

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
ST. LOUIS, MISSOURI**

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Progress in Education, Inc.
North Side Community School

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of Progress in Education, Inc. - North Side Community School (a nonprofit organization) as of June 30, 2012, and the related statement of support, revenue and expenditures - modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. 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 the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, these financial statements were prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Progress in Education, Inc. - North Side Community School as of June 30, 2012, and the change in its net assets for the year then ended, in conformity with the modified cash basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of the organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements as a whole. The supplementary information presented on pages 8 through 16, is presented for purposes of complying with the requirements of the Missouri Department of Elementary and Secondary Education and is not a required part of the basic financial statements. The supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting as described in Note B.

Westbrook & Co., P.C.

November 5, 2012

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012

ASSETS

Cash	\$ 581,834
Property and equipment, net	<u>101,053</u>
 Total Assets	 <u><u>\$ 682,887</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Note payable	\$ <u>2,861</u>
 Net Assets:	
Unrestricted	647,040
Temporarily restricted	<u>32,986</u>
 Total Net Assets	 <u>680,026</u>
 Total Liabilities and Net Assets	 <u><u>\$ 682,887</u></u>

See accompanying notes.

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Local	\$ 223,718	\$ 50,000	\$ 273,718
State	1,462,187	-	1,462,187
Federal	422,099	-	422,099
Other	<u>1,000</u>	<u>-</u>	<u>1,000</u>
 Total support and revenue	 <u>2,109,004</u>	 <u>50,000</u>	 <u>2,159,004</u>
 Net assets released from restrictions	 <u>17,014</u>	 <u>(17,014)</u>	 <u>-</u>
 Total support, revenue and reclassifications	 <u>2,126,018</u>	 <u>32,986</u>	 <u>2,159,004</u>
EXPENDITURES:			
Instruction	950,524	-	950,524
Student services	9,471	-	9,471
Instructional staff support	2,439	-	2,439
General administration and central services	239,823	-	239,823
Building administration	108,998	-	108,998
Operation of plant	262,211	-	262,211
Transportation	38,074	-	38,074
Food service	170,183	-	170,183
Debt service:			
Interest and fees	<u>681</u>	<u>-</u>	<u>681</u>
 Total expenditures	 <u>1,782,404</u>	 <u>-</u>	 <u>1,782,404</u>
 Change in Net Assets	 343,614	 32,986	 376,600
 Net assets, beginning of year	 <u>303,426</u>	 <u>-</u>	 <u>303,426</u>
 Net assets, end of year	 <u>\$ 647,040</u>	 <u>\$ 32,986</u>	 <u>\$ 680,026</u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE A - BUSINESS ACTIVITY

Progress in Education, Inc. - North Side Community School (the School), was incorporated in July 2007 and began operations in August 2009. It is a not-for-profit corporation whose purpose is to serve the neighborhood families to ensure that their children gain the skills, knowledge and personal qualities needed for success in middle and high school and beyond. The School is sponsored by the University of Missouri - St. Louis. The School's charter provides for the education of students in kindergarten through fifth grades. For the year ended June 30, 2012 the School provided services to students in pre-kindergarten through third grade.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements are presented on a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenditures when they result from cash transactions with a provision for depreciation and long-term liabilities, such as promissory notes, which are recognized when incurred. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Property and Equipment: All purchased property and equipment are valued at historical cost. A capitalization threshold of \$2,000 is used to report capital assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Leasehold Improvements	15 years
Equipment and Vehicles	5 years

Recognition of Donor Restrictions: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates: The preparation of financial statements in conformity with the modified cash basis described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: Progress in Education, Inc. - North Side Community School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Vacation and Annual Leave: Vacation time and annual leave days are considered as expenditures in the year paid. Annual leave amounts unused may be rolled over from year to the next, with a maximum earned of 12 days. Vacation days cannot rollover from one year to the next.

Subsequent Events: The School has evaluated subsequent events through November 5, 2012, the date which the financial statements were available to be issued.

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE C - CASH

The School maintains its cash balances at one financial institution. At June 30, 2012, the cash balances were insured by the Federal Deposit Insurance Corporation through the Dodd-Frank Act for unlimited coverage of noninterest-bearing transaction accounts.

NOTE D - INSURANCE

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect the School from such risks.

