

**TRUE NORTH ROCHESTER PREPARATORY
CHARTER SCHOOL**

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
True North Rochester Preparatory Charter School

Opinion

We have audited the financial statements of True North Rochester Preparatory Charter School which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of True North Rochester Preparatory Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of True North Rochester Preparatory Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2023 the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about True North Rochester Preparatory Charter School's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 True North Rochester Preparatory Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about True North Rochester Preparatory Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited True North Rochester Preparatory Charter School's June 30, 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 on our consideration of True North Rochester Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2023

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023
(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,260,812	\$ 4,725,082
Money market funds	1,063,952	10,231,948
Investments	13,746,425	-
Grants and contracts receivable	4,787,864	5,948,568
Accounts receivable	32,053	642,155
Prepaid expenses and other current assets	1,081,185	799,583
TOTAL CURRENT ASSETS	21,972,291	22,347,336
<u>PROPERTY AND EQUIPMENT</u> , net of accumulated depreciation of \$12,971,462 and \$11,360,011, respectively	6,535,344	6,860,468
<u>MONEY MARKET FUNDS - DESIGNATED FOR CAPITAL PROJECTS</u>	7,500,000	7,500,000
<u>OTHER ASSETS</u>		
Security deposit	-	9,407
Right-of-use assets - operating	48,006,179	-
Escrow account	248,373	240,361
	48,254,552	249,768
TOTAL ASSETS	<u>\$ 84,262,187</u>	<u>\$ 36,957,572</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,743,459	\$ 2,222,918
Current portion of lease liabilities - operating	1,398,954	-
Deferred revenue	-	691,506
TOTAL CURRENT LIABILITIES	3,142,413	2,914,424
<u>NONCURRENT LIABILITIES</u>		
Long-term lease liabilities - operating	46,619,846	-
TOTAL LIABILITIES	49,762,259	2,914,424
<u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	26,999,928	26,543,148
Designated for capital projects	7,500,000	7,500,000
TOTAL NET ASSETS	34,499,928	34,043,148
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 84,262,187</u>	<u>\$ 36,957,572</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, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 37,395,889	\$ 35,384,143
Students with disabilities	1,364,580	1,416,095
Grants and contracts:		
Federal - Title and IDEA	2,714,061	1,996,182
Federal - ESSER	3,913,878	4,753,245
Federal - Other	377,186	729,000
Food service/child nutrition program	3,017,140	3,027,426
TOTAL REVENUE, GAINS AND OTHER SUPPORT	48,782,734	47,306,091
Expenses:		
Program services:		
Regular education	43,792,335	37,887,520
Special education	1,600,414	1,403,082
TOTAL PROGRAM SERVICES	45,392,749	39,290,602
Management and general	4,324,190	4,582,054
TOTAL OPERATING EXPENSES	49,716,939	43,872,656
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(934,205)	3,433,435
Support and other revenue:		
Contributions:		
Foundations	666,147	969,440
Interest income	714,648	31,845
Miscellaneous income	10,190	38,201
TOTAL SUPPORT AND OTHER REVENUE	1,390,985	1,039,486
CHANGE IN NET ASSETS	456,780	4,472,921
Net assets without donor restrictions at beginning of year	34,043,148	29,570,227
NET ASSETS AT END OF YEAR	\$ 34,499,928	\$ 34,043,148

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, 2023
(With Comparative Totals for 2022)

