

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018

(With Comparative Totals for 2017)



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 | 16 |
| Schedule of Elementary School, Middle School, and High School Activities – Year Ended June 30, 2018 | 17 |
| Schedule of Elementary School, Middle School, and High School Activities – Year Ended June 30, 2017 | 18 |

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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 16, 2018 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 16, 2018

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

| <u>ASSETS</u> | <u>June 30,</u> | |
|---------------------------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 1,530,991 | \$ 1,672,015 |
| Grants and contracts receivable | 361,107 | 637,065 |
| Accounts receivable | 911,738 | 950,687 |
| Prepaid expenses | <u>260,924</u> | <u>39,369</u> |
| TOTAL CURRENT ASSETS | 3,064,760 | 3,299,136 |
| <u>PROPERTY AND EQUIPMENT, NET</u> | 1,647,068 | 807,800 |
| <u>ESCROW ACCOUNT</u> | <u>75,465</u> | <u>75,314</u> |
| TOTAL ASSETS | <u>\$ 4,787,293</u> | <u>\$ 4,182,250</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | 457,394 | 566,499 |
| <u>NET ASSETS, unrestricted</u> | <u>4,329,899</u> | <u>3,615,751</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,787,293</u> | <u>\$ 4,182,250</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, 2018
(With Comparative Totals for 2017)

| | <u>Year ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Revenue, gains and other support: | | |
| Public school district: | | |
| Resident student enrollment | \$ 8,834,919 | \$ 7,994,014 |
| Students with disabilities | 337,965 | 343,576 |
| Grants and contracts: | | |
| Federal - Title and IDEA | 373,023 | 273,251 |
| Federal - Other | 349,596 | 160,004 |
| Food service/child nutrition program | <u>567,751</u> | <u>500,566</u> |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 10,463,254 | 9,271,411 |
| Expenses: | | |
| Program services: | | |
| Regular education | 8,009,341 | 6,906,755 |
| Special education | <u>333,720</u> | <u>287,782</u> |
| TOTAL PROGRAM SERVICES | 8,343,061 | 7,194,537 |
| Management and general | <u>1,420,850</u> | <u>1,201,794</u> |
| TOTAL OPERATING EXPENSES | <u>9,763,911</u> | <u>8,396,331</u> |
| SURPLUS FROM SCHOOL OPERATIONS | 699,343 | 875,080 |
| Support and other revenue: | | |
| Contributions: | | |
| Foundations | 4,000 | 4,000 |
| Individuals | - | 1,000 |
| Corporations | - | 200 |
| Miscellaneous income | <u>10,805</u> | <u>15,161</u> |
| TOTAL SUPPORT AND OTHER REVENUE | <u>14,805</u> | <u>20,361</u> |
| CHANGE IN NET ASSETS | 714,148 | 895,441 |
| Unrestricted net assets at beginning of year | <u>3,615,751</u> | <u>2,720,310</u> |
| UNRESTRICTED NET ASSETS AT END OF YEAR | <u>\$ 4,329,899</u> | <u>\$ 3,615,751</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, 2018
(With Comparative Totals for 2017)

