

**TRUE NORTH ROCHESTER PREPARATORY
CHARTER SCHOOL**

ROCHESTER, 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 Rochester Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying statement of financial position of True North Rochester Preparatory Charter School as of June 30, 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 Rochester Preparatory Charter School as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited True North Rochester Preparatory Charter School's June 30, 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 24, 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 audited financial statement from which they are derived.

Other Report Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of True North Rochester Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Emphasis of Matters

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 23, 2020

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

| <u>ASSETS</u> | June 30, | |
|--|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 5,536,325 | \$ 3,711,363 |
| Investments | 9,694,836 | 5,100,020 |
| Grants and contracts receivable | 1,276,267 | 1,309,610 |
| Accounts receivable | 640,632 | 1,207,514 |
| Note receivable - related party | - | 3,024,375 |
| Prepaid expenses and other current assets | <u>403,909</u> | <u>649,610</u> |
| TOTAL CURRENT ASSETS | 17,551,969 | 15,002,492 |
| <u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$7,258,346 and \$5,650,312, respectively | | |
| | 6,304,907 | 3,893,468 |
| <u>ESCROW ACCOUNT</u> | | |
| | <u>240,001</u> | <u>238,257</u> |
| TOTAL ASSETS | <u>\$ 24,096,877</u> | <u>\$ 19,134,217</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 1,096,881 | \$ 1,780,835 |
| Deferred revenue | <u>236,983</u> | <u>-</u> |
| TOTAL LIABILITIES | 1,333,864 | 1,780,835 |
| <u>NET ASSETS, without donor restrictions</u> | <u>22,763,013</u> | <u>17,353,382</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 24,096,877</u> | <u>\$ 19,134,217</u> |

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 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 | \$ 33,231,198 | \$ 30,927,001 |
| Students with disabilities | 1,090,520 | 1,039,657 |
| Grants and contracts: | | |
| Federal - Title and IDEA | 1,414,917 | 1,320,385 |
| Federal - Other | 457,324 | 405,358 |
| Food service/child nutrition program | <u>1,719,634</u> | <u>2,239,970</u> |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 37,913,593 | 35,932,371 |
| Expenses: | | |
| Program services: | | |
| Regular education | 28,757,590 | 27,613,363 |
| Special education | <u>899,290</u> | <u>934,207</u> |
| TOTAL PROGRAM SERVICES | 29,656,880 | 28,547,570 |
| General and administrative | <u>3,911,106</u> | <u>3,345,513</u> |
| TOTAL OPERATING EXPENSES | <u>33,567,986</u> | <u>31,893,083</u> |
| SURPLUS FROM SCHOOL OPERATIONS | 4,345,607 | 4,039,288 |
| Support and other revenue: | | |
| Contributions: | | |
| Foundations | 881,893 | 310,196 |
| Individuals | - | 115,000 |
| Miscellaneous income | <u>182,131</u> | <u>76,959</u> |
| TOTAL SUPPORT AND OTHER REVENUE | <u>1,064,024</u> | <u>502,155</u> |
| CHANGE IN NET ASSETS | 5,409,631 | 4,541,443 |
| Net assets without donor restrictions at beginning of year | <u>17,353,382</u> | <u>12,811,939</u> |
| NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR | <u>\$ 22,763,013</u> | <u>\$ 17,353,382</u> |

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

| | | June 30, | | | | | |
|--|---------------------|----------------------|----------------------|---------------|---------------------------|---------------|---------------|
| | | 2020 | | | | | 2019 |
| | | Program Services | | | Support Services | | |
| | No. of Positions | Regular education | Special education | Total | Management and General | Total | Total |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 63 | \$ 3,370,026 | \$ 109,577 | \$ 3,479,603 | \$ 1,390,884 | \$ 4,870,487 | \$ 4,480,941 |
| Instructional personnel | 208 | 10,043,302 | 310,226 | 10,353,528 | - | 10,353,528 | 9,764,402 |
| Non-instructional personnel | 3 | 22,843 | 952 | 23,795 | 76,279 | 100,074 | 60,416 |
| Total salaries and staff | 274 | 13,436,171 | 420,755 | 13,856,926 | 1,467,163 | 15,324,089 | 14,305,759 |
| Fringe benefits and payroll taxes | | 2,381,387 | 74,619 | 2,456,006 | 291,987 | 2,747,993 | 2,853,019 |
| Retirement | | 296,630 | 9,074 | 305,704 | - | 305,704 | 320,382 |
| Management fees | | 3,711,030 | 115,912 | 3,826,942 | 675,343 | 4,502,285 | 2,827,571 |
| Legal service | | - | - | - | 37,600 | 37,600 | 35,430 |
| Accounting and audit services | | - | - | - | 61,240 | 61,240 | 46,036 |
| Other professional and consulting services | | 750,738 | 24,769 | 775,507 | 98,742 | 874,249 | 791,051 |
| Building and land rent | | 765,273 | 23,707 | 788,980 | - | 788,980 | 1,153,397 |
| Repairs and maintenance | | 1,149,096 | 37,165 | 1,186,261 | - | 1,186,261 | 1,062,210 |
| Insurance | | - | - | - | 377,358 | 377,358 | 308,030 |
| Utilities | | 245,791 | 7,565 | 253,356 | 161,583 | 414,939 | 506,131 |
| Supplies and materials | | 472,671 | 14,873 | 487,544 | - | 487,544 | 445,022 |
| Equipment/Furnishings | | 37,782 | 971 | 38,753 | 36,782 | 75,535 | 91,001 |
| Professional development | | 835,511 | 26,786 | 862,297 | - | 862,297 | 862,164 |
| Marketing and recruitment | | 69,161 | 2,132 | 71,293 | - | 71,293 | 59,009 |
| Technology | | 241,254 | 7,635 | 248,889 | 158,876 | 407,765 | 501,614 |
| Food service | | 1,342,853 | 41,112 | 1,383,965 | - | 1,383,965 | 1,793,658 |
| Student services | | 972,836 | 32,442 | 1,005,278 | - | 1,005,278 | 1,362,464 |
| Office expense | | 496,566 | 17,026 | 513,592 | 422,660 | 936,252 | 899,754 |
| Depreciation and amortization | | 1,552,840 | 42,747 | 1,595,587 | 12,447 | 1,608,034 | 1,592,085 |
| Other | | - | - | - | 109,325 | 109,325 | 77,296 |
| | | \$ 28,757,590 | \$ 899,290 | \$ 29,656,880 | \$ 3,911,106 | \$ 33,567,986 | \$ 31,893,083 |