		June 30,					
		2023					2022
		Program Services			Support Services		
	No. of Positions	Regular education	Special education	Total	Management and General	Total	Total
Personnel services costs:							
Administrative staff personnel	64	\$ 3,602,812	\$ 128,714	\$ 3,731,526	\$ 1,675,867	\$ 5,407,393	\$ 4,967,774
Instructional personnel	277	13,743,598	494,114	14,237,712	-	14,237,712	13,342,005
Non-instructional personnel	2	125,577	4,962	130,539	-	130,539	92,256
Total salaries and staff	343	17,471,987	627,790	18,099,777	1,675,867	19,775,644	18,402,035
Fringe benefits and payroll taxes		3,618,709	131,061	3,749,770	329,879	4,079,649	3,502,986
Retirement		526,927	19,391	546,318	47,627	593,945	388,967
Management fees		4,549,655	159,524	4,709,179	831,032	5,540,211	5,157,610
Legal service		-	-	-	38,049	38,049	58,953
Accounting and audit services		-	-	-	70,800	70,800	39,900
Other professional and consulting services		317,656	13,486	331,142	-	331,142	457,633
Building and land rent		2,294,450	100,016	2,394,466	-	2,394,466	1,688,688
Repairs and maintenance		2,341,513	81,587	2,423,100	-	2,423,100	2,123,797
Insurance		-	-	-	426,832	426,832	358,897
Utilities		595,666	25,042	620,708	164,895	785,603	659,916
Supplies and materials		910,404	31,037	941,441	13,646	955,087	670,441
Equipment/Furnishings		437,139	13,632	450,771	109,668	560,439	304,549
Professional development		536,254	19,352	555,606	-	555,606	353,451
Marketing and recruitment		227,121	7,733	234,854	-	234,854	298,045
Technology		2,177,406	82,361	2,259,767	121,586	2,381,353	2,302,754
Food service		2,565,282	89,604	2,654,886	-	2,654,886	2,108,405
Student services		2,355,495	86,487	2,441,982	-	2,441,982	1,852,933
Office expense		811,086	30,302	841,388	438,368	1,279,756	1,028,265
Depreciation and amortization		1,530,981	64,267	1,595,248	16,217	1,611,465	1,868,113
Other		524,604	17,742	542,346	39,724	582,070	246,318
		\$ 43,792,335	\$ 1,600,414	\$ 45,392,749	\$ 4,324,190	\$ 49,716,939	\$ 43,872,656

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, 2023
(With Comparative Totals for 2022)

	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 456,780	\$ 4,472,921
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,611,465	1,868,113
Accrued investment interest	(184,758)	-
Bad debt expense	5,580	8,358
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	604,522	263,685
Grants and other receivables	1,160,704	(2,642,111)
Prepaid expenses and other current assets	(281,602)	158,446
Security deposits	9,407	(9,407)
Accounts payable and accrued expenses	(479,459)	314,692
Lease liability, net right-of-use asset	12,621	-
Deferred revenue	(691,506)	691,506
NET CASH PROVIDED FROM OPERATING ACTIVITIES	2,223,754	5,126,203
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of investments	(13,561,667)	-
Purchases of property and equipment	(658,529)	(2,375,438)
Construction in progress	(627,812)	-
Sale (purchases) of money market funds	9,167,996	(31,820)
NET CASH (USED FOR) INVESTING ACTIVITIES	(5,680,012)	(2,407,258)
NET (DECREASE) INCREASE IN CASH AND ESCROW ACCOUNT	(3,456,258)	2,718,945
Cash and escrow account at beginning of year	4,965,443	2,246,498
CASH AND ESCROW ACCOUNT AT END OF YEAR	<u>\$ 1,509,185</u>	<u>\$ 4,965,443</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	\$ 1,260,812	\$ 4,725,082
Escrow account	248,373	240,361
Total cash and escrow account shown in the statement of cash flows	<u>\$ 1,509,185</u>	<u>\$ 4,965,443</u>

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

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

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. On October 6, 2020 the Charter School was granted a five year renewal for all schools through July 21, 2026.

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, 2023 and 2022.

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, 2023

(With Comparative Totals for 2022)

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 from educational programming at their respective statement of financial position dates:

	June 30,		
	2023	2022	2021
Accounts receivable	\$ 32,616	\$ 207,426	\$ 914,198

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.

Contributions received are recorded in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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 was no deferred revenue at June 30, 2023. There was \$691,506 related to deferred revenue at June 30, 2022. 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.

Cash management

The cash management program is 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 as of June 30, 2023 and 2022, all funds are held in treasuries or money market funds. 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 ladderred to ensure flexibility of and access to funds in this portfolio.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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, 2023 or 2022.

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.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

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.

Leases

The Charter School leases, buildings and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the accompanying statement of financial position. There were no finance leases at June 30, 2023 or 2022.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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, 2020 through June 30, 2023 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 as part of their responsibilities to the students residing in their districts.

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, 2022

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, 2022, from which the summarized information was derived.

Student services

Student services include various expenses including transportation, student/parent food, assignment services, student uniforms and other student related expenses.

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, 2023

(With Comparative Totals for 2022)

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

Adoption of new accounting standard - 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 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 adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 a lease liability of \$48,283,635, which represents the present value of the remaining operating lease payments of \$54,572,883, discounted using the risk free rate of 3.11%, and a right-of-use asset of \$48,407,195.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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 present year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 16, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as noted in Note F and O.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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 a separate board resolution, the Charter School will pay USI its 12.28% proportionate share of the total incremental costs incurred by USI to address the learning loss as a result of the pandemic. The additional expense due to learning loss will be charged through June 30, 2024.