NOTE E - RETIREMENT PLAN

The School contributes to the Public School Retirement System of the City of St. Louis, a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the St. Louis Public School District, Employees of the Retirement System, Employees of Charter Schools located in the St. Louis Public School District, and certain Employees of Harris-Stowe State College. The Retirement System provides retirement, disability, death, and survivor benefits for employees. Positions covered by The Retirement System of The City of St. Louis are also covered by Social Security. The Retirement System is administered by an eleven-member Board of Trustees. The Retirement System issues a publicly available financial report that includes financial statements and other required information. That report may be obtained by writing to: The Public School Retirement System of the City of St. Louis, 3641 Olive Street Suite 300, St. Louis, Missouri, 63108, or by calling 1-314-534-7444.

Retirement System members are required to contribute 5% of their annual covered salary and board paid health and welfare benefits and the School is required to contribute a matching amount at a rate which changes each calendar year. The matching contribution rate for July 1, 2010 through December 31, 2010 was 8.27%, the matching contribution rate for January 1, 2011 through June 30, 2011 was 10.03%, and the matching contribution rate for July 1, 2011 through June 30, 2012 was 11%. The contribution requirements of members and the School are established, and may be amended, by the Board of Trustees. The School's contributions to the system for the years ended June 30, 2012, 2011 and 2010 were \$73,533, \$41,923 and \$21,686, respectively.

NOTE F - PROPERTY AND EQUIPMENT

Leasehold Improvements	\$ 60,415
Equipment and Vehicles	35,670
Construction in Progress	<u>25,028</u>
	121,113
Accumulated depreciation	<u>(20,060)</u>
	<u>\$ 101,053</u>

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE F - PROPERTY AND EQUIPMENT (continued)

Depreciation expenditure for the year ended June 30, 2012 was \$9,805. The depreciation expenditure was allocated to the related functions; instruction \$960, transportation \$6,126, food service \$229 and operation of plant \$2,490. Loss on disposal of vehicle of \$363 has been allocated to transportation expenditures.

NOTE G - OPERATING LEASE

On August 1, 2010, the School entered into a 4-year lease agreement through August 1, 2014 for the building it currently uses as the educational facility. The lease is payable in monthly installments of \$9,855 for the first lease year, \$12,889 for the second lease year, and \$13,804 for the third and fourth lease years.

Future minimum operating lease payments (assuming non-cancellation) are as follows:

Year ending June 30,	Total
2013	\$ 164,737
2014	165,652
2015	<u>13,804</u>
Total	<u>\$ 344,193</u>

During the year ended June 30, 2012, total expenditures under this lease were \$151,634.

NOTE H - NOTE PAYABLE - RELATED PARTY

The School entered into an unsecured note payable to a related party on June 29, 2009, in the amount of \$75,000. The note bears interest at an annual fixed rate of 4.00% and will mature on June 30, 2012. At June 30, 2012, the outstanding principal on the note was \$2,861, which was paid subsequent to year end.

Interest expense for the year ended June 30, 2012 was \$681.

NOTE I - COMMITMENT

The School has entered into a construction contract for the renovation of an existing building located on their campus for a total cost of \$202,267. As of June 30, 2012, the School was committed to \$177,239 of remaining construction costs.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012, temporarily restricted net assets of \$32,986 were grant funds restricted for the renovation and construction of two pre-kindergarten classrooms.

SUPPLEMENTARY INFORMATION

**PROGRESS IN EDUCATION, INC.
 NORTH SIDE COMMUNITY SCHOOL
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 CASH BASIS - GOVERNMENTAL FUNDS
 JUNE 30, 2012**

	GOVERNMENTAL FUNDS			
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS				
Cash	\$ 581,834	\$ -	\$ -	\$ 581,834
 FUND BALANCE				
Fund Balance, Unassigned	\$ 581,834	\$ -	\$ -	\$ 581,834

