

**TRUE NORTH TROY PREPARATORY  
CHARTER SCHOOL**

**TROY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2021**

**(With Comparative Totals for 2020)**



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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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, 2021 on our consideration of True North Troy Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 26, 2021

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

<u>ASSETS</u>	June 30,	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 4,289,907	\$ 2,373,306
Grants and contracts receivable	569,363	260,035
Accounts receivable	610,095	1,135,375
Prepaid expenses	<u>118,602</u>	<u>218,233</u>
TOTAL CURRENT ASSETS	5,587,967	3,986,949
<u>PROPERTY AND EQUIPMENT, NET</u>	1,513,962	1,428,614
<u>ESCROW ACCOUNT</u>	<u>76,462</u>	<u>76,327</u>
TOTAL ASSETS	<u>\$ 7,178,391</u>	<u>\$ 5,491,890</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 652,404	\$ 380,338
<u>NET ASSETS</u> , without donor restrictions	<u>6,525,987</u>	<u>5,111,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,178,391</u>	<u>\$ 5,491,890</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, 2021  
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 11,175,056	\$ 10,309,833
Students with disabilities	440,123	408,946
Grants and contracts:		
Federal - Title and IDEA	282,040	296,223
Federal - Other	389,493	71,917
Food service/child nutrition program	209,613	527,187
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>12,496,325</u>	<u>11,614,106</u>
Expenses:		
Program services:		
Regular education	9,037,305	9,594,672
Special education	376,554	399,778
TOTAL PROGRAM SERVICES	<u>9,413,859</u>	<u>9,994,450</u>
Management and general	1,843,241	1,579,707
TOTAL OPERATING EXPENSES	<u>11,257,100</u>	<u>11,574,157</u>
SURPLUS FROM SCHOOL OPERATIONS	1,239,225	39,949
Support and other revenue:		
Contributions:		
Foundations	166,442	138,730
Miscellaneous income	8,768	27,647
TOTAL SUPPORT AND OTHER REVENUE	<u>175,210</u>	<u>166,377</u>
CHANGE IN NET ASSETS	1,414,435	206,326
Net assets without donor restrictions at beginning of year	<u>5,111,552</u>	<u>4,905,226</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 6,525,987</u>	<u>\$ 5,111,552</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, 2021  
(With Comparative Totals for 2020)

		June 30,					
		2021					2020
	No. of Positions	Program Services			Support Services		Total
		Regular education	Special education	Total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	26	\$ 1,106,529	\$ 46,105	\$ 1,152,634	\$ 910,762	\$ 2,063,396	\$ 1,927,742
Instructional personnel	56	2,987,601	124,483	3,112,084	-	3,112,084	2,951,235
Non-instructional personnel	2	45,486	1,895	47,381	-	47,381	47,548
Total salaries and staff	84	4,139,616	172,483	4,312,099	910,762	5,222,861	4,926,525
Fringe benefits and payroll taxes		828,100	34,504	862,604	180,684	1,043,288	1,009,424
Retirement		108,304	4,513	112,817	23,564	136,381	116,704
Management fees		1,189,283	49,553	1,238,836	218,618	1,457,454	1,299,539
Legal service		-	-	-	49,354	49,354	37,155
Accounting and audit services		-	-	-	19,350	19,350	24,911
Other professional and consulting services		184,911	7,705	192,616	43,135	235,751	221,844
Building and land rent		803,012	33,459	836,471	-	836,471	837,112
Repairs and maintenance		385,140	16,048	401,188	-	401,188	417,415
Insurance		-	-	-	147,794	147,794	140,753
Utilities		78,027	3,251	81,278	43,977	125,255	139,248
Supplies and materials		70,548	2,940	73,488	-	73,488	149,529
Equipment/Furnishings		1,621	68	1,689	1,211	2,900	24,238
Professional development		126,012	5,250	131,262	-	131,262	263,300
Marketing and recruitment		9,479	395	9,874	-	9,874	25,450
Technology		106,311	4,430	110,741	76,061	186,802	165,985
Food service		265,068	11,044	276,112	-	276,112	500,615
Student services		224,074	9,336	233,410	-	233,410	552,977
Office expense		39,274	1,636	40,910	111,080	151,990	206,887
Depreciation and amortization		419,420	17,476	436,896	4,279	441,175	421,364
Other		59,105	2,463	61,568	13,372	74,940	93,182
		<u>\$ 9,037,305</u>	<u>\$ 376,554</u>	<u>\$ 9,413,859</u>	<u>\$ 1,843,241</u>	<u>\$ 11,257,100</u>	<u>\$ 11,574,157</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, 2021  
(With Comparative Totals for 2020)