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

| | June 30, | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 5,409,631 | \$ 4,541,443 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Depreciation and amortization | 1,608,034 | 1,592,085 |
| Bad debt expense | 30,445 | 53,146 |
| Changes in certain assets and liabilities affecting operations: | | |
| Accounts receivable | 536,437 | 2,209,994 |
| Grants and other receivables | 33,343 | 651,652 |
| Prepaid expenses and other current assets | 245,701 | (199,891) |
| Accounts payable and accrued expenses | (683,954) | 472,896 |
| Deferred revenue | <u>236,983</u> | <u>-</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 7,416,620 | 9,321,325 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (4,019,473) | (2,183,995) |
| Purchases of investments | (4,594,816) | (5,100,020) |
| Decrease (increase) in note receivable - related party | <u>3,024,375</u> | <u>(3,024,375)</u> |
| NET CASH USED FOR INVESTING ACTIVITIES | <u>(5,589,914)</u> | <u>(10,308,390)</u> |
| NET INCREASE (DECREASE) IN CASH AND ESCROW ACCOUNT | 1,826,706 | (987,065) |
| Cash and escrow account at beginning of year | <u>3,949,620</u> | <u>4,936,685</u> |
| CASH AND ESCROW ACCOUNT AT END OF YEAR | <u>\$ 5,776,326</u> | <u>\$ 3,949,620</u> |
| Reconciliation of cash and cash in escrow account reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows: | | |
| Cash | \$ 5,536,325 | \$ 3,711,363 |
| Escrow account | <u>240,001</u> | <u>238,257</u> |
| Total cash and escrow account shown in the statement of cash flows | <u>\$ 5,776,326</u> | <u>\$ 3,949,620</u> |

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

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

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

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 ROCHESTER 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:

| | June 30, | | |
|---------------------|------------|------------|--------------|
| | 2020 | 2019 | 2018 |
| Accounts receivable | \$ 458,815 | \$ 968,297 | \$ 3,176,098 |

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.

Cash

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

TRUE NORTH ROCHESTER 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

Investments

Investments are maintained in accordance with the Charter School's Cash Management and Investment Policy. The goals of this policy are the preservation of principal, the maintenance of liquidity, and to obtain a competitive return on investment subject to prevailing market conditions and safe and sound investment practices. The policy was adopted by the Board in March 2019 and currently, as of June 30, 2020, all funds are held in a money market fund. As the policy is put into place, the funds will be separated into the following three portfolios:

- The operating portfolio will be invested in short-term instruments to fund the daily operating needs of the Charter School and fund any capital outlays anticipated in the next 2 months. This portfolio will consist of no less than two months' worth of operating expenses and shall be continuously invested in readily available funds such as money market funds or bank deposits.
- The reserve portfolio, if sufficient funds are available, will be invested in short-term instruments to fund daily operating needs and capital outlays within the next twelve months. Assets within this portfolio will be permitted to have investments maturing in one year or less.
- The strategic portfolio, if sufficient funds are available, will be invested to fund operating needs anticipated over the next three years. This portfolio allows for investments with stated maturities of up to three years from the purchase date. Maturities are to be laddered to ensure flexibility of and access to funds in this portfolio.

Grants, contracts and accounts receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2020 or 2019.

Property and equipment

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

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

Escrow account

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

TRUE NORTH ROCHESTER 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

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. In addition, the Charter School received donated transportation services from certain local school districts. 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 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.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TRUE NORTH ROCHESTER 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

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.

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.

TRUE NORTH ROCHESTER 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

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 Charter School’s financial position or results of operations.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year amounts.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 23, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note B and Note N.

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% to 10% of all public school district revenue plus all other public entitlement spending receivable for the fiscal year. Percentages varied by charter and by school.

The fee incurred for the years ended June 30, 2020 and 2019 was \$4,502,285 and \$2,827,571, respectively. At June 30, 2020 and 2019, approximately \$29,000 and \$8,600, respectively, was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2020 and 2019, approximately \$574,600 and \$418,800, respectively, was included in accounts payable relating to USI.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Charter School leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly-owned subsidiary of USI (Brooks Avenue location). The lease agreement expired in July 2011 and is renewable in four successive periods of five years. Rent for this lease is calculated based on a formula of certain expenses of the landlord. The Charter School is currently leasing the property on a month to month basis. At June 30, 2020, approximately \$54,000, was included in accounts receivable relating to True North Rochester Real Estate LLC, for overpayments related to the Brooks Avenue location.

