

**TRUE NORTH TROY PREPARATORY
CHARTER SCHOOL**

TROY, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
True North Troy Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 26, 2020 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.

Emphasis of Matter with Respect to Change in Accounting Methods

As discussed in Note A to the financial statements, in 2020, True North Troy Preparatory Charter School adopted new accounting guidance for recognition of revenue and contributions received and the statement of cash flows presentation. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2020

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,373,306	\$ 2,647,688
Grants and contracts receivable	260,035	308,703
Accounts receivable	1,135,375	417,053
Prepaid expenses	<u>218,233</u>	<u>379,566</u>
TOTAL CURRENT ASSETS	3,986,949	3,753,010
<u>PROPERTY AND EQUIPMENT, NET</u>	1,428,614	1,628,741
<u>ESCROW ACCOUNT</u>	<u>76,327</u>	<u>75,984</u>
TOTAL ASSETS	<u>\$ 5,491,890</u>	<u>\$ 5,457,735</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 380,338	\$ 552,509
<u>NET ASSETS</u> , without donor restrictions	<u>5,111,552</u>	<u>4,905,226</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,491,890</u>	<u>\$ 5,457,735</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, 2020
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 10,309,833	\$ 9,992,424
Students with disabilities	408,946	376,833
Grants and contracts:		
Federal - Title and IDEA	296,223	325,724
Federal - Other	71,917	209,104
Food service/child nutrition program	<u>527,187</u>	<u>612,672</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	11,614,106	11,516,757
Expenses:		
Program services:		
Regular education	9,594,672	9,199,985
Special education	<u>399,778</u>	<u>383,334</u>
TOTAL PROGRAM SERVICES	9,994,450	9,583,319
Management and general	<u>1,579,707</u>	<u>1,597,208</u>
TOTAL OPERATING EXPENSES	<u>11,574,157</u>	<u>11,180,527</u>
SURPLUS FROM SCHOOL OPERATIONS	39,949	336,230
Support and other revenue:		
Contributions:		
Foundations	138,730	127,499
Miscellaneous income	<u>27,647</u>	<u>111,598</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>166,377</u>	<u>239,097</u>
CHANGE IN NET ASSETS	206,326	575,327
Net assets without donor restrictions at beginning of year	<u>4,905,226</u>	<u>4,329,899</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 5,111,552</u>	<u>\$ 4,905,226</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, 2020
(With Comparative Totals for 2019)

	No. of Positions	June 30,					2019 Total
		2020					
		Regular education	Special education	Total	Support Services Management and General	Total	
Personnel services costs:							
Administrative staff personnel	26	\$ 1,159,412	\$ 48,309	\$ 1,207,721	\$ 720,021	\$ 1,927,742	\$ 1,827,316
Instructional personnel	63	2,833,186	118,049	2,951,235	-	2,951,235	2,847,459
Non-instructional personnel	2	45,646	1,902	47,548	-	47,548	69,006
Total salaries and staff	91	4,038,244	168,260	4,206,504	720,021	4,926,525	4,743,781
Fringe benefits and payroll taxes		827,685	34,487	862,172	147,252	1,009,424	908,589
Retirement		95,808	3,992	99,800	16,904	116,704	112,097
Management fees		1,060,424	44,184	1,104,608	194,931	1,299,539	881,863
Legal service		-	-	-	37,155	37,155	24,447
Accounting and audit services		-	-	-	24,911	24,911	27,498
Other professional and consulting services		179,145	7,464	186,609	35,235	221,844	206,429
Building and land rent		803,628	33,484	837,112	-	837,112	876,469
Repairs and maintenance		400,718	16,697	417,415	-	417,415	372,790
Insurance		-	-	-	140,753	140,753	139,501
Utilities		99,199	4,133	103,332	35,916	139,248	130,461
Supplies and materials		143,548	5,981	149,529	-	149,529	157,066
Equipment/Furnishings		19,442	810	20,252	3,986	24,238	26,458
Professional development		252,768	10,532	263,300	-	263,300	273,175
Marketing and recruitment		24,432	1,018	25,450	-	25,450	34,719
Technology		83,152	3,465	86,617	79,368	165,985	155,963
Food service		480,590	20,025	500,615	-	500,615	592,644
Student services		530,858	22,119	552,977	-	552,977	662,515
Office expense		68,876	2,870	71,746	135,141	206,887	216,984
Depreciation and amortization		399,836	16,660	416,496	4,868	421,364	424,309
Other		86,319	3,597	89,916	3,266	93,182	212,769
		<u>\$ 9,594,672</u>	<u>\$ 399,778</u>	<u>\$ 9,994,450</u>	<u>\$ 1,579,707</u>	<u>\$ 11,574,157</u>	<u>\$ 11,180,527</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, 2020
(With Comparative Totals for 2019)