| | No. of Positions | June 30, | | | | | 2017 Total |
|--|---------------------|----------------------|----------------------|---------------------|---|---------------------|---------------------|
| | | 2018 | | | 2017 | | |
| | | Regular education | Special education | Total | Support Services Management and General | Total | |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 20 | \$ 846,319 | \$ 35,263 | \$ 881,582 | \$ 664,481 | \$ 1,546,063 | \$ 1,392,695 |
| Instructional personnel | 60 | 2,543,673 | 105,986 | 2,649,659 | - | 2,649,659 | 2,450,330 |
| Non-instructional personnel | 3 | 75,033 | 3,126 | 78,159 | - | 78,159 | 39,500 |
| Total salaries and staff | 83 | 3,465,025 | 144,375 | 3,609,400 | 664,481 | 4,273,881 | 3,882,525 |
| Fringe benefits and payroll taxes | | 590,858 | 24,619 | 615,477 | 109,972 | 725,449 | 693,826 |
| Retirement | | 81,631 | 3,401 | 85,032 | 14,559 | 99,591 | 101,808 |
| Management fees | | 634,515 | 26,438 | 660,953 | 116,639 | 777,592 | 688,867 |
| Legal service | | - | - | - | 40,404 | 40,404 | 3,575 |
| Accounting and audit services | | - | - | - | 28,467 | 28,467 | 23,134 |
| Other professional and consulting services | | 153,020 | 6,376 | 159,396 | 26,327 | 185,723 | 167,457 |
| Building and land rent | | 530,963 | 22,123 | 553,086 | - | 553,086 | 538,624 |
| Repairs and maintenance | | 305,575 | 12,732 | 318,307 | - | 318,307 | 240,669 |
| Insurance | | - | - | - | 117,451 | 117,451 | 79,509 |
| Utilities | | 83,681 | 3,487 | 87,168 | 23,251 | 110,419 | 96,883 |
| Supplies and materials | | 184,248 | 7,677 | 191,925 | - | 191,925 | 111,348 |
| Equipment/Furnishings | | 22,874 | 953 | 23,827 | 44,347 | 68,174 | 128,371 |
| Professional development | | 283,246 | 11,802 | 295,048 | - | 295,048 | 213,900 |
| Marketing and recruitment | | 34,329 | 1,430 | 35,759 | - | 35,759 | 20,269 |
| Technology | | 94,796 | 3,950 | 98,746 | 78,031 | 176,777 | 96,217 |
| Food service | | 534,843 | 22,285 | 557,128 | - | 557,128 | 506,528 |
| Student services | | 453,698 | 18,904 | 472,602 | - | 472,602 | 406,430 |
| Office expense | | 69,773 | 2,907 | 72,680 | 150,365 | 223,045 | 198,780 |
| Depreciation and amortization | | 314,610 | 13,109 | 327,719 | 1,860 | 329,579 | 154,107 |
| Other | | 171,656 | 7,152 | 178,808 | 4,696 | 183,504 | 43,504 |
| | | <u>\$ 8,009,341</u> | <u>\$ 333,720</u> | <u>\$ 8,343,061</u> | <u>\$ 1,420,850</u> | <u>\$ 9,763,911</u> | <u>\$ 8,396,331</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, 2018
(With Comparative Totals for 2017)

| | June 30, | |
|---|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 714,148 | \$ 895,441 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Bad debt expense | 178,808 | 27,247 |
| Depreciation and amortization | 329,579 | 154,107 |
| Changes in certain assets and liabilities affecting operations: | | |
| Grants and other receivables | 275,958 | (197,383) |
| Accounts receivable | (139,859) | (479,910) |
| Prepaid expenses | (221,555) | 3,599 |
| Accounts payable and accrued expenses | <u>(109,105)</u> | <u>237,822</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 1,027,974 | 640,923 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (1,168,847) | (542,234) |
| Increase in escrow account | <u>(151)</u> | <u>(143)</u> |
| NET CASH USED FOR INVESTING ACTIVITIES | <u>(1,168,998)</u> | <u>(542,377)</u> |
| NET (DECREASE) INCREASE IN CASH | (141,024) | 98,546 |
| Cash at beginning of year | <u>1,672,015</u> | <u>1,573,469</u> |
| CASH AT END OF YEAR | <u>\$ 1,530,991</u> | <u>\$ 1,672,015</u> |

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

The Charter School

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

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

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2018 or 2017.

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, 2018 or 2017.

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

Revenue and support recognition

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

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

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

Cont'd

Contributions

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

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

Cash

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

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, 2018 and 2017 was \$75,465 and \$75,314, 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, 2018 or 2017.

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, 2015 through June 30, 2018 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, 2018 AND 2017

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, 2017

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, 2017, 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 16, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note H.