The Charter School leases its Rochester Prep Elementary School facilities from True North Rochester Real Estate Ames Street, LLC, a wholly-owned subsidiary of USI (Jay Street location). A new lease agreement was negotiated in March 2016. The lease agreement expires in August 2022, but will terminate if the Charter School's charter is not renewed. Rent for this lease was initially approximately \$28,300 per month for the initial four months and then decreased to a monthly rate of \$23,268 until the termination of the lease. The Charter School is also responsible for all other expenses relating to the property and must remain in compliance with a certain financial covenant. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord. This lease was replaced effective July 1, 2020 by a new lease agreement discussed later in this note.

Effective February 18, 2016, the Charter School began leasing space for its Rochester Prep – West Campus Middle School from Rochester Chili Avenue, LLC, a wholly-owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in August 2022. The Charter School is responsible for all other expenses related to the property. Required monthly payments under the agreement were \$32,894 beginning on May 1, 2016 through June 30, 2016 and then decreased to \$20,394 for the remaining term. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord. This lease was replaced effective July 1, 2020 by a new lease agreement discussed later in this note.

Effective July 1, 2016, the Charter School began leasing space for its second Rochester Prep Elementary School and its Rochester Prep – West Campus Elementary School from True North St. Jacob Street, LLC, a wholly-owned subsidiary of USI. The agreement will require the School remain in compliance with a financial covenant and expires in July 2021. The Charter School is responsible for all other expenses related to the property. Required payments vary over the term of the lease ranging from \$10,238 to \$11,190. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord. This lease was replaced effective July 1, 2020 by a new lease agreement discussed later in this note.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Effective October 1, 2016, the Charter School began leasing space for a future location of its West Campus Elementary School from True North Andrews Street, LLC, a wholly owned subsidiary of USI. The agreement requires the School remain in compliance with a financial covenant and expires in July 1, 2021. The Charter School is responsible for all other expenses related to the property. Payments under the agreement are \$10,033 from October 1, 2016 through June 1, 2017 then decreasing to monthly payments ranging from \$7,684 to \$8,396 through July 1, 2021. The lease contains a purchase option whereby the Charter School can purchase the property at any time during the lease term at a purchase price equal to the aggregate outstanding principal amount, and accrued and unpaid interest on all security documents as of the date the Charter School sends the election notice to the landlord. This lease was replaced effective July 1, 2020 by a new lease agreement discussed later in this note.

At June 30, 2020 and 2019, the Charter School was in compliance with its financial covenants referred to above. Including certain expenses, rent expense incurred for the years ended June 30, 2020 and 2019 relating to the above leases was approximately \$786,000 and \$810,000, respectively.

During 2019, the Charter School advanced \$3,000,000 to USI in connection with the development of a property to be leased to the Charter School. The loan carried an interest rate of 2.5% and matured on the earlier of January 31, 2020 or within ten days of USI or the related realty company obtaining financing from a bank. USI fully repaid the loan during the year ended June 30, 2020.

During June 2020, the Charter School amended its lease with True North Andrews Street, LLC to include additional commitments to advance \$393,000 and \$3,000,000, to the site. This commitment will be used to fund continued construction and renovations at the site. As of June 30, 2020, the full amount of these payments had been made or accrued and they were included in part as construction in progress.

Effective July 1, 2020, the Charter School amended its lease with True North Andrews Street, LLC to include an additional commitment to advance \$550,000, to the site. This commitment will be used to fund continued construction and renovations at the site. This commitment remains outstanding at June 30, 2020.

Effective July 1, 2020, the Charter School entered into new lease agreements with True North St. Jacob Street, LLC, True North Real Estate Ames Street, LLC, True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, and True North Andrews Street, LLC. The new lease agreements replace the existing agreements, have a start date of July 1, 2020 and have a forty-year term, expiring on June 30, 2060. Two five-year extensions are available upon expiration of the initial term. As part of a bond financing arrangement, True North St. Jacob Street, LLC, True North Real Estate Ames Street, LLC, True North Rochester Mark Street, LLC, Rochester Chili Avenue, LLC, and True North Andrews Street, LLC assigned the leases and the related cash flows to Monroe County Industrial Development Corporation who also holds a mortgage on the properties. Further, the lease agreements do contain both financial and non-financial covenants which must be met by the Charter School. Bond proceeds of approximately \$30,000,000 will be utilized for the acquisition of a new facility to house the high school as well as for renovations to this property and existing properties.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Charter School is granted a purchase option in the new lease agreements which is calculated as 87.25% of all remaining rental payments discounted to the present value using a rate of 2.93%. The intent of the calculation, as acknowledged by all parties, is to have the price of the purchase option approximate the outstanding principal of the bond. All related expenditures of the bond settlement and other expenses related to the properties would also be added to the purchase price.