	June 30,	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 206,326	\$ 575,327
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Bad debt expense	89,916	198,979
Depreciation and amortization	421,364	424,309
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	48,668	52,404
Accounts receivable	(808,238)	295,706
Prepaid expenses	161,333	(118,642)
Accounts payable and accrued expenses	<u>(172,171)</u>	<u>95,115</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(52,802)	1,523,198
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(221,237)</u>	<u>(405,982)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(221,237)</u>	<u>(405,982)</u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(274,039)	1,117,216
Cash and restricted cash at beginning of year	<u>2,723,672</u>	<u>1,606,456</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 2,449,633</u>	<u>\$ 2,723,672</u>
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 2,373,306	\$ 2,647,688
Escrow account	<u>76,327</u>	<u>75,984</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 2,449,633</u>	<u>\$ 2,723,672</u>

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

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

The Charter School

True North Troy Preparatory Charter School (the “Charter School”), is an educational corporation operating as a charter school in Troy, New York. On March 11, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. During the year ended June 30, 2019, the charter, which was set to expire on July 31, 2019, was approved for a full-term renewal for a period of five years to commence August 1, 2019.

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

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at June 30, 2020 and 2019.

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Charter School’s public school district resident student enrollment and student with disabilities revenue qualifies as exchange transactions and the revenues are recognized over time.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes accounts receivable at their respective statement of financial position dates:

	<u>2020</u>	<u>June 30, 2019</u>	<u>2018</u>
Accounts receivable	\$ 1,128,882	\$ 251,841	\$ 840,085

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There were no amounts related to deferred revenue at June 30, 2020 and 2019. The Charter School typically fully expends their grants within the fiscal year with only minor amounts carrying forward to future periods.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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, 2020 and 2019 was \$76,327 and \$75,984, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

Grants, accounts receivable, and contracts receivables

Grants, accounts receivable, 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, 2020 or 2019.

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, 2017 through June 30, 2020 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. 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.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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, 2019

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, 2019, from which the summarized information was derived.

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School adopted ASC 606 with the date of initial application of July 1, 2019.

The Charter School applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Charter School does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, the Charter School elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Charter School adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Statement of cash flows

In November 2016, the FASB issued new guidance related to the statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year of cash in the statement of cash flows. ASC 230 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Charter School adopted this standard as of July 1, 2019 using the retrospective transition method.

New accounting pronouncement – leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Company's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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. In the most recently amended agreement dated July 1, 2019, the Charter School agreed to a five-year term which is renewable yearly following the initial term. Under the agreement, the Charter School pays USI a service fee of 13.5% of all recurring public revenue less facilities expenses for all schools. Recurring public revenue is defined as annual public entitlement aid including core and tuition which includes general, SPED and State special funding and all ESSA funding which includes Title I, Title IIA, IID, III, IV, V and IDEA funding. Facilities expense includes building expenses (leases, taxes), utilities, maintenance and furniture and fixtures, and excludes building related expenditures which are capitalized and amortized/depreciated.