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, 2018 and 2017 were approximately \$778,000 and \$689,000, respectively. Approximately \$133,000 and \$172,000 were included in accounts payable, relating to USI, at June 30, 2018 and 2017, respectively. There were no amounts included in accounts receivable, relating to USI, at June 30, 2018 and 2017, respectively.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

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 increases 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> |
|-----------------------------|----------------------|
| 2019 | \$ 836,100 |
| 2020 | 836,100 |
| 2021 | 836,100 |
| 2022 | 836,100 |
| 2023 | 836,100 |
| Thereafter | <u>13,551,475</u> |
| | <u>\$ 17,731,975</u> |

Rent expense incurred was \$553,086 and \$538,624 for the years ended June 30, 2018 and June 30, 2017, respectively.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | June 30, | |
|--|---------------------|-------------------|
| | 2018 | 2017 |
| Furniture and fixtures | \$ 282,792 | \$ 232,292 |
| Computers and software | 972,696 | 1,163,410 |
| Leasehold improvements | 1,435,355 | 483,977 |
| Construction in Progress | 30,000 | 56,980 |
| | <u>2,720,843</u> | <u>1,936,659</u> |
| Less accumulated depreciation and amortization | <u>1,073,775</u> | <u>1,128,859</u> |
| | <u>\$ 1,647,068</u> | <u>\$ 807,800</u> |

NOTE D: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have 2 years of service or less the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. Effective July 1, 2012, for employees who have 3 years of service or more the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. Effective July 1, 2013, for employees who have 4 years of service or more the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2018 and 2017 approximated \$99,600 and \$101,800, respectively.

NOTE E: CONTINGENCY

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

There are amounts approximating \$825,000 due from the Lansingburgh Central School District which are included in the accounts receivable balance at June 30, 2018. 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. Intercepts will be filed for the outstanding amounts due from this district as of June 30, 2018. Approximately \$150,000 of receivables from Lansingburgh Central School District date back to revenues earned in the year ending June 30, 2017. The Charter School, through a law firm, made a formal demand for payment from New York State in August 2018 for all amounts due. Historically the Charter School has been successful collecting intercept funds, and management believes that all remaining amounts due will eventually be received through the intercept process or through the lawsuit which is in process.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018 AND 2017

NOTE F: CONCENTRATIONS

At June 30, 2018 approximately 90% of accounts receivable was due from one school district. At June 30, 2017 approximately 86% of accounts receivable were due from two school districts.

During the years ended June 30, 2018 and 2017, 88% and 90%, 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.

NOTE G: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements through October 2021. The future minimum payments on these agreements are approximately as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2019 | \$ 15,398 |
| 2020 | 10,198 |
| 2021 | <u>3,399</u> |
| | <u>\$ 28,995</u> |

NOTE H: SUBSEQUENT EVENT

In August 2018, The New York State Education Department (NYSED) notified the Charter School that it had over-allocated approximately \$54,000 in Title IIA funding to the Charter School for the year ended June 30, 2018. NYSED will reduce the Charter School's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Charter School has not accounted for this over-allocated funding as a liability as of June 30, 2018.

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, 2018, and we have issued our report thereon dated October 16, 2018, which 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 2018 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.

We have also audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2017, and our report thereon dated October 25, 2017, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2017 financial statements as a whole. The 2017 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2017 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 2017 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 2017 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, Barr & Co. LLP

Rochester, New York
October 16, 2018

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2018

| | <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 | \$ 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 | <u>918,521</u> | <u>3,817,131</u> | <u>5,727,602</u> | <u>10,463,254</u> |
| 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 | <u>644,745</u> | <u>1,543,116</u> | <u>2,086,020</u> | <u>4,273,881</u> |
| 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 | <u>1,556,275</u> | <u>3,453,249</u> | <u>4,754,387</u> | <u>9,763,911</u> |
| (DEFICIT) SURPLUS FROM SCHOOL OPERATIONS | <u>(637,754)</u> | <u>363,882</u> | <u>973,215</u> | <u>699,343</u> |
| Support and other revenue: | | | | |
| Contributions | | | | |
| Foundations | - | - | 4,000 | 4,000 |
| Individuals | - | - | - | - |
| Corporations | - | - | - | - |
| Miscellaneous income | - | 3,380 | 7,425 | 10,805 |
| TOTAL SUPPORT AND OTHER REVENUE | <u>-</u> | <u>3,380</u> | <u>11,425</u> | <u>14,805</u> |
| CHANGE IN NET ASSETS | <u>\$ (637,754)</u> | <u>\$ 367,262</u> | <u>\$ 984,640</u> | <u>\$ 714,148</u> |