Required monthly payments are summarized below:

| | <u>July 2020</u> | <u>August 2020 through May 2021</u> | <u>June 2021 through May 2022</u> | <u>June 2022 through June 2060</u> |
|--|------------------|---|---|--|
| True North Jacobs Street, LLC | \$ 9,606 | \$ 7,016 | \$ 6,241 | \$ 7,565 |
| True North Rochester Real Estate Ames Street, LLC | 20,639 | 13,391 | 11,914 | 14,442 |
| True North Rochester Mark Street, LLC | - | - | 100,103 * | 121,551 |
| Rochester Chili Avenue, LLC | 17,723 | 10,364 | 9,220 | 11,175 |
| True North Andrews Street, LLC | 10,061 | 15,943 | 14,184 | 17,193 |
| Total required monthly payment | <u>\$ 58,029</u> | <u>\$ 46,714</u> | <u>\$ 141,662</u> | <u>\$ 171,926</u> |

* - no payments are required until August 2021

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

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2021 | \$ 566,725 |
| 2022 | 1,630,107 |
| 2023 | 2,063,100 |
| 2024 | 2,063,100 |
| 2025 | 2,063,100 |
| Thereafter | 72,208,504 |
| | <u>\$ 80,594,636</u> |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE C: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor 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 | \$ 5,536,325 | \$ 3,711,363 |
| Investments | 9,694,836 | 5,100,020 |
| Grants and contracts receivable | 1,276,267 | 1,309,610 |
| Accounts receivable | 640,632 | 1,207,514 |
| Note receivable - related party | - | 3,024,375 |
| | <u>\$ 17,148,060</u> | <u>\$ 14,352,882</u> |

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 and shows positive cash generated by operations for fiscal years 2020 and 2019.

NOTE D: SCHOOL FACILITY

Effective December 21, 2017, the Charter School leased space from 1001 Lake Ave LLC for its high school. The lease term was from January 1, 2018 through June 30, 2019. Rent expense was \$343,890 for the year ended June 30, 2019, which was made payable in monthly installments of \$28,658. There was no rent expense related to this lease during the year ended June 30, 2020.

Effective June 12, 2019, the Charter School signed an agreement for a new location at 400 Andrews Street in Rochester, NY. The term of this lease ends on June 12, 2021 and requires monthly payments of \$2,300 with \$25,300 being due in the future fiscal year ending June 30, 2021. Rent expense was approximately \$28,000 and \$2,000 during the years ended June 30, 2020 and 2019, respectively.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE E: FAIR VALUE MEASUREMENTS

Accounting principles establishes a frame work for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 or 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Charter School are actively traded open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to report their daily net asset value and to transact at that price.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE E: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy, the Charter School's assets at fair value as of June 30, 2020 and 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|----------------|----------------|---------------------|
| <u>June 30, 2020</u> | | | | |
| Mutual funds: | | | | |
| Money market funds | \$ 9,694,836 | \$ - | \$ - | \$ 9,694,836 |
| Total assets at fair value | <u>\$ 9,694,836</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,694,836</u> |
| <u>June 30, 2019</u> | | | | |
| Mutual funds: | | | | |
| Money market funds | \$ 5,100,020 | \$ - | \$ - | \$ 5,100,020 |
| Total assets at fair value | <u>\$ 5,100,020</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,100,020</u> |

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Furniture and fixtures | \$ 669,029 | \$ 594,500 |
| Computer equipment and software | 3,822,879 | 3,319,249 |
| Leasehold improvements | 5,618,310 | 5,524,482 |
| Construction in process | <u>3,453,034</u> | <u>105,549</u> |
| | 13,563,252 | 9,543,780 |
| Less accumulated depreciation and amortization | <u>7,258,345</u> | <u>5,650,312</u> |
| | <u>\$ 6,304,907</u> | <u>\$ 3,893,468</u> |

Construction in progress at June 30, 2019 consists of costs related to multiple small improvements projects and the amounts were transferred to leasehold improvements. No depreciation was taken on these assets until they were placed into service. Construction in progress at June 30, 2020 consists of costs related to leasehold improvements at the Andrews Street site and multiple small improvements projects. No depreciation will be taken until these assets are placed in service.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through June 2025. The approximate future minimum payments on these agreements are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2021 | \$ 515,000 |
| 2022 | 489,000 |
| 2023 | 393,000 |
| 2024 | 337,000 |
| 2025 | 114,000 |
| | <u>\$ 1,848,000</u> |

NOTE H: 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 \$306,000 and \$320,000, respectively.

NOTE I: CONTINGENCY

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

NOTE J: CONCENTRATIONS

At June 30, 2020 and 2019, approximately 66% and 24%, respectively, of receivables are due from New York State.

During the years ended June 30, 2020 and 2019, 91% and 89%, respectively, of total revenue, gains and other support came from per-pupil funding provided by New York State through the school districts in which the students reside. The per-pupil rate is set annually by the state based on the school district in which the Charter School's students are located.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

| | June 30, | |
|------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Undesignated | \$ 16,458,106 | \$ 13,459,914 |
| Invested in property and equipment | 6,304,907 | 3,893,468 |
| | <u>\$ 22,763,013</u> | <u>\$ 17,353,382</u> |

NOTE L: 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 M: 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.

NOTE N: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charters as granted by the New York State Board of Regents. The charters currently expire June 30, 2021. The renewal process includes review by SUNY of various operational and governance aspects, including fiscal health and internal controls, board governance and academic performance. Upon review of the renewal application and results, SUNY will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed. On October 6, 2020, SUNY approved a five year renewal for each of the Charter School’s three charters.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
True North Rochester Preparatory Charter School

We have audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2020, and we have issued our report thereon dated October 23, 2020, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2020, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 23, 2020

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF ROCHESTER PREP, WEST CAMPUS AND ROCHESTER PREP SCHOOL 3 ACTIVITIES