Under the previous agreement and for the year ended June 30, 2019, the Charter School paid a service fee equal to 8% for the Troy Prep Elementary School program and the Troy Prep Middle School program and 10% for the Troy Prep High School program, of all public school district revenue plus all other public entitlement spending receivable for the fiscal year.

The fees incurred for the years ended June 30, 2020 and 2019 were approximately \$1,300,000 and \$882,000, respectively. Approximately \$186,000 and \$162,000 were included in accounts payable, relating to USI, at June 30, 2020 and 2019, respectively. Approximately \$6,000 and \$121,000 was included in accounts receivable from USI relating to grants being passed through USI at June 30, 2020 and 2019, respectively.

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. Effective July 1, 2018, the annual rent increased to \$330,000 and is payable over the lease term which includes five automatic renewal periods for five years each through June 30, 2044.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 836,100
2022	836,100
2023	836,100
2024	836,100
2025	836,100
Thereafter	<u>11,879,275</u>
	<u>\$ 16,059,775</u>

Including real estate taxes paid, rent expense incurred was \$837,112 and \$876,469 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE C: LIQUIDITY AND AVAILABILITY

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

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

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

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 2,373,306	\$ 2,647,688
Grants and contracts receivable	260,035	308,703
Accounts receivable, net	<u>1,135,375</u>	<u>417,053</u>
	<u>\$ 3,768,716</u>	<u>\$ 3,373,444</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 334,014	\$ 334,014
Computers and software	1,324,664	1,223,312
Leasehold improvements	1,659,384	1,539,499
Construction in Progress	<u>30,000</u>	<u>30,000</u>
	3,348,062	3,126,825
Less accumulated depreciation and amortization	<u>1,919,448</u>	<u>1,498,084</u>
	<u>\$ 1,428,614</u>	<u>\$ 1,628,741</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. For employees who have less than 2 years of service, the Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. For employees who have 2 to 3 years of service, the Charter School will match up to the lesser of 4% of gross payroll or \$4,000. For employees who have 4 years of service or more, the Charter School will match up to the lesser of 5% of gross payroll or \$5,000. The Charter School's total contribution to the Plan for the years ended June 30, 2020 and 2019 approximated \$116,700 and \$112,100, respectively.

NOTE F: CONCENTRATIONS

At June 30, 2020 approximately 64% of accounts receivable was due from two school districts. At June 30, 2019 approximately 45% of accounts receivable was due from two school districts.

During the years ended June 30, 2020 and 2019, 92% 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.

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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.

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

Amounts receivable from Lansingburgh Central School District at June 30, 2020 of approximately \$62,000 are related to the fiscal year ending June 30, 2019. An additional \$324,000 is due from Lansingburgh Central School District at June 30, 2020 related to the fiscal year ending June 30, 2020. Management expects payments to be made in full either from the District or via the intercept process.

NOTE H: OPERATING LEASE

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 39,862
2022	20,491
2023	13,448
2024	5,423
	<u>\$ 79,224</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE I: FUNCTIONAL EXPENSES

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

NOTE J: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

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, 2020, and we have issued our report thereon dated October 26, 2020, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2020 financial statements as a whole. The 2020 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2020 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 2020 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 financial statements or to the 2020 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, 2020, 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, 2019, and our report thereon dated October 15, 2019, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 financial statements as a whole. The 2019 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2019 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2019, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 26, 2020

