905
Accounting and audit services	-	-	-	-	334,001	-	-
Other professional and consulting services			13,201	440,044	14,282	37,685	22,988
Building and land rent			32,061	-	37,685	607,866	424,037
Repairs and maintenance		426,843	23,472	1,068,686	167,822	1,068,686	39,948
Insurance		1,038,625	-	-	-	-	881,969
Utilities		758,939	10,867	782,411	-	782,411	455,641
Supplies and materials		31,360	13,586	562,227	272,493	272,493	223,006
Equipment/Furnishings		38,578	-	-	131,509	493,736	-
Professional development		439,279	1,193	452,865	-	452,865	333,702
Marketing and recruitment		83,921	26,565	86,517	-	73,251	128,977
Technology		858,932	2,596	86,517	33,480	885,497	-
Food service			9,637	-	-	86,517	120,601
Student services		42,639	42,639	1,421,315	-	1,421,315	1,336,187
Office expense		311,586	32,602	321,223	167,981	1,086,720	607,368
Depreciation and amortization		1,378,676	10,681	1,086,720	-	1,086,720	809,764
Other		1,054,118	27,106	356,034	-	-	-
		345,353			348,917	7,248	610,286
		-			117,105	910,174	579,605
		<u>\$876,420</u>	<u>\$ 699,227</u>	<u>\$ 903,526</u>	<u>\$ 3,148,977</u>	<u>\$ 26,456,535</u>	<u>\$ 21,873,850</u>

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017  
(With Comparative Totals for 2016)

	June 30,	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,416,340	\$ 1,855,739
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	910,774	579,593
Bad debt expense	18,300	18,034
Changes in certain assets and liabilities affecting operations:		
State and local per pupil receivable	(989,545)	(48,764)
Grants and other receivables	(805,935)	(970,142)
Prepaid expenses and other current assets	118,601	(48,775)
Accounts payable and accrued expenses	116,759	173,974
Deferred revenue	<u>57,710</u>	<u>(35,000)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,843,004	1,524,659
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,061,954)	(1,047,073)
Decrease (increase) in escrow account	<u>1,128</u>	<u>(49)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(2,060,826)	(1,047,122)
NET (DECREASE) INCREASE IN CASH	(217,822)	477,537
Cash at beginning of year	<u>3,626,125</u>	<u>3,148,588</u>
CASH AT END OF YEAR	<u>\$ 3,408,303</u>	<u>\$ 3,626,125</u>
<u>NON-CASH INVESTING ACTIVITIES</u>		
Purchases of property and equipment in accounts payable	<u>\$ 568,069</u>	<u>\$ -</u>

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



TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative Totals for 2016)

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

The Charter School

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

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

West Campus Merger

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

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

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, 2017 or 2016.

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

Cont'd

Revenue and support recognition

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

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

Contributions

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

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

Cash

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

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 or 2016.

Property and equipment

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

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

Cont'd

Escrow account

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

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 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.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require “specialized skills” and would typically not be purchased if they were not contributed.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Comparatives for year ended June 30, 2016

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, 2016, 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 20, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated September 26, 2006 which was renewed for an additional five years effective July 1, 2011 and was revised July 1, 2014 for an additional five years, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil tuition for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage was fixed at 8% for Rochester Prep and 10% for West Campus for the 2014 year and is fixed for the fiscal years 2015 through 2019 for each of the schools ranging from 8% to 10% as outlined in the agreement. In addition, during the year ended June 30, 2017, the Charter School paid USI a 10% service fee for Rochester Prep 3 Elementary School based upon an agreement approved at the September 2016 Board meeting but not signed. Finalization of the agreement is expected by the end of 2017. The fee incurred for the years ended June 30, 2017 and 2016 was \$2,226,669 and \$1,856,905, respectively. At June 30, 2017 approximately \$30,200 was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2016 no amount was due from USI. At June 30, 2017 and 2016, approximately \$574,100 and \$369,700, respectively, was included in accounts payable relating to USI.

The Charter School leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly-owned subsidiary of USI (Brooks Avenue location). The lease agreement expired in July 2011 and is renewable in four successive periods of five years. Rent for this lease is calculated based on a formula of certain expenses of the landlord. The Charter School is currently in the process of renewing the lease. At June 30, 2017 approximately \$171,600 was included in accounts receivable from True North Rochester Real Estate LLC related to this agreement. At June 30, 2016, no amount was due from True North Rochester Real Estate LLC.