YEAR ENDED JUNE 30, 2020

| | <u>Rochester Prep</u> | <u>West Campus</u> | <u>Rochester Prep School 3</u> | <u>Total</u> |
|--|---------------------------|------------------------|--|---------------|
| Revenue, gains and other support: | | | | |
| Public school district | | | | |
| Resident student enrollment | \$ 16,929,705 | \$ 11,315,908 | \$ 4,985,585 | \$ 33,231,198 |
| Students with disabilities | 738,652 | 267,661 | 84,207 | 1,090,520 |
| Grants and contracts | | | | |
| Federal - Title and IDEA | 792,920 | 361,670 | 260,327 | 1,414,917 |
| Federal - Other | 133,897 | 54,164 | 269,263 | 457,324 |
| Food service/child nutrition program | 855,338 | 597,820 | 266,476 | 1,719,634 |
| TOTAL REVENUE, GAINS, AND OTHER SUPPORT | 19,450,512 | 12,597,223 | 5,865,858 | 37,913,593 |
| Personnel services costs: | | | | |
| Administrative staff personnel | 2,695,130 | 1,533,580 | 641,777 | 4,870,487 |
| Instructional personnel | 5,157,778 | 3,656,191 | 1,539,559 | 10,353,528 |
| Non-instructional personnel | 63,281 | 36,793 | - | 100,074 |
| TOTAL STAFF AND SALARIES | 7,916,189 | 5,226,564 | 2,181,336 | 15,324,089 |
| Fringe benefits and payroll taxes | 1,421,117 | 1,005,441 | 321,435 | 2,747,993 |
| Retirement | 147,992 | 123,548 | 34,164 | 305,704 |
| Management fees | 2,316,071 | 1,514,047 | 672,167 | 4,502,285 |
| Legal service | 18,800 | 12,536 | 6,264 | 37,600 |
| Accounting and audit services | 30,619 | 20,415 | 10,206 | 61,240 |
| Other professional and consulting services | 514,197 | 249,640 | 110,412 | 874,249 |
| Building and land rent | 396,364 | 270,765 | 121,851 | 788,980 |
| Repairs and maintenance | 672,025 | 327,262 | 186,974 | 1,186,261 |
| Insurance | 218,281 | 116,009 | 43,068 | 377,358 |
| Utilities | 233,292 | 142,491 | 39,156 | 414,939 |
| Supplies and materials | 256,111 | 174,552 | 56,881 | 487,544 |
| Equipment/Furnishings | 22,748 | 32,018 | 20,769 | 75,535 |
| Professional development | 476,939 | 257,129 | 128,229 | 862,297 |
| Marketing and recruitment | 35,291 | 24,551 | 11,451 | 71,293 |
| Technology | 212,056 | 141,711 | 53,998 | 407,765 |
| Food service | 671,658 | 499,109 | 213,198 | 1,383,965 |
| Student services | 616,862 | 357,312 | 31,104 | 1,005,278 |
| Office expense | 585,471 | 251,375 | 99,406 | 936,252 |
| Depreciation and amortization | 547,010 | 596,082 | 464,942 | 1,608,034 |
| Other | 84,928 | 13,859 | 10,538 | 109,325 |
| TOTAL EXPENSES | 17,394,021 | 11,356,416 | 4,817,549 | 33,567,986 |
| SURPLUS FROM SCHOOL OPERATIONS | 2,056,491 | 1,240,807 | 1,048,309 | 4,345,607 |
| Support and other revenue: | | | | |
| Contributions: | | | | |
| Foundations | 861,501 | 12,670 | 7,722 | 881,893 |
| Corporations | - | - | - | - |
| Miscellaneous income | 135,003 | 47,128 | - | 182,131 |
| TOTAL SUPPORT AND OTHER REVENUE | 996,504 | 59,798 | 7,722 | 1,064,024 |
| CHANGE IN NET ASSETS | \$ 3,052,995 | \$ 1,300,605 | \$ 1,056,031 | \$ 5,409,631 |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2020