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

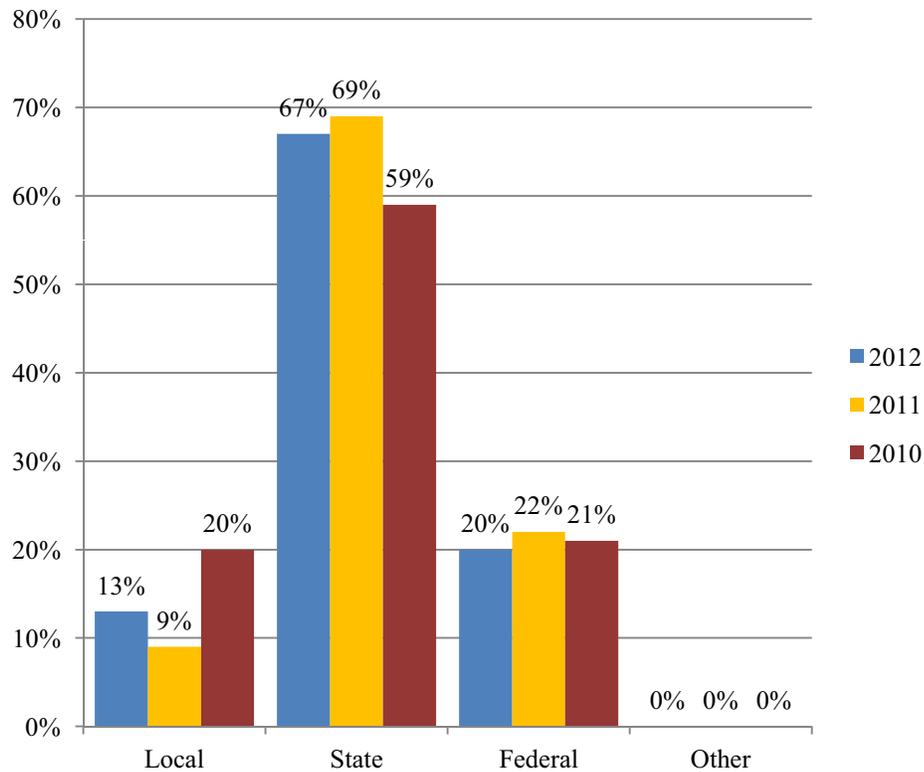
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
REVENUES:				
Local	\$ 227,114	\$ 46,604	\$ -	\$ 273,718
State	784,949	677,238	-	1,462,187
Federal	422,099	-	-	422,099
Other	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Revenues	<u>1,434,162</u>	<u>723,842</u>	<u>1,000</u>	<u>2,159,004</u>
EXPENDITURES:				
Instruction	342,656	556,083	50,825	949,564
Student services	9,471	-	-	9,471
Instructional staff support	2,439	-	-	2,439
General administration and central services	181,062	58,761	-	239,823
Building administration	-	108,998	-	108,998
Operation of plant	240,898	-	-	240,898
Transportation	31,948	-	-	31,948
Food service	167,754	-	2,200	169,954
Facilities acquisition and construction	-	-	87,016	87,016
Debt service:				
Principal	34,639	-	-	34,639
Interest and fees	<u>681</u>	<u>-</u>	<u>-</u>	<u>681</u>
Total Expenditures	<u>1,011,548</u>	<u>723,842</u>	<u>140,041</u>	<u>1,875,431</u>
Revenues Over (Under) Expenditures	422,614	-	(139,041)	283,573
Other Financing Sources (Uses):				
Transfers	<u>(139,041)</u>	<u>-</u>	<u>139,041</u>	<u>-</u>
Net change in fund balance	283,573	-	-	283,573
Fund balance, beginning	<u>298,261</u>	<u>-</u>	<u>-</u>	<u>298,261</u>
Fund balance, ending	<u>\$ 581,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,834</u>