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

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

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

Effective October 1, 2016, the Charter School began leasing space for a future location of its West Campus Elementary School from True North Andrews Street, LLC, a wholly owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in July 1, 2021. The Charter School is responsible for all other expenses related to the property. Payments under the agreement are \$10,033 from October 1, 2016 through June 1, 2017 then decreasing to monthly payments ranging from \$7,684 to \$8,396 through July 1, 2021. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord.

At June 30, 2017 and 2016, the Charter School was in compliance with its financial covenants referred to above.

The Charter School, in connection with the above agreements, have committed to advancing \$200,000 to Rochester Chili Avenue, LLC and \$650,000 to True North St. Jacob Street, LLC to fund construction at the sites in preparation for the occupancy by the Charter School. As of June 30, 2016, approximately \$381,000 of these payments have been made and they are included as construction in progress in Note D. As of June 30, 2017, the full amount of these payments have been made and they are currently included as leasehold improvements in Note D.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective June 1, 2017, the Charter School amended its leases with True North St. Jacob Street, LLC and True North Andrews Street, LLC to include a commitment to advance \$374,089 and \$475,000, to each of the sites respectively. These commitments will be used to fund construction at the sites in preparation for the occupancy by the Charter School. As of June 30, 2017, the full amount of these payments have been made or accrued and they are currently included as construction in progress in Note D.

Rent expense incurred for the years ended June 30, 2017 and 2016 relating to the above leases was approximately \$786,000 and \$366,000, respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 739,000
2019	745,500
2020	752,100
2021	759,000
2022	543,900
Thereafter	<u>87,300</u>
	<u>\$ 3,626,800</u>

NOTE C: SCHOOL FACILITY

In addition to the related party leased facilities described in Note B, the Charter School leased a facility from an unrelated third party for its West Campus programs (Maple Street location). The lease was renewed at a monthly payment of \$33,333 through August 31, 2016. Rent expense incurred for the year ended June 30, 2016 related to this lease was approximately \$400,800. The Charter School did not renew this lease agreement past August 31, 2016. Rent expense for the year ended June 30, 2017 was approximately \$51,667.

The Charter School also leases space from the Rochester City School District for its high school (Martin Street location). The lease is renewable in one year extensions through June 2019. Rent expense was \$231,250 for the year ended June 30, 2017 which was payable in monthly installments of \$19,271. Rent expense was \$115,625 for the year ended June 30, 2016 which was payable in monthly installments of \$9,635. The lease was renewed through June 30, 2018 under the same payment terms in place at June 30, 2017, resulting in future minimum lease payments of approximately \$240,000.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 471,562	\$ 203,124
Computer equipment and software	2,987,821	2,166,206
Leasehold improvements	2,941,391	2,012,969
Construction in process	<u>992,571</u>	<u>381,023</u>
	7,393,345	4,763,322
Less accumulated depreciation and amortization	<u>3,764,117</u>	<u>2,853,343</u>
	<u>\$ 3,629,228</u>	<u>\$ 1,909,979</u>

Construction in progress consists of costs related to two new locations that the Charter School will move into during the 2018 fiscal year. No depreciation will be taken on these assets until they are placed into service. See Note B for additional comments regarding these costs and future commitments related to the construction at the leased locations.

NOTE E: COMMITMENTS

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 125,000
2019	60,000
2020	<u>15,000</u>
	<u>\$ 200,000</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. Effective July 1, 2012, for employees who have 3 years of service or more the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. Effective July 1, 2013, for employees who have 4 years of service or more the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2017 and 2016 approximated \$278,000 and \$240,000, respectively.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE G: CONTINGENCY

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

NOTE H: CONCENTRATIONS

At June 30, 2017 and 2016, approximately 68% and 56%, respectively, of receivables are due from New York State, and 26% and 13%, respectively, of accounts receivable are due from the Rochester City School District.

During the years ended June 30, 2017 and 2016, 86% and 88%, respectively, of total revenue, gains and other support came from per-pupil funding provided by New York State through the school districts in which the students reside. The per-pupil rate is set annually by the state based on the school district in which the Charter School's students are located.



**TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2017, and we have issued our report thereon dated October 20, 2017, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2017, as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 20, 2017

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ROCHESTER PREP AND WEST CAMPUS ACTIVITIES

YEAR ENDED JUNE 30, 2017

	<u>Rochester Prep</u>	<u>West Campus</u>	<u>Rochester Prep School 3</u>	<u>Total</u>
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 12,812,678	\$ 9,720,436	\$ 1,152,511	\$ 23,685,625
Students with disabilities	467,300	285,120	5,549	757,969
Grants and contracts				-
State and Local	-	196,012	200,000	396,012
Federal - Title and IDEA	548,209	431,545	52,290	1,032,044
Federal - Other	233,199	3,621	599,849	836,669
Food service/child nutrition program	979,852	690,589	90,175	1,760,616
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>15,041,238</u>	<u>11,327,323</u>	<u>2,100,374</u>	<u>28,468,935</u>
Personnel services costs:				
Administrative staff personnel	2,278,978	1,241,876	357,820	3,878,674
Instructional personnel	4,544,007	3,287,989	413,674	8,245,670
Non-instructional personnel	35,688	77,034	-	112,722
TOTAL STAFF AND SALARIES	<u>6,858,673</u>	<u>4,606,899</u>	<u>771,494</u>	<u>12,237,066</u>
Fringe benefits and payroll taxes	1,182,235	913,460	113,906	2,209,601
Retirement	164,671	95,121	18,049	277,841
Management fees	1,160,430	945,204	121,035	2,226,669
Legal service	9,818	3,507	957	14,282
Accounting and audit services	19,325	12,862	5,498	37,685
Other professional and consulting services	337,786	215,318	54,762	607,866
Building and land rent	555,344	463,912	49,430	1,068,686
Repairs and maintenance	439,295	260,575	82,541	782,411
Insurance	141,531	87,308	43,654	272,493
Utilities	298,435	162,203	33,098	493,736
Supplies and materials	166,608	214,228	72,029	452,865
Equipment/Furnishings	24,231	27,493	21,527	73,251
Professional development	507,954	318,862	58,681	885,497
Marketing and recruitment	45,019	28,931	12,567	86,517
Technology	240,545	184,826	63,833	489,204
Food service	753,517	575,949	91,849	1,421,315
Student services	649,372	393,883	43,465	1,086,720
Office expense	448,175	219,652	37,127	704,954
Depreciation and amortization	532,466	243,381	134,927	910,774
Other	54,738	55,825	6,539	117,102
TOTAL EXPENSES	<u>14,590,168</u>	<u>10,029,399</u>	<u>1,836,968</u>	<u>26,456,535</u>
SURPLUS FROM SCHOOL OPERATIONS	<u>451,070</u>	<u>1,297,924</u>	<u>263,406</u>	<u>2,012,400</u>
Support and other revenue:				
Contributions:				
Foundations	82,290	117,500	104,000	303,790
Corporations	45,000	-	10,000	55,000
Miscellaneous income	12,875	24,795	7,480	45,150
TOTAL SUPPORT AND OTHER REVENUE	<u>140,165</u>	<u>142,295</u>	<u>121,480</u>	<u>403,940</u>
CHANGE IN NET ASSETS	<u>\$ 591,235</u>	<u>\$ 1,440,219</u>	<u>\$ 384,886</u>	<u>\$ 2,416,340</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2017