| | West Campus | | | Rochester Prep | | | | Rochester Prep School 3 | |
|--|---------------|-------------------|---------------|----------------|---------------|-------------------|---------------|-------------------------|---------------|
| | Middle School | Elementary School | Total | High School | Middle School | Elementary School | Total | Elementary School | Total |
| Revenue, gains and other support | | | | | | | | | |
| Public school district | | | | | | | | | |
| Resident student enrollment | \$ 4,929,611 | \$ 6,386,297 | \$ 11,315,908 | \$ 5,582,900 | \$ 4,972,115 | \$ 6,374,690 | \$ 16,929,705 | \$ 4,985,585 | \$ 33,231,198 |
| Students with disabilities | 198,236 | 69,425 | 267,661 | 256,505 | 303,393 | 178,754 | 738,652 | 84,207 | 1,090,520 |
| Grants and contracts | | | | | | | | | |
| State and Local | - | - | - | - | - | - | - | - | - |
| Federal - Title and IDEA | 23,305 | 338,365 | 361,670 | 266,624 | 166,959 | 359,337 | 792,920 | 260,327 | 1,414,917 |
| Federal - Other | 35,959 | 18,205 | 54,164 | 46,004 | 40,772 | 47,121 | 133,897 | 269,263 | 457,324 |
| Food service/child nutrition program | 257,403 | 340,417 | 597,820 | 257,158 | 257,043 | 341,137 | 855,338 | 266,476 | 1,719,634 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 5,444,514 | 7,152,709 | 12,597,223 | 6,409,191 | 5,740,282 | 7,301,039 | 19,450,512 | 5,865,858 | 37,913,593 |
| Personnel services costs: | | | | | | | | | |
| Administrative staff personnel | 643,802 | 889,778 | 1,533,580 | 951,164 | 715,640 | 1,028,326 | 2,695,130 | 641,777 | 4,870,487 |
| Instructional personnel | 1,529,564 | 2,126,627 | 3,656,191 | 1,834,988 | 1,445,242 | 1,877,548 | 5,157,778 | 1,539,559 | 10,353,528 |
| Non-instructional personnel | - | 36,793 | 36,793 | 23,795 | 39,486 | - | 63,281 | - | 100,074 |
| TOTAL STAFF AND SALARIES | 2,173,366 | 3,053,198 | 5,226,564 | 2,809,947 | 2,200,368 | 2,905,874 | 7,916,189 | 2,181,336 | 15,324,089 |
| Fringe benefits and payroll taxes | 404,731 | 600,710 | 1,005,441 | 486,745 | 381,736 | 552,636 | 1,421,117 | 321,435 | 2,747,993 |
| Retirement | 49,899 | 73,649 | 123,548 | 53,571 | 40,689 | 53,732 | 147,992 | 34,164 | 305,704 |
| Management fees | 645,375 | 868,672 | 1,514,047 | 753,225 | 687,246 | 875,600 | 2,316,071 | 672,167 | 4,502,285 |
| Legal service | 6,268 | 6,268 | 12,536 | 6,264 | 6,268 | 6,268 | 18,800 | 6,264 | 37,600 |
| Accounting and audit services | 10,207 | 10,208 | 20,415 | 10,205 | 10,207 | 10,207 | 30,619 | 10,206 | 61,240 |
| Other professional and consulting services | 120,735 | 128,905 | 249,640 | 271,283 | 113,834 | 129,080 | 514,197 | 110,412 | 874,249 |
| Building and land rent | 120,680 | 150,085 | 270,765 | 131,591 | 117,319 | 147,454 | 396,364 | 121,851 | 788,980 |
| Repairs and maintenance | 170,832 | 156,430 | 327,262 | 235,001 | 207,885 | 229,139 | 672,025 | 186,974 | 1,186,261 |
| Insurance | 50,162 | 65,847 | 116,009 | 102,866 | 50,150 | 65,265 | 218,281 | 43,068 | 377,358 |
| Utilities | 81,163 | 61,328 | 142,491 | 83,078 | 85,438 | 64,776 | 233,292 | 39,156 | 414,939 |
| Supplies and materials | 92,222 | 82,330 | 174,552 | 146,376 | 47,030 | 62,705 | 256,111 | 56,881 | 487,544 |
| Equipment/Furnishings | 24,318 | 7,700 | 32,018 | 13,817 | 2,749 | 6,182 | 22,748 | 20,769 | 75,535 |
| Professional development | 95,337 | 161,792 | 257,129 | 200,300 | 104,903 | 171,736 | 476,939 | 128,229 | 862,297 |
| Marketing and recruitment | 11,889 | 12,662 | 24,551 | 12,730 | 11,310 | 11,251 | 35,291 | 11,451 | 71,293 |
| Technology | 82,957 | 58,754 | 141,711 | 85,122 | 52,611 | 74,323 | 212,056 | 53,998 | 407,765 |
| Food service | 221,087 | 278,022 | 499,109 | 163,381 | 216,704 | 291,573 | 671,658 | 213,198 | 1,383,965 |
| Student services | 185,900 | 171,412 | 357,312 | 303,556 | 143,047 | 170,259 | 616,862 | 31,104 | 1,005,278 |
| Office expense | 106,294 | 145,081 | 251,375 | 201,676 | 167,903 | 215,892 | 585,471 | 99,406 | 936,252 |
| Depreciation and amortization | 177,949 | 418,133 | 596,082 | 194,572 | 146,477 | 205,961 | 547,010 | 464,942 | 1,608,034 |
| Other | 11,641 | 2,218 | 13,859 | 57,404 | 21,574 | 5,950 | 84,928 | 10,538 | 109,325 |
| TOTAL EXPENSES | 4,843,012 | 6,513,404 | 11,356,416 | 6,322,710 | 4,815,448 | 6,255,863 | 17,394,021 | 4,817,549 | 33,567,986 |
| SURPLUS FROM SCHOOL OPERATIONS | 601,502 | 639,305 | 1,240,807 | 86,481 | 924,834 | 1,045,176 | 2,056,491 | 1,048,309 | 4,345,607 |
| Support and other revenue: | | | | | | | | | |
| Contributions: | | | | | | | | | |
| Foundations | 6,335 | 6,335 | 12,670 | 848,654 | 6,512 | 6,335 | 861,501 | 7,722 | 881,893 |
| Corporations | - | - | - | - | - | - | - | - | - |
| Miscellaneous income | 27,356 | 19,772 | 47,128 | - | 95,572 | 39,431 | 135,003 | - | 182,131 |
| TOTAL SUPPORT AND OTHER REVENUE | 33,691 | 26,107 | 59,798 | 848,654 | 102,084 | 45,766 | 996,504 | 7,722 | 1,064,024 |
| CHANGE IN NET ASSETS | \$ 635,193 | \$ 665,412 | \$ 1,300,605 | \$ 935,135 | \$ 1,026,918 | \$ 1,090,942 | \$ 3,052,995 | \$ 1,056,031 | \$ 5,409,631 |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – WEST CAMPUS