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF REVENUES COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Sales tax	\$ 77,673	\$ 46,604	\$ -	\$ 124,277
Food service	467	-	-	467
Student activities	1,376	-	-	1,376
Grants and donations	136,543	-	-	136,543
Other	11,055	-	-	11,055
Total Local	<u>227,114</u>	<u>46,604</u>	<u>-</u>	<u>273,718</u>
STATE:				
Basic formula	723,448	677,238	-	1,400,686
Basic formula - classroom trust fund	50,772	-	-	50,772
Food service	543	-	-	543
Transportation	10,186	-	-	10,186
Total State	<u>784,949</u>	<u>677,238</u>	<u>-</u>	<u>1,462,187</u>
FEDERAL:				
Individuals with Disabilities	24,998	-	-	24,998
Food service	135,940	-	-	135,940
Title I	203,778	-	-	203,778
Title I - ARRA	4,719	-	-	4,719
Title II, A	24,405	-	-	24,405
Title II, D	596	-	-	596
Title II, D - ARRA	1,420	-	-	1,420
Title IV	1,049	-	-	1,049
Federal Budget Stabilization - ARRA	22,969	-	-	22,969
Government Services - ARRA	1,275	-	-	1,275
Jobs Bill - Classroom Trust Fund	950	-	-	950
Total Federal	<u>422,099</u>	<u>-</u>	<u>-</u>	<u>422,099</u>
OTHER:				
Sale of property	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
 Total Revenues	 <u>\$ 1,434,162</u>	 <u>\$ 723,842</u>	 <u>\$ 1,000</u>	 <u>\$ 2,159,004</u>

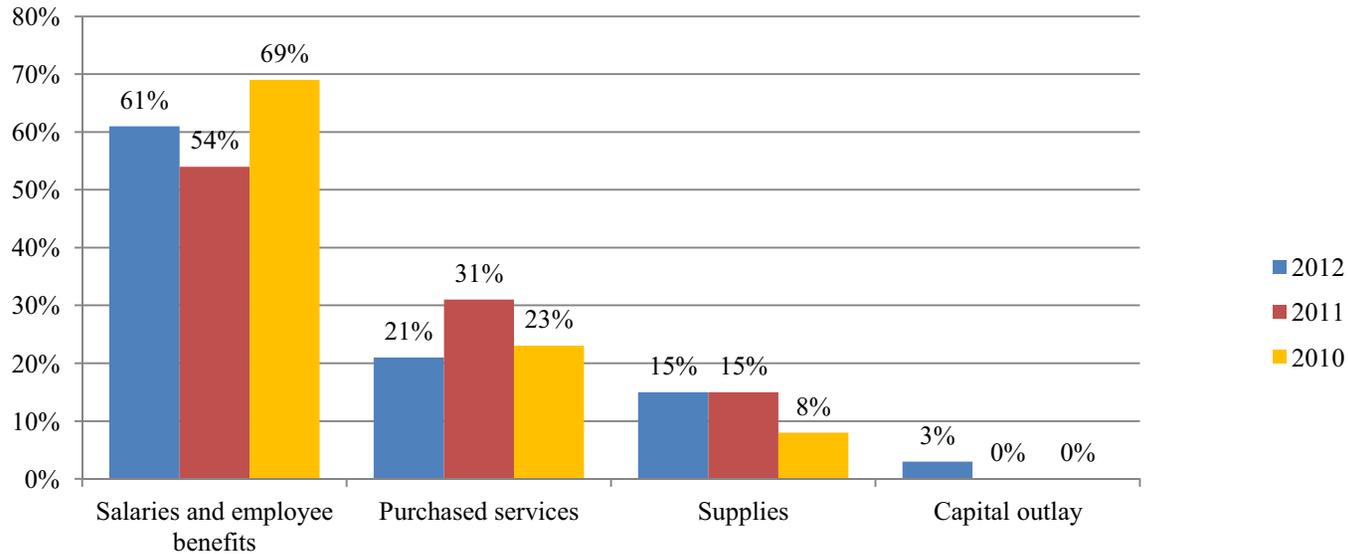
PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
COMPARISON OF REVENUES COLLECTED BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND 2010

	2012	2011	2010
Local	\$ 273,718	\$ 134,493	\$ 134,169
State	1,462,187	1,033,605	400,935
Federal	422,099	321,401	143,149
Other	1,000	1,000	-
	<u>\$ 2,159,004</u>	<u>\$ 1,490,499</u>	<u>\$ 678,253</u>



**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES PAID BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2012 TOTALS	2011 TOTALS	2010 TOTALS
Salaries	\$ 300,696	\$ 573,486	\$ -	\$ 874,182	\$ 560,928	\$ 294,988
Employee benefits	83,388	113,036	-	196,424	115,781	57,771
Purchased services	334,351	37,320	-	371,671	398,438	118,917
Supplies	257,793	-	-	257,793	182,492	38,989
Capital outlay	-	-	140,041	140,041	29,397	28,241
Debt service:						
Principal	34,639	-	-	34,639	37,500	-
Interest and fees	681	-	-	681	7,049	-
	<u>\$ 1,011,548</u>	<u>\$ 723,842</u>	<u>\$ 140,041</u>	<u>\$ 1,875,431</u>	<u>\$ 1,331,585</u>	<u>\$ 538,906</u>