	West Campus			Rochester Prep				Rochester Prep School 3	
	Middle School	Elementary School	Total	High School	Middle School	Elementary School	Total	Elementary School	Total
Revenue, gains and other support									
Public school district									
Resident student enrollment	\$ 4,507,661	\$ 5,212,775	\$ 9,720,436	\$ 2,602,817	\$ 4,353,059	\$ 5,856,802	\$ 12,812,678	\$ 1,152,511	\$ 23,685,625
Students with disabilities	185,752	99,368	285,120	101,884	256,355	109,061	467,300	5,549	757,969
Grants and contracts									
State and Local	-	196,012	196,012	-	-	-	-	200,000	396,012
Federal - Title and IDEA	26,955	404,590	431,545	12,572	229,288	306,349	548,209	52,290	1,032,044
Federal - Other	3,621	-	3,621	61,965	171,234	-	233,199	599,849	836,669
Food service/child nutrition program	329,091	361,498	690,589	204,829	350,713	424,310	979,852	90,175	1,760,616
TOTAL REVENUE, GAINS AND OTHER SUPPORT	5,053,080	6,274,243	11,327,323	2,984,067	5,360,649	6,696,522	15,041,238	2,100,374	28,468,935
Personnel services costs:									
Administrative staff personnel	576,783	665,093	1,241,876	768,088	681,581	829,309	2,278,978	357,820	3,878,674
Instructional personnel	1,360,646	1,927,343	3,287,989	987,456	1,497,563	2,058,988	4,544,007	413,674	8,245,670
Non-instructional personnel	37,987	39,047	77,034		35,688		35,688		112,722
TOTAL STAFF AND SALARIES	1,975,416	2,631,483	4,606,899	1,755,544	2,214,832	2,888,297	6,858,673	771,494	12,237,066
Fringe benefits and payroll taxes			913,460			565,242	1,182,235		2,209,601
Retirement	37,608		95,121	278,764	338,229		164,671	18,049	277,841
Management fees	389,812	523,648	945,204		45,703	81,541	1,160,430	113,906	2,226,669
Legal service		57,513	3,507	37,427	386,925				
Accounting and audit services	401,237	543,972	12,862			1,725	9,818	121,035	5,498
Other professional and consulting services	2,014	6,511	215,318	2,471	5,622	7,250	19,325	54,762	14,260
Building and land rent			463,912	103,808	608,628	242,749	555,344	49,430	37,686
Repairs and maintenance		109,968	260,575	113,736	198,859	219,531	439,295	82,541	782,411
Insurance	105,350	233,782	87,308		177,388		141,531	43,654	272,493
Utilities	230,130	151,355	162,203	42,376	54,223	43,654	298,435	33,098	493,736
Supplies and materials	109,220	43,654	214,228	43,654	92,063	61,871	166,608	72,029	452,865
Equipment/Furnishings	75,415	77,799	27,493	144,501	51,389	71,102	24,231	21,527	
Professional development	2,878	138,813	318,862	44,117			507,954	58,681	885,497
Marketing and recruitment		24,615	28,931	11,592	429,633			12,567	73,251
Technology	15,921	143,104	184,826	132,027		16,710	45,019	63,833	489,204
Food service	175,750		575,949	14,182	47,718	98,080	753,517	91,849	86,517
Student services		13,010	393,883	94,747	254,527	166,499	649,372	43,465	1,086,720
Office expense	246,415	329,534	219,652	184,623	298,250	185,868	448,175	37,127	704,954
Depreciation and amortization	241,297	152,586	243,381	101,526	160,781	180,165	532,466		910,774
Other	117,345	102,307	55,825	113,437	238,864	33,626	54,738	6,539	117,102
TOTAL EXPENSES	112,448	130,933	10,029,399	3,645,893	4,866,684	6,077,591	14,590,168	134,927	26,456,535
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	567,964	729,960	1,297,924	(661,826)	493,965	618,931	451,070	263,406	2,012,400
Support and other revenue:									
Contributions:									
Foundations	8,500		117,500	60,290	9,000	13,000	82,290	10,000	303,790
Corporations		109,000	24,795		4,029		45,000		45,150
Miscellaneous income	7,302	17,493		45,000		8,838	12,875	104,000	7,480
TOTAL SUPPORT AND OTHER REVENUE	15,802	126,493	142,295	105,298	13,029	21,838	140,165	121,480	55,000
CHANGE IN NET ASSETS	\$ 583,766	\$ 856,453	\$ 1,440,219	\$ (556,528)	\$ 506,994	\$ 640,769	\$ 591,235	\$ 384,886	\$ 2,416,340

**TRUE NORTH ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**ADVISORY COMMENT LETTER**

**JUNE 30, 2017**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2017

To the Board of Trustees  
True North Rochester Preparatory Charter School

In planning and performing our audit of the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2017, 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 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 entity'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control 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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

During the course of our audit of the financial statements of True North Rochester Preparatory Charter School, as of June 30, 2017 and for the year then ended, we have updated the status of the comment that was included in our letter dated October 19, 2016 and is included for informational purposes. We do not consider this matter to be a significant deficiency or material weakness:

**Record Retention and Consistent Counting Procedures**

While performing our audit procedures we became aware of instances at the Brooks Ave location where support for the lunch program were not maintained in accordance with applicable grant requirements. The extrapolated error of these missing count sheets were not material to the financial statements or School Breakfast and National School Lunch Programs.

**Recommendation**

We recommend the Charter School consider revising the processes at all locations to provide a consistent basis of documenting grant expenditures. This will provide a more robust internal control environment ensuring the requirements are met of maintaining accurate meal counts by type, taken at the point of service and maintaining that documentation for the required three year period following the final submission of lunch counts for that fiscal year.