	June 30,	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,414,435	\$ 206,326
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Bad debt expense	61,568	89,916
Depreciation and amortization	441,175	421,364
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(309,328)	48,668
Accounts receivable	463,712	(808,238)
Prepaid expenses	99,631	161,333
Accounts payable and accrued expenses	<u>272,066</u>	<u>(172,171)</u>
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	2,443,259	(52,802)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(526,523)</u>	<u>(221,237)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(526,523)</u>	<u>(221,237)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	1,916,736	(274,039)
Cash and restricted cash at beginning of year	<u>2,449,633</u>	<u>2,723,672</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 4,366,369</u>	<u>\$ 2,449,633</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	\$ 4,289,907	\$ 2,373,306
Escrow account	<u>76,462</u>	<u>76,327</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 4,366,369</u>	<u>\$ 2,449,633</u>

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



# TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

### 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, 2021 and 2020.

*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, 2021

(With Comparative Totals for 2020)

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 NY'S 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 from educational programing at their respective statement of financial position dates:

	June 30,		
	2021	2020	2019
Accounts receivable	\$ 610,095	\$ 1,128,882	\$ 251,841

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, 2021 and 2020. 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, 2021

(With Comparative Totals for 2020)

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, 2021 and 2020 was \$76,462 and \$76,327, 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, 2021 or 2020.

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, 2018 through June 30, 2021 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, 2021

(With Comparative Totals for 2020)

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, 2020

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, 2020, from which the summarized information was derived.

New accounting pronouncements:

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.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School's financial statements.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2021, 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, 2021

(With Comparative Totals for 2020)

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, 2020, 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, 2021 and 2020 were approximately \$1,457,000 and \$1,300,000, respectively. Approximately \$346,000 and \$186,000 were included in accounts payable, relating to USI for management fees and other expenses incurred by USI on behalf of the School, at June 30, 2021 and 2020, respectively. Approximately \$36,000 and \$6,000 was included in accounts receivable from USI relating to grants being passed through USI at June 30, 2021 and 2020, respectively.

On June 24, 2021, the Charter School and USI signed a mutual termination of the master service agreement effective July 1, 2022.

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, 2021

(With Comparative Totals for 2020)

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>
2022	\$ 836,100
2023	836,100
2024	836,100
2025	836,100
2026	836,100
Thereafter	11,043,175
	<u>\$ 15,223,675</u>

Including real estate taxes paid, rent expense incurred was \$836,471 and \$837,112 for the years ended June 30, 2021 and June 30, 2020, 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>2021</u>	<u>2020</u>
Cash	\$ 4,289,907	\$ 2,373,306
Grants and contracts receivable	569,363	260,035
Accounts receivable, net	610,095	1,135,375
	<u>\$ 5,469,365</u>	<u>\$ 3,768,716</u>

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 334,014	\$ 334,014
Computers and software	1,829,010	1,324,664
Leasehold improvements	1,681,562	1,659,384
Construction in Progress	<u>30,000</u>	<u>30,000</u>
	3,874,586	3,348,062
Less accumulated depreciation and amortization	<u>2,360,624</u>	<u>1,919,448</u>
	<u><u>\$ 1,513,962</u></u>	<u><u>\$ 1,428,614</u></u>

NOTE E: RETIREMENT PLAN

The Charter School participates in a defined contribution 403(b) plan covering most employees through a USI plan. 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, 2021 and 2020 approximated \$136,400 and \$116,700, respectively.

NOTE F: CONCENTRATIONS

At June 30, 2021 approximately 77% of accounts receivable was due from two school districts. At June 30, 2020 approximately 64% of accounts receivable was due from two school districts. 88% and 100% of grants and contracts receivable were due from New York State as of June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, 93% and 92%, 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, 2021

(With Comparative Totals for 2020)

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.