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2020

	<u>High School</u>	<u>Middle School</u>	<u>Elementary School</u>	<u>Total</u>
Revenues, gains and other support:				
Public school district				
Resident student enrollment	\$ 1,657,764	\$ 3,712,913	\$ 4,939,156	\$ 10,309,833
Students with disabilities	107,412	139,215	162,319	408,946
Grants and contracts:				
Federal - Title and IDEA	90,746	47,031	158,446	296,223
Federal - Other	17,951	17,984	35,982	71,917
Food service/child nutrition program	<u>130,199</u>	<u>177,644</u>	<u>219,344</u>	<u>527,187</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	2,004,072	4,094,787	5,515,247	11,614,106
Personnel services costs:				
Administrative staff personnel	624,193	667,950	635,599	1,927,742
Instructional personnel	570,013	981,711	1,399,511	2,951,235
Non-instructional personnel	<u>-</u>	<u>-</u>	<u>47,548</u>	<u>47,548</u>
TOTAL STAFF AND SALARIES	1,194,206	1,649,661	2,082,658	4,926,525
Fringe benefits and payroll taxes	232,970	344,427	432,027	1,009,424
Retirement	21,639	43,443	51,622	116,704
Management fees	209,193	463,828	626,518	1,299,539
Legal service	12,384	12,384	12,387	37,155
Accounting and audit services	8,303	8,304	8,304	24,911
Other professional and consulting services	71,955	67,537	82,352	221,844
Building and land rent	142,371	308,627	386,114	837,112
Repairs and maintenance	112,130	114,327	190,958	417,415
Insurance	26,791	49,776	64,186	140,753
Utilities	56,506	49,421	33,321	139,248
Supplies and materials	74,191	45,505	29,833	149,529
Equipment/Furnishings	13,493	2,092	8,653	24,238
Professional development	90,827	68,959	103,514	263,300
Marketing and recruitment	10,969	7,060	7,421	25,450
Technology	55,026	48,276	62,683	165,985
Food service	68,310	201,542	230,763	500,615
Student services	209,255	186,667	157,055	552,977
Office expense	50,477	72,077	84,333	206,887
Depreciation and amortization	106,695	113,340	201,329	421,364
Other	<u>1,428</u>	<u>1,373</u>	<u>90,381</u>	<u>93,182</u>
TOTAL EXPENSES	<u>2,769,119</u>	<u>3,858,626</u>	<u>4,946,412</u>	<u>11,574,157</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	<u>(765,047)</u>	<u>236,161</u>	<u>568,835</u>	<u>39,949</u>
Support and other revenue:				
Contributions:				
Foundations	133,397	2,666	2,667	138,730
Miscellaneous income	<u>-</u>	<u>-</u>	<u>27,647</u>	<u>27,647</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>133,397</u>	<u>2,666</u>	<u>30,314</u>	<u>166,377</u>
CHANGE IN NET ASSETS	<u>\$ (631,650)</u>	<u>\$ 238,827</u>	<u>\$ 599,149</u>	<u>\$ 206,326</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2019

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

TROY, NEW YORK

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

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
True North Troy Preparatory Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of True North Troy Preparatory Charter School, which comprise the statement of financial position as of June 30, 2020 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 26, 2020.

Internal Control Over Financial Reporting

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

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2020



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

Board of Trustees
True North Troy Preparatory Charter School

Report on Compliance for Each Major Federal Program

We have audited True North Troy Preparatory Charter School’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of True North Troy Preparatory Charter School’s major federal programs for the year ended June 30, 2020. True North Troy Preparatory Charter School’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, True North Troy Preparatory Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

Purpose of the Report

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

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

We have audited the financial statements of True North Troy Preparatory Charter School as of and for the year ended June 30, 2020, and have issued our report thereon dated October 26, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2020

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 252,026
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	23,865
Title IV - Student Support and Academic Enrichment Program	84.424	0204	<u>20,332</u>
TOTAL DEPARTMENT OF EDUCATION			<u>296,223</u>
U.S. Department of Agriculture:			
<i>Child Nutrition Cluster</i>			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	491700860931	157,117
National School Lunch Program	10.555	491700860931	<u>357,704</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>514,821</u>
TOTAL ALL PROGRAMS			<u>\$ 811,044</u>

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

CFDA Number:

84.010

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2020

FINDING – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.