**Status at June 30, 2016**

During our current year audit, we tested 9 weeks of meal tracking at Brooks Ave Campus for 12 classrooms. This amounted to 108 weeks tested. Three of the 108 weeks tested has missing sheets. Brooks Avenue Middle School did not submit these counts to the State. The Campus was in compliance with the grant for the weeks tested, but as a result, did not receive revenue of approximately \$2,100. We continue to recommend a more robust internal control environment and to maintain the required supporting documentation.

**Status at June 30, 2017**

During our current year audit, we tested 4 weeks of meal tracking at Brooks Ave Campus for 12 classrooms. This amounted to 48 weeks tested. We noted no missing sheets during our testing. The School appeared to retain proper documentation and was in compliance with the grant for all weeks tested.

\* \* \* \* \*

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 ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2017**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants



October 20, 2017

The Finance Committee  
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2017, and have issued our report thereon dated October 20, 2017. 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 June 1, 2017, 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. 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 Rochester 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.

We have provided our comments regarding other matters noted during our audit in a separate letter to you dated October 20, 2017.

**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 Rochester Preparatory Charter School is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. 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 receivable, 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 Rochester 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 misstatement detected as a result of our 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 Rochester 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 Rochester 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 Rochester 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 Rochester Preparatory Charter School and is not intended to be and should not be used by anyone other than these specified parties, unless this report becomes a matter of public record.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

MENGEL, METZGER, BARR & CO. LLP

**TRUE NORTH ROCHESTER PREPARATORY  
CHARTER SCHOOL**

**ROCHESTER, NEW YORK**

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

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2017**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE</u>	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	3
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	5
Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

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

Board of Trustees  
True North Rochester Preparatory Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of True North Rochester Preparatory Charter School, which comprise the statement of financial position as of June 30, 2017 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 20, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **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 20, 2017



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

Board of Trustees  
True North Rochester Preparatory Charter School

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

We have audited True North Rochester Preparatory Charter School's compliance with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of True North Rochester Preparatory Charter School's major federal programs for the year ended June 30, 2017. True North Rochester Preparatory Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of 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 Rochester Preparatory Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about True North Rochester Preparatory Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, True North Rochester Preparatory Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of True North Rochester Preparatory Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered True North Rochester Preparatory Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on 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 Rochester Preparatory Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 and therefore, material weaknesses or significant deficiencies may exist that were not 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 Rochester Preparatory Charter School as of and for the year ended June 30, 2017, and have issued our report thereon dated October 20, 2017, 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 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* (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, Barw & Co. LLP*

Rochester, New York  
October 20, 2017

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture:			
<u>Passed through New York State Education Department:</u>			
School Breakfast Program	10.553	1000004543	\$ 563,632
National School Lunch Program	10.555	1000004543	<u>1,151,570</u>
Total U.S. Department of Agriculture			1,715,202
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	895,488
Title IIA - Improving Teacher Quality	84.367	0147	19,009
2013-2016 NY Charter School Dissemination Program	84.282A	1000004543	171,234
CSP Grants for the Replication and Expansion of High-Quality Charter Schools	84.282M	U282M100013	599,849
<u>Passed through Uncommon Schools, Inc.:</u>			
CSP - Uncommon 2021	84.282M	U282M160015	<u>57,719</u>
Total U.S. Department of Education			<u>1,743,299</u>
TOTAL ALL PROGRAMS			<u>\$ 3,458,501</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of True North Rochester Preparatory Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness (es) identified?	_____	yes	_____ <u>x</u> _____ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	_____ <u>x</u> _____ none reported
Noncompliance material to financial statements noted?	_____	yes	_____ <u>x</u> _____ no

Federal Awards

Internal control over major programs:			
• Material weakness (es) identified?	_____	yes	_____ <u>x</u> _____ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	_____ <u>x</u> _____ 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	_____ <u>x</u> _____ no

Identification of major program:	
<i>CFDA Number:</i>	<i>Name of Federal Program or Cluster:</i>
84.282A	2013-2016 NY Charter School Dissemination Program
84.282M	CSP Grants for the Replication and Expansion of High-Quality Charter Schools
84.282M	CSP - Uncommon 2021

Dollar threshold used to distinguish between type A and type B programs:	_____ <u>\$750,000</u> _____
Auditee qualified as low-risk auditee?	_____ <u>x</u> _____ yes _____ no

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.