As part of their relationship, USI has verbally committed to supporting the Charter School's Capital Campaign. The amount of the verbal commitment at June 30, 2023 is approximately \$367,000.

The fees incurred for the years ended June 30, 2023 and 2022 was \$5,540,211 and \$5,157,610 respectively. At June 30, 2023 no amount of accounts receivable was due from USI. At June 30, 2022, approximately \$121,300 was included in accounts receivable relating to USI, primarily from grants passed through USI. At June 30, 2023 and 2022, approximately \$572,000 and \$976,000, respectively, was included in accounts payable related to this fee and other expenses incurred by USI on behalf of the Charter School, due to USI.

The Charter School leases its Rochester Prep Middle School facilities from True North Rochester Real Estate LLC, a wholly owned subsidiary of Rochester Prep Foundation which is an entity controlled by USI (Brooks Avenue location). The lease agreement expired in July 2011 and was renewable in four successive periods of five years. Rent for this lease was 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. See Note F for additional lease information.

Effective July 1, 2020, the Charter School entered into new lease agreements with True North Jacobs Street, LLC, True North Rochester 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 Jacobs Street, LLC, True North Rochester 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 contain both financial and non-financial covenants which must be met by the Charter School. Bond proceeds of approximately \$30,000,000 were utilized for the acquisition of a new facility to house the high school as well as for renovations to this property and existing properties as well as refinancing existing mortgages. See Note F for additional lease information.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Charter School was 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.

Monthly payments through June 2060 are as follows:

True North Jacobs Street, LLC	\$ 7,565
True North Rochester Real Estate	
Ames Street, LLC	14,442
True North Rochester Mark Street, LLC	121,551
Rochester Chili Avenue, LLC	11,175
True North Andrews Street, LLC	<u>17,193</u>
Total required monthly payment	<u>\$ 171,926</u>

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>2023</u>	<u>2022</u>
Cash	\$ 1,260,812	\$ 4,725,082
Money market funds	1,063,952	10,231,948
Investments	13,746,425	-
Grants and contracts receivable	4,787,864	5,948,568
Accounts receivable	<u>32,053</u>	<u>642,155</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 20,891,106</u>	<u>\$ 21,547,753</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 2023 and 2022.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: 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, 2023 or 2022.

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.

U.S. Treasuries: Valued at the daily closing price as reported by the broker.

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, 2023

(With Comparative Totals for 2022)

NOTE D: 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, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2023</u>				
Mutual funds:				
Money market funds	\$ 1,063,952	\$ -	\$ -	\$ 1,063,952
Money market funds designated for capital projects	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Total mutual funds	8,563,952	-	-	8,563,952
U.S. Treasuries maturing from August 1, 2023 through January 2024	<u>13,746,425</u>	<u>-</u>	<u>-</u>	<u>13,746,425</u>
Total assets at fair value	<u>\$ 22,310,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,310,377</u>
<u>June 30, 2022</u>				
Mutual funds:				
Money market funds	\$ 10,231,948	\$ -	\$ -	\$ 10,231,948
Money market funds designated for capital projects	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Total assets at fair value	<u>\$ 17,731,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,731,948</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 1,220,921	\$ 1,154,930
Computer equipment and software	5,910,756	5,821,814
Leasehold improvements	11,747,317	11,243,735
Construction in process	<u>627,812</u>	<u>-</u>
	19,506,806	18,220,479
Less accumulated depreciation and amortization	<u>12,971,462</u>	<u>11,360,011</u>
	<u>\$ 6,535,344</u>	<u>\$ 6,860,468</u>

Construction in progress at June 30, 2023 consists of costs related to multiple improvement projects. No depreciation will be taken until these assets are placed in service. There was no construction in progress at June 30, 2022.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES

The Charter School has operating leases for buildings and copying machines. The leases have various remaining lease terms ranging from 2 years to 38 years, through June 30, 2060. Total lease expense for the years ended June 30, 2023 and 2022 was approximately \$2,400,000 and \$1,700,000, respectively.