Amount receivable from Lansingburgh Central School District at June 30, 2021 of approximately \$138,000 are related to the fiscal year ending June 30, 2021. The Charter School wrote off approximately \$62,000 related to receivables from Lansingburgh Central School District during fiscal year ending June 30, 2021. No other amount receivable remain outstanding from Lansingburgh Central School District for fiscal year ending June 30, 2021. Management expects payments to be made in full either from the District or via the intercept process.

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.



TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE H: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements through August 2024. The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 38,025
2023	18,410
2024	10,384
2025	413
	<u>\$ 67,232</u>

NOTE I: FUNCTIONAL EXPENSES

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

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 (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 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$233,283 of revenue relative to ESSER grants during the year ended June 30, 2021.

NOTE K: CHARTER SCHOOL MERGER

On June 24, 2021 the Charter School’s Board of Trustees voted to approve and authorize the merger with KIPP Albany Community Charter Schools effective July 1, 2022. KIPP Albany Community Charter Schools will be the surviving education corporation.

**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, 2021, and we have issued our report thereon dated October 26, 2021, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2021 financial statements as a whole. The 2021 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2021 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 2021 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 financial statements or to the 2021 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, 2021, 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, 2020, and our report thereon dated October 26, 2020, 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 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.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 26, 2021

TRUE NORTH TROY PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2021

	<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	\$ 2,397,365	\$ 3,913,748	\$ 4,863,943	\$ 11,175,056
Students with disabilities	140,639	163,105	136,379	440,123
Grants and contracts:				
Federal - Title and IDEA	57,535	81,093	143,412	282,040
Federal - Other	67,686	158,778	163,029	389,493
Food service/child nutrition program	<u>35,989</u>	<u>71,661</u>	<u>101,963</u>	<u>209,613</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	2,699,214	4,388,385	5,408,726	12,496,325
Personnel services costs:				
Administrative staff personnel	640,968	773,605	648,823	2,063,396
Instructional personnel	668,315	1,019,906	1,423,863	3,112,084
Non-instructional personnel	<u>-</u>	<u>-</u>	<u>47,381</u>	<u>47,381</u>
TOTAL STAFF AND SALARIES	1,309,283	1,793,511	2,120,067	5,222,861
Fringe benefits and payroll taxes	227,427	366,269	449,592	1,043,288
Retirement	28,969	46,152	61,260	136,381
Management fees	307,270	516,496	633,688	1,457,454
Legal service	16,996	17,000	15,358	49,354
Accounting and audit services	6,450	6,450	6,450	19,350
Other professional and consulting services	73,644	83,988	78,119	235,751
Building and land rent	164,421	298,524	373,526	836,471
Repairs and maintenance	130,776	132,154	138,258	401,188
Insurance	29,559	51,728	66,507	147,794
Utilities	43,824	42,811	38,620	125,255
Supplies and materials	31,751	18,871	22,866	73,488
Equipment/Furnishings	257	2,062	581	2,900
Professional development	32,945	46,455	51,862	131,262
Marketing and recruitment	3,288	3,288	3,298	9,874
Technology	37,319	40,828	108,655	186,802
Food service	87,589	57,033	131,490	276,112
Student services	187,778	14,669	30,963	233,410
Office expense	39,385	48,349	64,256	151,990
Depreciation and amortization	121,302	123,177	196,696	441,175
Other	<u>4,611</u>	<u>42,216</u>	<u>28,113</u>	<u>74,940</u>
TOTAL EXPENSES	<u>2,884,844</u>	<u>3,752,031</u>	<u>4,620,225</u>	<u>11,257,100</u>
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	<u>(185,630)</u>	<u>636,354</u>	<u>788,501</u>	<u>1,239,225</u>
Support and other revenue:				
Contributions:				
Foundations	166,442	-	-	166,442
Miscellaneous income	<u>2,844</u>	<u>2,944</u>	<u>2,980</u>	<u>8,768</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>169,286</u>	<u>2,944</u>	<u>2,980</u>	<u>175,210</u>
CHANGE IN NET ASSETS	<u>\$ (16,344)</u>	<u>\$ 639,298</u>	<u>\$ 791,481</u>	<u>\$ 1,414,435</u>

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>
Revenue, 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**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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, 2021, 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, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 26, 2021