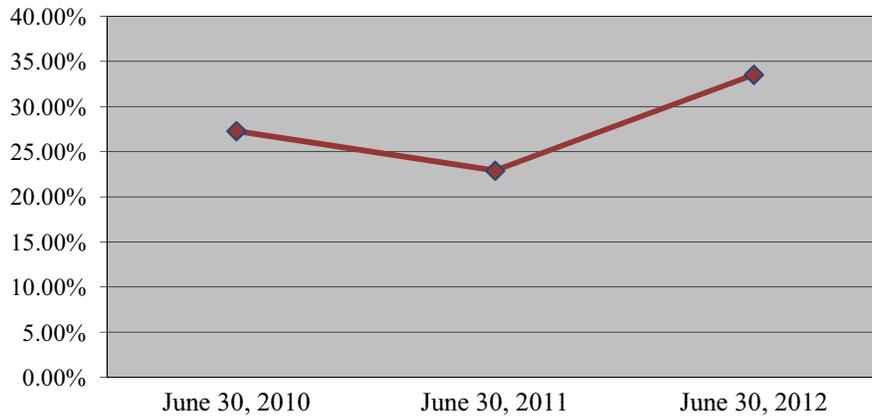


Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

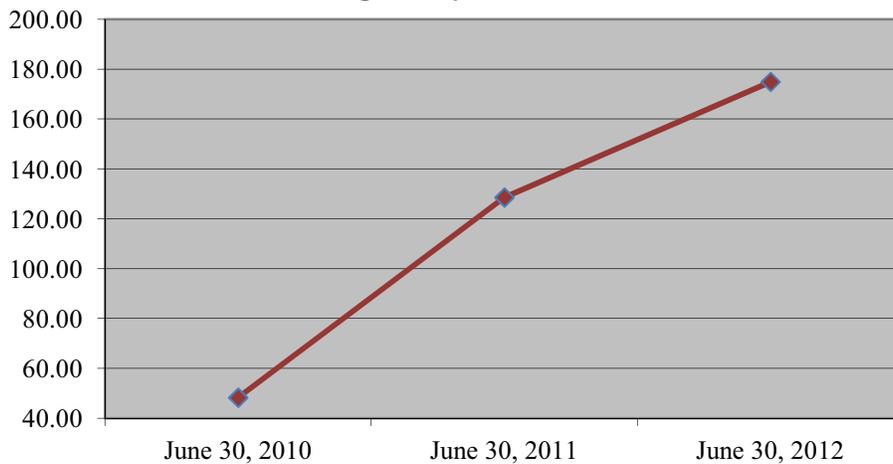
**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SELECTED TRENDS**

<u>General and Special Revenue Funds</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Total Fund Balances	\$ 139,347	\$ 298,261	\$ 581,834
Total Expenditures	\$ 510,665	\$ 1,302,188	\$ 1,735,390
Reserve ratios	27.29%	22.90%	33.53%
Average Daily Attendance	48.25	128.56	174.92

Reserve Ratios



Average Daily Attendance



**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2012**

1. CALENDAR

- A. The number of hours classes were in session and pupils were under the direction of teachers during this school year was as follows:

Grades K-3	1,221.30
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- B. The number of days classes were in session and pupils were under the direction of teachers during this school year was 177 days.

2. AVERAGE DAILY ATTENDANCE (ADA)

Grades K-3	175.05
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3. SEPTEMBER MEMBERSHIP

September Membership FTE Count	191.00
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4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total	Free 163.00
	Reduced 5.00

5. FINANCE

- A. A bond and or insurance policy as required by Section 160.405, RSMo. has been purchased for the School. True
- B. The School's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. True
- C. The School maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. N/A
- D. Salaries reported for educators in the November Core Data cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, did the Board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken? N/A
- F. The School published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2012**

6. **TRANSPORTATION** (Section 163.161, RSMo.)

A. The school transportation allowable cost substantially conforms to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True

B. The School's transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported. True

C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:

Eligible ADT: 82.00
Ineligible ADT: 10.00

D. The School's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible miles for the year. True

E. Actual odometer records, the total school-operated and contracted mileage for the year was:
18,684

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:

Eligible miles 16,256
Ineligible miles (non-route/disapproved) 2,428

F. Number of days the School operated the school transportation system during this school year.177

INTERNAL CONTROL AND COMPLIANCE

**REPORT ON THE ADMINISTRATION'S ASSERTIONS
ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

To the Governing Board
Progress in Education, Inc.
North Side Community School

We have audited the administration's assertions, included in its representation letter dated November 5, 2012, that Progress in Education, Inc. - North Side Community School complied with the requirements of Missouri Laws and Regulations regarding the operation of a charter school; accurate disclosure by the School's attendance records of average daily attendance, resident membership on the last Wednesday of September, 2011 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2012. As discussed in that representation letter, the administration is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the administration's assertions about the School's compliance based on our audit.

Our audit was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining evidence supporting compliance with the specified laws and regulations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the administration's assertions that the School complied with the aforementioned requirements for the year ended June 30, 2012, are fairly stated in all material respects.

We noted immaterial instances of noncompliance with the aforementioned requirements that we have reported to the administration of the School in the accompanying Schedule of State Findings.

This report is intended solely for the information and use of the Governing Board, administration, University of Missouri - St. Louis and the Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

November 5, 2012

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

ATTENDANCE

During our audit, we noted that the School's year end attendance information that is uploaded through MOSIS did not agree to the information in the School's attendance software. As a result of our audit, the School has resolved the discrepancies and uploaded the correct information through MOSIS which reports the year end attendance figures to the Department of Elementary and Secondary Education.

During our audit, we noted that the hours in session were incorrectly reported on Core Data. The School had omitted a "not in session" date on Core Data. Additionally, we noted that the standard day calculation was incorrectly reported on Core Data. As a result of our audit, Core Data has been corrected.

TRANSPORTATION

During our audit, we noted that the School estimated the mileage for activity trips and maintenance miles. The Department of Elementary and Secondary Education requires that the School report the actual mileage driven based on odometer readings obtained during the year.

**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***

To the Governing Board
Progress in Education, Inc.
North Side Community School

We have audited the financial statements of Progress in Education, Inc. - North Side Community School for the year ended June 30, 2012 and have issued our report thereon dated November 5, 2012. These financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal controls 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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-01 and 12-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

We noted certain matters that we have reported to the Board in a separate letter dated November 5, 2012.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governing Board, administration, University of Missouri - St. Louis and Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

November 5, 2012

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

MATERIAL WEAKNESSES

12-01 FINANCIAL ACCOUNTING AND REPORTING

Condition: The School engages the auditor to assist in the preparation of the draft financial statements and the notes to the financial statements and the Business Director is designated to oversee these non-attest services performed. We noted that the School does not have procedures to use a disclosure checklist when reviewing the drafted financial statement notes.

Criteria: The design and operation of internal control procedures should permit management to prevent, detect, and correct misstatements in the draft financial statement and notes prepared by the auditor.

Cause: The School has not adopted policies and procedures designed to enhance the approval of the audited financial statement drafting process.

Effect: Lack of controls could allow misstatements in the draft financial statements and notes to occur and go undetected.

Recommendation: The School should adopt policies and procedures designed to enhance the approval of the audited financial statement drafting process. Disclosure checklists should be used when reviewing the drafted financial statements and notes.

Auditee's Response: The School will adopt policies and procedures designed to enhance the approval of the audited financial statement drafting process. A disclosure checklist will be used when reviewing the drafted financial statement and notes.

12-02 SEGREGATION OF DUTIES

Condition: The accountant maintains the general ledger, performs the reporting function, sets up new employees in the computer, inputs payroll information, and authorizes the direct deposit information.

Criteria: Accounting duties should be segregated to provide for adequate internal control.

Cause: The School has not segregated accounting duties.

Effect: Inadequate controls could allow for errors, fraud or abuse to occur.

Recommendation: We would recommend that someone besides the accountant authorize the direct deposit information and upload it to the bank or some other mitigating control.

Auditee's Response: The School will review the policies and procedures designed to improve internal controls and implement mitigating procedures as necessary.