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2017

| | <u>High School</u> | <u>Middle School</u> | <u>Elementary School</u> | <u>Total</u> |
|---|------------------------|--------------------------|------------------------------|-------------------|
| Revenue, gains and other support: | | | | |
| Public school district | | | | |
| Resident student enrollment | \$ - | \$ 3,365,985 | \$ 4,628,029 | \$ 7,994,014 |
| Students with disabilities | - | 200,532 | 143,044 | 343,576 |
| Grants and contracts: | | | | |
| Federal - Title and IDEA | - | 46,035 | 227,216 | 273,251 |
| Federal - Other | 160,000 | - | 4 | 160,004 |
| Food service/child nutrition program | - | 220,249 | 280,317 | 500,566 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | <u>160,000</u> | <u>3,832,801</u> | <u>5,278,610</u> | <u>9,271,411</u> |
| Personnel services costs: | | | | |
| Administrative staff personnel | 170,966 | 607,275 | 614,454 | 1,392,695 |
| Instructional personnel | 4,167 | 999,122 | 1,447,041 | 2,450,330 |
| Non-instructional personnel | - | 19,750 | 19,750 | 39,500 |
| TOTAL STAFF AND SALARIES | <u>175,133</u> | <u>1,626,147</u> | <u>2,081,245</u> | <u>3,882,525</u> |
| Fringe benefits and payroll taxes | 17,087 | 314,645 | 362,094 | 693,826 |
| Retirement | - | 62,307 | 39,501 | 101,808 |
| Management fees | - | 289,004 | 399,863 | 688,867 |
| Legal service | 319 | 1,557 | 1,699 | 3,575 |
| Accounting and audit services | - | 11,567 | 11,567 | 23,134 |
| Other professional and consulting services | 967 | 78,234 | 88,256 | 167,457 |
| Building and land rent | - | 255,976 | 282,648 | 538,624 |
| Repairs and maintenance | - | 110,356 | 130,313 | 240,669 |
| Insurance | - | 35,641 | 43,868 | 79,509 |
| Utilities | - | 41,770 | 55,113 | 96,883 |
| Supplies and materials | 758 | 54,322 | 56,268 | 111,348 |
| Equipment/Furnishings | - | 96,957 | 31,414 | 128,371 |
| Professional development | 99 | 83,003 | 130,798 | 213,900 |
| Marketing and recruitment | 592 | 11,157 | 8,520 | 20,269 |
| Technology | 2,036 | 40,525 | 53,656 | 96,217 |
| Food service | - | 217,054 | 289,474 | 506,528 |
| Student services | - | 219,455 | 186,975 | 406,430 |
| Office expense | - | 83,623 | 115,157 | 198,780 |
| Depreciation and amortization | - | 70,665 | 83,442 | 154,107 |
| Other | - | 7,469 | 36,035 | 43,504 |
| TOTAL EXPENSES | <u>196,991</u> | <u>3,711,434</u> | <u>4,487,906</u> | <u>8,396,331</u> |
| (DEFICIT) SURPLUS FROM SCHOOL OPERATIONS | <u>(36,991)</u> | <u>121,367</u> | <u>790,704</u> | <u>875,080</u> |
| Support and other revenue: | | | | |
| Contributions | | | | |
| Foundations | - | - | 4,000 | 4,000 |
| Individuals | - | 1,000 | - | 1,000 |
| Corporations | - | 88 | 112 | 200 |
| Miscellaneous income | - | 6,459 | 8,702 | 15,161 |
| TOTAL SUPPORT AND OTHER REVENUE | <u>-</u> | <u>7,547</u> | <u>12,814</u> | <u>20,361</u> |
| CHANGE IN NET ASSETS | <u>\$ (36,991)</u> | <u>\$ 128,914</u> | <u>\$ 803,518</u> | <u>\$ 895,441</u> |