| | | June 30, | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|
| | | 2020 | | | | | 2019 |
| | No. of Positions | Program Services | | | Support Services | | Total |
| | | Regular education | Special education | Total | Management and General | Total | |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 18 | \$ 1,048,222 | \$ 21,392 | \$ 1,069,614 | \$ 463,966 | \$ 1,533,580 | \$ 1,523,687 |
| Instructional personnel | 71 | 3,583,067 | 73,124 | 3,656,191 | - | 3,656,191 | 3,516,564 |
| Non-instructional personnel | 2 | | | | 36,793 | 36,793 | 27,219 |
| Total salaries and staff | 91 | 4,631,289 | 94,516 | 4,725,805 | 500,759 | 5,226,564 | 5,067,470 |
| Fringe benefits and payroll taxes | | 879,366 | 17,946 | 897,312 | 108,129 | 1,005,441 | 1,094,007 |
| Retirement | | 121,077 | 2,471 | 123,548 | - | 123,548 | 132,058 |
| Management fees | | 1,261,201 | 25,739 | 1,286,940 | 227,107 | 1,514,047 | 992,682 |
| Legal service | - | - | - | - | 12,536 | 12,536 | 6,724 |
| Accounting and audit services | | - | - | - | 20,415 | 20,415 | 15,348 |
| Other professional and consulting services | | 211,626 | 4,319 | 215,945 | 33,695 | 249,640 | 225,223 |
| Building and land rent | | 265,350 | 5,415 | 270,765 | - | 270,765 | 416,153 |
| Repairs and maintenance | | 320,717 | 6,545 | 327,262 | - | 327,262 | 336,803 |
| Insurance | | - | - | - | 116,009 | 116,009 | 102,680 |
| Utilities | | 102,589 | 2,094 | 104,683 | 37,808 | 142,491 | 166,300 |
| Supplies and materials | | 171,061 | 3,491 | 174,552 | - | 174,552 | 171,880 |
| Equipment/Furnishings | | 10,611 | 217 | 10,828 | 21,190 | 32,018 | 22,404 |
| Professional development | | 251,986 | 5,143 | 257,129 | - | 257,129 | 246,509 |
| Marketing and recruitment | | 24,060 | 491 | 24,551 | - | 24,551 | 21,146 |
| Technology | | 80,345 | 1,640 | 81,985 | 59,726 | 141,711 | 169,352 |
| Food service | | 489,127 | 9,982 | 499,109 | - | 499,109 | 634,476 |
| Student services | | 350,166 | 7,146 | 357,312 | - | 357,312 | 507,895 |
| Office expense | | 129,436 | 2,642 | 132,078 | 119,297 | 251,375 | 254,547 |
| Depreciation and amortization | | 581,269 | 11,863 | 593,132 | 2,950 | 596,082 | 615,090 |
| Other | | - | | | 13,859 | 13,859 | 40,699 |
| | | <u>\$ 9,881,276</u> | <u>\$ 201,660</u> | <u>\$ 10,082,936</u> | <u>\$ 1,273,480</u> | <u>\$ 11,356,416</u> | <u>\$ 11,239,446</u> |

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TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP

| | | June 30, | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|
| | | 2020 | | | | | 2019 |
| | No. of Positions | Program Services | | | Support Services | | Total |
| | | Regular education | Special education | Total | Management and General | Total | |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 38 | \$ 1,919,295 | \$ 79,971 | \$ 1,999,266 | \$ 695,864 | \$ 2,695,130 | \$ 2,478,125 |
| Instructional personnel | 104 | 4,951,467 | 206,311 | 5,157,778 | - | 5,157,778 | 5,018,012 |
| Non-instructional personnel | <u>1</u> | <u>22,843</u> | <u>952</u> | <u>23,795</u> | <u>39,486</u> | <u>63,281</u> | <u>33,197</u> |
| Total salaries and staff | 143 | 6,893,605 | 287,234 | 7,180,839 | 735,350 | 7,916,189 | 7,529,334 |
| Fringe benefits and payroll taxes | | 1,223,983 | 50,999 | 1,274,982 | 146,135 | 1,421,117 | 1,481,684 |
| Retirement | | 142,072 | 5,920 | 147,992 | - | 147,992 | 157,775 |
| Management fees | | 1,889,914 | 78,746 | 1,968,660 | 347,411 | 2,316,071 | 1,458,048 |
| Legal service | | - | - | - | 18,800 | 18,800 | 25,346 |
| Accounting and audit services | | - | - | - | 30,619 | 30,619 | 23,018 |
| Other professional and consulting services | | 444,406 | 18,517 | 462,923 | 51,274 | 514,197 | 471,508 |
| Building and land rent | | 380,509 | 15,855 | 396,364 | - | 396,364 | 594,874 |
| Repairs and maintenance | | 645,144 | 26,881 | 672,025 | - | 672,025 | 524,339 |
| Insurance | | - | - | - | 218,281 | 218,281 | 154,015 |
| Utilities | | 119,878 | 4,995 | 124,873 | 108,419 | 233,292 | 288,949 |
| Supplies and materials | | 245,867 | 10,244 | 256,111 | - | 256,111 | 225,793 |
| Equipment/Furnishings | | 9,373 | 391 | 9,764 | 12,984 | 22,748 | 49,147 |
| Professional development | | 457,861 | 19,078 | 476,939 | - | 476,939 | 518,561 |
| Marketing and recruitment | | 33,879 | 1,412 | 35,291 | - | 35,291 | 28,445 |
| Technology | | 127,534 | 5,314 | 132,848 | 79,208 | 212,056 | 251,162 |
| Food service | | 644,792 | 26,866 | 671,658 | - | 671,658 | 938,656 |
| Student services | | 592,188 | 24,674 | 616,862 | - | 616,862 | 769,249 |
| Office expense | | 324,162 | 13,507 | 337,669 | 247,802 | 585,471 | 547,754 |
| Depreciation and amortization | | 520,083 | 21,670 | 541,753 | 5,257 | 547,010 | 546,115 |
| Other | | - | - | - | 84,928 | 84,928 | 31,374 |
| | | <u>\$ 14,695,250</u> | <u>\$ 612,303</u> | <u>\$ 15,307,553</u> | <u>\$ 2,086,468</u> | <u>\$ 17,394,021</u> | <u>\$ 16,615,146</u> |