A summary of lease right-of-use assets and liabilities are as follows:

<u>Statement of Financial Position Classification</u>		
<u>Assets</u>		
Other assets	Right-of-use asset	<u>\$ 48,006,179</u>
		<u>\$ 48,006,179</u>
<u>Liabilities</u>		
Current liabilities	Current portion of lease liabilities	\$ 1,398,954
Other liabilities	Long-term lease liabilities	<u>46,619,846</u>
		<u>\$ 48,018,800</u>

The components of lease expense were as follows:

Operating lease cost:	<u>\$ 2,783,403</u>
-----------------------	---------------------

As of June 30, 2023, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 2,860,181
2025	2,761,809
2026	2,585,020
2027	2,437,982
2028	2,260,998
Thereafter	<u>66,173,354</u>
Total lease payments	79,079,344
Less: Interest	<u>(31,060,544)</u>
Present value of lease liabilities	<u>\$ 48,018,800</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES, Cont'd

Supplemental information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for operating leases \$ 2,541,760

Right-of-use assets obtained in exchange for new lease liabilities
(non-cash):

Operating leases \$ 49,070,825

Weighted-average remaining lease term:

Operating leases 35.23 years

Weighted-average discount rate:

Operating leases 3.10%

In July 2023 the Charter School entered into a lease agreement for a building (Brooks Avenue) through June 2028 with monthly payments of \$4,000 with four renewal periods of five years each. In September 2023, the Charter School entered into lease agreements for equipment through November 2028 with monthly payments of \$7,323. Minimum payments due for these new leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 121,230
2025	135,876
2026	135,876
2027	135,876
2028	135,876
Thereafter	<u>1,454,646</u>
	<u>\$ 2,119,380</u>

NOTE G: 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, 2023 and 2022 approximated \$594,000 and \$389,000, respectively.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE H: 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 I: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 95% and 90%, respectively, of grants and contracts receivable are due from federal programs . In addition at June 30, 2023, 34% of accounts receivables are due from one school district.

During the years ended June 30, 2023 and 2022, 79% and 78%, 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.

NOTE J: NET ASSETS

Net assets are as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Undesignated	\$ 20,464,584	\$ 19,682,680
Designated for capital projects	7,500,000	7,500,000
Invested in property and equipment	<u>6,535,344</u>	<u>6,860,468</u>
	<u>\$ 34,499,928</u>	<u>\$ 34,043,148</u>

NOTE K: 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.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

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 \$3,913,878 and \$4,753,245 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. The Charter School has \$5,852,871 of ESSER grants still available through September 30, 2024 as of June 30, 2023.

NOTE M: ROCHESTER PREP MIDDLE SCHOOL

In August 2021, Rochester Prep Middle School (MS3) opened serving grade 5. By August 2024 the school will expand to serve grades 5-8.

NOTE N: NORTHMARK, LLC

During the year ended June 30, 2023, the Charter School formed and was the sole member of Northmark, LLC, a Delaware tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The purpose of Northmark, LLC is to hold title of real property. As of June 30, 2023, no purchases have been made by Northmark, LLC. On January 25, 2023 the Charter School approved funding Northmark, LLC with up to \$2,000,000 in \$500,000 tranches upon request. As of June 30, 2023, no amount has been funded.

NOTE O: NAME CHANGE

On August 23, 2023 the Charter School began the process of changing the names of all three charters and the education corporation. The education corporation, True North Rochester Preparatory Charter School would change to Rochester Prep Charter Schools. The charter, True North Rochester Preparatory Charter School would change to Rochester Prep Charter School 1. The charter, True North Rochester Preparatory Charter School – West Campus would change to Rochester Prep Charter School 2. The charter, True North Rochester Preparatory Charter School 3 would change to Rochester Prep Charter School 3. As of October 16, 2023, the Charter School was still awaiting approval.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

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, 2023, and we have issued our report thereon dated October 16, 2023, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2023 financial statements as a whole. The 2023 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2023 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 2023 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2023 financial statements or to the 2023 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, 2023, as a whole.

We have also audited the financial statements of True North Rochester Preparatory Charter School as of and for the year ended June 30, 2022, and our report thereon dated October 27, 2022, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2022 financial statements as a whole. The 2022 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2022 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 2022 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 2022 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, 2022, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 16, 2023

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TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

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

YEAR ENDED JUNE 30, 2023

	<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	\$ 17,974,952	\$ 10,785,583	\$ 8,635,354	\$ 37,395,889
Students with disabilities	839,895	275,221	249,464	1,364,580
Grants and contracts				
Federal - Title and IDEA	1,290,664	819,395	604,002	2,714,061
Federal - ESSER	2,046,188	1,087,728	779,962	3,913,878
Federal - Other	84,150	54,697	238,339	377,186
Food service/child nutrition program	1,293,060	862,040	862,040	3,017,140
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	23,528,909	13,884,664	11,369,161	48,782,734
Personnel services costs:				
Administrative staff personnel	2,615,287	1,362,577	1,429,529	5,407,393
Instructional personnel	6,978,653	4,131,696	3,127,363	14,237,712
Non-instructional personnel	78,374	41,166	10,999	130,539
TOTAL STAFF AND SALARIES	9,672,314	5,535,439	4,567,891	19,775,644
Fringe benefits and payroll taxes	2,051,325	1,137,870	890,454	4,079,649
Retirement	309,037	157,443	127,465	593,945
Management fees	2,562,401	1,641,667	1,336,143	5,540,211
Legal service	27,630	5,229	5,190	38,049
Accounting and audit services	30,343	20,228	20,229	70,800
Other professional and consulting services	228,751	40,099	62,292	331,142
Building and land rent	1,737,560	582,560	74,346	2,394,466
Repairs and maintenance	1,104,154	602,417	716,529	2,423,100
Insurance	182,928	121,952	121,952	426,832
Utilities	496,348	136,900	152,355	785,603
Supplies and materials	418,553	284,816	251,718	955,087
Equipment/Furnishings	200,560	73,952	285,927	560,439
Professional development	274,664	141,107	139,835	555,606
Marketing and recruitment	101,228	89,155	44,471	234,854
Technology	1,312,850	541,638	526,865	2,381,353
Food service	1,216,855	822,654	615,377	2,654,886
Student services	1,254,899	584,130	602,953	2,441,982
Office expense	671,011	353,105	255,640	1,279,756
Depreciation and amortization	1,087,224	283,088	241,153	1,611,465
Other	257,421	212,629	112,020	582,070
TOTAL EXPENSES	25,198,056	13,368,078	11,150,805	49,716,939
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(1,669,147)	516,586	218,356	(934,205)
Support and other revenue:				
Contributions:				
Foundations	621,212	22,467	22,468	666,147
Interest income	310,856	201,896	201,896	714,648
Miscellaneous income	8,848	546	796	10,190
TOTAL SUPPORT AND OTHER REVENUE	940,916	224,909	225,160	1,390,985
CHANGE IN NET ASSETS	\$ (728,231)	\$ 741,495	\$ 443,516	\$ 456,780

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – WEST CAMPUS

		June 30,					
		2023					2022
	No. of Positions	Program Services			Support Services		Total
		Regular education	Special education	Total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	16	\$ 919,226	\$ 18,760	\$ 937,986	\$ 424,591	\$ 1,362,577	\$ 1,263,526
Instructional personnel	83	4,049,062	82,634	4,131,696	-	4,131,696	4,192,050
Non-instructional personnel	1	40,343	823	41,166	-	41,166	54,021
Total salaries and staff	100	5,008,631	102,217	5,110,848	424,591	5,535,439	5,509,597
Fringe benefits and payroll taxes		1,029,039	21,001	1,050,040	87,830	1,137,870	1,068,395
Retirement		142,340	2,905	145,245	12,198	157,443	118,450
Management fees		1,367,509	27,908	1,395,417	246,250	1,641,667	1,583,449
Legal service		-	-	-	5,229	5,229	26,564
Accounting and audit services		-	-	-	20,228	20,228	8,634
Other professional and consulting services		39,297	802	40,099	-	40,099	43,603
Building and land rent		570,909	11,651	582,560	-	582,560	302,837
Repairs and maintenance		590,369	12,048	602,417	-	602,417	561,480
Insurance		-	-	-	121,952	121,952	102,542
Utilities		90,775	1,853	92,628	44,272	136,900	196,221
Supplies and materials		278,246	5,678	283,924	892	284,816	188,889
Equipment/Furnishings		60,135	1,227	61,362	12,590	73,952	91,012
Professional development		138,285	2,822	141,107	-	141,107	115,526
Marketing and recruitment		87,372	1,783	89,155	-	89,155	78,992
Technology		491,020	10,021	501,041	40,597	541,638	709,100
Food service		806,201	16,453	822,654	-	822,654	666,441
Student services		572,447	11,683	584,130	-	584,130	433,872
Office expense		233,020	4,756	237,776	115,329	353,105	276,017
Depreciation and amortization		275,088	5,614	280,702	2,386	283,088	389,120
Other		199,567	4,073	203,640	8,989	212,629	105,709
		<u>\$ 11,980,250</u>	<u>\$ 244,495</u>	<u>\$ 12,224,745</u>	<u>\$ 1,143,333</u>	<u>\$ 13,368,078</u>	<u>\$ 12,576,450</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP

		June 30,					
		2023			2022		
	No. of Positions	Program Services			Support Services		Total
		Regular education	Special education	Total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	30	\$ 1,712,621	\$ 90,138	\$ 1,802,759	\$ 812,528	\$ 2,615,287	\$ 2,541,887
Instructional personnel	127	6,629,720	348,933	6,978,653	-	6,978,653	6,658,827
Non-instructional personnel	1	74,455	3,919	78,374	-	78,374	38,235
Total salaries and staff	158	8,416,796	442,990	8,859,786	812,528	9,672,314	9,238,949
Fringe benefits and payroll taxes		1,775,416	93,443	1,868,859	182,466	2,051,325	1,776,572
Retirement		268,031	14,107	282,138	26,899	309,037	204,794
Management fees		2,069,139	108,902	2,178,041	384,360	2,562,401	2,475,607
Legal service		-	-	-	27,630	27,630	19,549
Accounting and audit services		-	-	-	30,343	30,343	12,957
Other professional and consulting services		217,313	11,438	228,751	-	228,751	391,468
Building and land rent		1,650,682	86,878	1,737,560	-	1,737,560	1,301,605
Repairs and maintenance		1,048,946	55,208	1,104,154	-	1,104,154	1,001,588
Insurance		-	-	-	182,928	182,928	153,813
Utilities		399,853	21,045	420,898	75,450	496,348	332,909
Supplies and materials		386,608	20,348	406,956	11,597	418,553	305,795
Equipment/Furnishings		146,188	7,694	153,882	46,678	200,560	121,045
Professional development		260,931	13,733	274,664	-	274,664	155,264
Marketing and recruitment		96,167	5,061	101,228	-	101,228	130,914
Technology		1,176,907	61,942	1,238,849	74,001	1,312,850	1,058,481
Food service		1,156,012	60,843	1,216,855	-	1,216,855	1,014,911
Student services		1,192,154	62,745	1,254,899	-	1,254,899	1,081,916
Office expense		426,665	22,456	449,121	221,890	671,011	575,874
Depreciation and amortization		1,024,782	53,936	1,078,718	8,506	1,087,224	1,189,310
Other		218,331	11,491	229,822	27,599	257,421	105,875
		<u>\$ 21,930,921</u>	<u>\$ 1,154,260</u>	<u>\$ 23,085,181</u>	<u>\$ 2,112,875</u>	<u>\$ 25,198,056</u>	<u>\$ 22,649,196</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – ROCHESTER PREP SCHOOL 3

		June 30,					
		2023					2022
	No. of Positions	Program Services			Support Services		Total
		Regular education	Special education	Total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	18	\$ 970,965	\$ 19,816	\$ 990,781	\$ 438,748	\$ 1,429,529	\$ 1,162,361
Instructional personnel	67	3,064,816	62,547	3,127,363	-	3,127,363	2,491,128
Non-instructional personnel	-	10,779	220	10,999	-	10,999	-
Total salaries and staff	85	4,046,560	82,583	4,129,143	438,748	4,567,891	3,653,489
Fringe benefits and payroll taxes		814,254	16,617	830,871	59,583	890,454	658,019
Retirement		116,556	2,379	118,935	8,530	127,465	65,723
Management fees		1,113,007	22,714	1,135,721	200,422	1,336,143	1,098,554
Legal service		-	-	-	5,190	5,190	12,840
Accounting and audit services		-	-	-	20,229	20,229	18,309
Other professional and consulting services		61,046	1,246	62,292	-	62,292	22,562
Building and land rent		72,859	1,487	74,346	-	74,346	84,246
Repairs and maintenance		702,198	14,331	716,529	-	716,529	560,729
Insurance		-	-	-	121,952	121,952	102,542
Utilities		105,038	2,144	107,182	45,173	152,355	130,786
Supplies and materials		245,550	5,011	250,561	1,157	251,718	174,757
Equipment/Furnishings		230,816	4,711	235,527	50,400	285,927	92,492
Professional development		137,038	2,797	139,835	-	139,835	82,661
Marketing and recruitment		43,582	889	44,471	-	44,471	88,139
Technology		509,479	10,398	519,877	6,988	526,865	535,173
Food service		603,069	12,308	615,377	-	615,377	427,053
Student services		590,894	12,059	602,953	-	602,953	337,145
Office expense		151,401	3,090	154,491	101,149	255,640	176,374
Depreciation and amortization		231,111	4,717	235,828	5,325	241,153	289,683
Other		106,706	2,178	108,884	3,136	112,020	34,734
		<u>\$ 9,881,164</u>	<u>\$ 201,659</u>	<u>\$ 10,082,823</u>	<u>\$ 1,067,982</u>	<u>\$ 11,150,805</u>	<u>\$ 8,646,010</u>

**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, 2023



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

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, 2023 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 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on 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 financial statements. 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 16, 2023

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

Opinion on Each Major Federal Program

We have audited True North Rochester Preparatory Charter School's compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. 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.

In our opinion, True North Rochester Preparatory Charter School complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of True North Rochester Preparatory Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of True North Rochester Preparatory Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to True North Rochester Preparatory Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on True North Rochester Preparatory Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about True North Rochester Preparatory Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding True North Rochester Preparatory Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of True North Rochester Preparatory Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 True North Rochester Preparatory Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on True North Rochester Preparatory Charter School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. True North Rochester Preparatory Charter School's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on True North Rochester Preparatory Charter School's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. True North Rochester Preparatory Charter School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2023, and have issued our report thereon dated October 16, 2023, which contained 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 16, 2023

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	261600860906	\$ 974,781
National School Lunch Program	10.555	261600860906	<u>1,978,854</u>
<i>Total Child Nutrition Cluster</i>			<u>2,953,635</u>
TOTAL DEPARTMENT OF AGRICULTURE			2,953,635
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	2,028,400
Title IIA - Supporting Effective Instruction			
State Grant	84.367	0147	227,870
Title IV - Student Support and Academic			
Enrichment Program	84.424	0204	117,951
Education Innovation and Research	84.411A	N/A	2,100
<u>Passed through Uncommon Schools, Inc.</u>			
<u>Education Stabilization Funds -</u>			
American Rescue Plan - Elementary and			
ESSER III - Elementary and Secondary School	84.425U	5891	<u>3,913,878</u>
<i>Total Education Stabilization Funds</i>			3,913,878
<u>Passed through Uncommon Schools, Inc.:</u>			
CSP - Uncommon	84.282M	U282M160015	<u>189,901</u>
TOTAL DEPARTMENT OF EDUCATION			<u>6,480,100</u>
TOTAL ALL PROGRAMS			<u>\$ 9,433,735</u>

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2023

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, 2023

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? x yes 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)? x yes no

Identification of major program:

AL Number:

84.010
84.425U

Name of Federal Program or Cluster:

Title 1- Grants to Local Educational Agencies
ESSER III American Rescue Plan - Elementary and
Secondary Emergency Relief Fund

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-

YEAR ENDED JUNE 30, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

No Findings.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2023-001:

Identification of the Federal Program:

AL 84.425D – American Rescue Plan – Elementary and Secondary School Emergency Relief, Award Number 5891

Criteria: Requirements per part 4 section 20.001 of the Uniform Guidance state that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL).

Condition: Management had not established an adequate system of internal control over compliance with the Special Tests and Provisions related to Wage Rate Requirements under the Elementary and Secondary School Emergency Relief Fund.

Cause: Management did not have adequate internal controls in place to identify and comply with Wage Rate Requirements established under part 4 section 84.425 of the Uniform Guidance.

Effect or Potential Effect: Without appropriate internal controls over compliance, non-compliance could occur which the entity may not identify. Laborers and mechanics employed by contractors and subcontractors may not have been paid in accordance with local prevailing wage rates. We were not able to determine if the entity was in compliance with this compliance requirement as appropriate documentation was not requested from the applicable contractor.

Questioned Costs: N/A

Repeat Finding?: No

Recommendation: Management should implement internal controls over Wage Rate Requirements to ensure compliance with applicable Federal statutes, regulations, and terms and conditions of the awards received.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-

YEAR ENDED JUNE 30, 2023

Responsible Official's Response:

In this particular finding, the decision was made to undertake a project using organizational reserves. Subsequent to the project taking place additional review indicated it would qualify as permissible under the American Rescue Plan and Federal Funding could potentially cover the project costs. The contract for the work, however, was not further reviewed at the time. After subsequent review, it appears that the contract may not meet the standards for Federal Funding, Management, therefore, has removed the Federal funding revenue from it's financial statements and has not requested funding for this project under the American Rescue Plan.

As a regular course of business, the organization does require any contracts subject to Federal funding requirements meet Federal Funding requirements, including those requirements associated with prevailing wages. Going forward, a comprehensive contract review will be performed for any project retroactively deemed a potentially permissible use of Federal funds

Auditor's Evaluation of the Responsible Official's Response:

Management's response is appropriate to address the finding. If properly implemented, management's response would include procedures to prevent reoccurrence in the future.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT, Cont'd

Finding 2023-002:

Identification of the Federal Program:

AL 10.553, 10.555 – Child Nutrition Cluster

Criteria: In accordance with 7 CFR 210.8, the Charter School is required to establish internal controls which ensures the accuracy of meal counts prior to the submission of the monthly reimbursement claims.

Condition and Context: Internal controls over compliance are not designed and implemented in a manner which ensures accurate reporting of meals served. The month of February 2023 was selected for testing the underlying support for meals served compared to the meals submitted for reimbursement. In this month there were discrepancies in the Lunch category, compared to what the Charter School submitted for reimbursement. The error rate was fifteen percent for the West Campus Elementary School location and two percent overall. Further, for the month of February 2023 the Charter School submitted for reimbursement less meals than their records supported, the net difference was less than \$3,000. In addition the Charter School did not file their corrective action plan on a timely basis related to finding 2022-001 as required by SUNY.

Cause: Management did not have adequate controls in place to ensure that meal counts at the homeroom level reconciled to the School level and claims made at the federal and state level.

Effect or Potential Effect: Errors were made in claiming process and went undetected by the Charter School.

Questioned Costs: N/A

Repeat Finding?: Yes, See finding 2022-001

Recommendation: The Charter School needs to examine their current processes and make the necessary adjustments to become in compliance with 7 CFR 210.8. They should also ensure that this supporting documentation is maintained for a period of three years following the final submission for reimbursement for each fiscal year as required by 7 CFR 210.23(c). Properly designed and implemented procedures will ensure that the Charter School remains in compliance with program requirements and is appropriately reimbursed. In addition we recommend the Charter School submit the corrective action plan on a timely basis once a timeline is established by SUNY.

Responsible Official's Response:

The Rochester Schools will implement a plan which will eliminate discrepancies between meal counting at the homeroom level, reporting at the school level, and claims made at the state and federal levels.

This implementation plan includes a heightened responsibility with data collection, multiple quality checks and data transfer.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

Procedures to prevent reoccurrence in the future are listed below:

Responsible Party	Action	Timeline	Category
Homeroom teachers	Use homeroom tracker to indicate which students took meals	Immediately at point of service, as students are taking their meals	Data collection
Child Nutrition Lead (Operations Team Member at School)	Checks homeroom trackers to ensure that no dates are missing & follows up with teachers for missing data	Friday afternoon, reviewing the immediate past week	Quality check
Child Nutrition Lead (Operations Team Member at School)	Compares homeroom meal counts to attendance reports for the week to ensure that students marked absent were not erroneously listed as receiving meal/s	Friday afternoon, reviewing the immediate past week	Quality check
Child Nutrition Lead (Operations Team Member at School)	Transfers aggregate meal count data for each homeroom into school-level tracker	Friday afternoon, reporting the immediate past week	Data transfer
Child Nutrition Lead (Operations Team Member at School)	Reviews school-level tracker, ensures that counts match homeroom-level trackers and completes attestation (see appendix A)	1st business day of the month, reviewing the immediately previous month	Quality check
Food Service Manager (Director of Operations at school) See Appendix D	Reviews monthly school-level meal tracker for accuracy and completes attestation (see appendix B) including reviewing the reasonableness check (see appendix C)	7th business day of the month, reviewing the immediately previous month	Quality check

Auditor's Evaluation of the Responsible Official's Response:

Management's response is appropriate to address the finding. If properly implemented, management's response would include procedures to prevent reoccurrence in the future.

TRUE NORTH ROCHESTER PREPARATORY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2022-001:

Identification of the Federal Program:

AL 10.553, 10.555 – Child Nutrition Cluster

Criteria: In accordance with 7 CFR 210.8, the Charter School is required to establish internal controls which ensures the accuracy of meal counts prior to the submission of the monthly reimbursement claims.

Condition and Context: Internal controls over compliance are not designed and implemented in a manner which ensures accurate reporting of meals served. The months of November 2021 and February 2022 were selected for testing the underlying support for meals served compared to the meals submitted for reimbursement. In both of these months there were discrepancies in the various categories, Breakfast, Lunch and Snack, compared to what the Charter School submitted for reimbursement. The error rates approached five percent for some of these categories. Further, for the months of November 2021 and February 2022 the Charter School submitted for reimbursement less meals than their records supported, the net difference was less than \$6,000.

Current Status:

See Finding 2023-002 for status.