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP SCHOOL 3

| | | June 30, | | | | | |
|--|------------------|---------------------|-------------------|---------------------|------------------------|---------------------|---------------------|
| | | 2020 | | | | | 2019 |
| | No. of Positions | Program Services | | | Support Services | | Total |
| | | Regular education | Special education | Total | Management and General | Total | |
| Personnel services costs: | | | | | | | |
| Administrative staff personnel | 7 | \$ 402,509 | \$ 8,214 | \$ 410,723 | \$ 231,054 | \$ 641,777 | \$ 479,129 |
| Instructional personnel | 33 | 1,508,768 | 30,791 | 1,539,559 | - | 1,539,559 | 1,229,826 |
| Non-instructional personnel | - | | | | | | |
| Total salaries and staff | 40 | 1,911,277 | 39,005 | 1,950,282 | 231,054 | 2,181,336 | 1,708,955 |
| Fringe benefits and payroll taxes | | 278,038 | 5,674 | 283,712 | 37,723 | 321,435 | 277,328 |
| Retirement | | 33,481 | 683 | 34,164 | - | 34,164 | 30,549 |
| Management fees | | 559,915 | 11,427 | 571,342 | 100,825 | 672,167 | 376,841 |
| Legal service | - | - | - | - | 6,264 | 6,264 | 3,360 |
| Accounting and audit services | | - | - | - | 10,206 | 10,206 | 7,670 |
| Other professional and consulting services | | 94,706 | 1,933 | 96,639 | 13,773 | 110,412 | 94,320 |
| Building and land rent | | 119,414 | 2,437 | 121,851 | - | 121,851 | 142,370 |
| Repairs and maintenance | | 183,235 | 3,739 | 186,974 | - | 186,974 | 201,068 |
| Insurance | | - | - | - | 43,068 | 43,068 | 51,335 |
| Utilities | | 23,324 | 476 | 23,800 | 15,356 | 39,156 | 50,882 |
| Supplies and materials | | 55,743 | 1,138 | 56,881 | - | 56,881 | 47,349 |
| Equipment/Furnishings | | 17,798 | 363 | 18,161 | 2,608 | 20,769 | 19,450 |
| Professional development | | 125,664 | 2,565 | 128,229 | - | 128,229 | 97,094 |
| Marketing and recruitment | | 11,222 | 229 | 11,451 | - | 11,451 | 9,418 |
| Technology | | 33,375 | 681 | 34,056 | 19,942 | 53,998 | 81,100 |
| Food service | | 208,934 | 4,264 | 213,198 | - | 213,198 | 220,526 |
| Student services | | 30,482 | 622 | 31,104 | - | 31,104 | 85,320 |
| Office expense | | 42,968 | 877 | 43,845 | 55,561 | 99,406 | 97,453 |
| Depreciation and amortization | | 451,488 | 9,214 | 460,702 | 4,240 | 464,942 | 430,880 |
| Other | | - | | | 10,538 | 10,538 | 5,223 |
| | | <u>\$ 4,181,064</u> | <u>\$ 85,327</u> | <u>\$ 4,266,391</u> | <u>\$ 551,158</u> | <u>\$ 4,817,549</u> | <u>\$ 4,038,491</u> |

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**TRUE NORTH ROCHESTER PREPARATORY
CHARTER SCHOOL**

ROCHESTER, NEW YORK

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

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 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 Rochester Preparatory Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of True North Rochester Preparatory Charter School, which comprise the statement of financial position as of June 30, 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 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether True North Rochester Preparatory Charter School's financial statements are free 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 23, 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 Rochester Preparatory Charter School

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Rochester Preparatory Charter School as of and for the year ended June 30, 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, Barw & Co. LLP

Rochester, New York
October 23, 2020

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

| | Federal CFDA Number | Pass-through Grantor's Number | Total Federal Expenditures |
|---|---------------------------|-------------------------------------|----------------------------------|
| U.S. Department of Agriculture: | | | |
| <i>Child Nutrition Cluster</i> | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| School Breakfast Program | 10.553 | 1000004543 | \$ 541,298 |
| National School Lunch Program | 10.555 | 1000004543 | <u>1,101,952</u> |
| Total U.S. Department of Agriculture | | | 1,643,250 |
| U.S. Department of Education: | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 0021 | 1,045,043 |
| Title IIA - Supporting Effective Instruction State Grant | 84.367 | 0147 | 171,256 |
| Title IV - Student Support and Academic Enrichment Program | 84.424 | 0204 | 78,272 |
| <u>Passed through Uncommon Schools, Inc.:</u> | | | |
| CSP - Uncommon 2021 | 84.282M | U282M160015 | <u>251,302</u> |
| Total U.S. Department of Education | | | <u>1,545,873</u> |
| TOTAL ALL PROGRAMS | | | <u>\$ 3,189,123</u> |

NOTE A: BASIS OF PRESENTATION

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

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 Rochester Preparatory Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TRUE NORTH ROCHESTER 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
84.282M

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies
CSP - Uncommon|2021

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 ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2020

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE