

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

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

**FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015, and the related statements of revenues, expenses and other changes in net assets and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Progress in Education, Inc. - North Side Community School as of June 30, 2015 and the revenues, expenses and other changes in its net assets and cash flows for the year then ended, in conformity with the modified cash basis of accounting described in Note B.

## ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The supplementary information, as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic 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 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 basic financial statements or to the basic 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 basic financial statements as a whole on the basis of accounting described in Note B.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of the School'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* in considering the School's internal control over financial reporting and compliance.

## ***Basis of Accounting***

We draw attention to Note B of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Richmond, Missouri  
October 28, 2015

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2015**

**ASSETS**

Cash	\$ 1,025,997
Property and equipment, net	<u>1,783,969</u>
 Total Assets	 <u><u>\$ 2,809,966</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Note payable	\$ 1,284,482
 Net Assets:	
Unrestricted	 <u>1,525,484</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,809,966</u></u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS -  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>
<b>REVENUES:</b>	
Government grants and contracts	\$ 3,870,806
Fees and services	953
Tuition	17,657
Grants and donations	280,127
Other	17,545
Total revenues	4,187,088
 <b>EXPENSES:</b>	
Instruction	2,042,594
Student services	7,735
Instructional staff support	19,765
General administration and central services	496,078
Building administration	195,687
Operation of plant	397,118
Transportation	248,195
Food service	228,224
Community services	3,252
Debt service:	
Interest and fees	69,718
Total expenses	3,708,366
Change in Net Assets	478,722
Net assets, beginning of year	1,046,762
Net assets, end of year	\$ 1,525,484

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 478,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	<u>61,509</u>
Net cash provided by operating activities	<u>540,231</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(174,118)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Payment on note payable	<u>(69,297)</u>
<b>NET INCREASE IN CASH</b>	296,816
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>729,181</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u><u>\$ 1,025,997</u></u>
<b>SUPPLEMENTAL DISCLOSURE:</b>	
Interest paid	<u><u>\$ 69,718</u></u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, the School provided services to students in kindergarten through fifth 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 recording property and equipment, related depreciation and debt. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Cash: For the purpose of the statement of cash flows, the School considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

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:

Buildings	30 years
Building Improvements	30 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.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subsequent Events: The School has evaluated subsequent events through October 28, 2015, the date which the financial statements were available to be issued.

**NOTE C - CASH**

The School maintains its cash balances at one financial institution. At June 30, 2015, the bank balances of the School's deposits totaled \$1,061,741. Of the bank balance, \$250,000 was covered by federal depository insurance and \$811,741 was covered through a daily repurchase agreement.

**NOTE D - PROPERTY AND EQUIPMENT**

Building	\$	950,000
Building Improvements		583,254
Equipment and Vehicles		115,397
Land		<u>300,400</u>
		1,949,051
Accumulated depreciation		<u>(165,082)</u>
		<u>\$ 1,783,969</u>

Depreciation expense for the year ended June 30, 2015 was \$61,509 which was allocated to the related programs; instruction \$1,265, transportation \$8,960, food service \$229 and operation of plant \$51,055.

**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, 2014 through December 31, 2014 was 16.50% and for January 1, 2015 through June 30, 2015 was 15.87%. 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 year ended June 30, 2015 was \$268,738.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE F - 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 G - NOTE PAYABLE**

On February 28, 2013, the School entered into a secured promissory note with IFF, a not for profit corporation, in the amount of \$1,441,085. The proceeds of the note were used to acquire the campus facilities located at 3015 North Eculid Avenue, St. Louis, Missouri. The note bears interest at 5.25% and requires monthly payments of \$11,585 through March 1, 2028. The balance on the note payable at June 30, 2015 is \$1,284,482.

Future maturities are as follows:

Year ending June 30,	Principal	Interest	Total
2016	\$ 73,011	\$ 66,004	\$ 139,015
2017	76,938	62,077	139,015
2018	81,076	57,939	139,015
2019	85,436	53,579	139,015
2020	90,031	48,984	139,015
2021	94,873	44,142	139,015
2022	99,976	39,039	139,015
2023	105,353	33,662	139,015
2024	111,019	27,996	139,015
2025	116,990	22,025	139,015
2026	123,282	15,733	139,015
2027	129,912	9,103	139,015
2028	<u>96,585</u>	<u>2,262</u>	<u>98,847</u>
Total	<u>\$ 1,284,482</u>	<u>\$ 482,545</u>	<u>\$ 1,767,027</u>

**NOTE H - COMMITMENTS**

During the year ended June 30, 2015, the School entered into a construction agreement for building renovations. As of June 30, 2015, the School had \$77,849 in remaining contract costs.

Also during the year ended June 30, 2015, the School entered into an agreement for HVAC replacement. As of June 30, 2015, the School had \$50,815 in remaining contract costs.

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE I - OPERATING LEASE**

The School leases two buses from a third party under an operating lease agreement. The lease requires annual payments of \$24,519 starting July 1, 2014 through July 1, 2018.

Future minimum lease payments are shown below:

Year ending <u>June 30,</u>	<u>Total</u>
2016	\$ 24,519
2017	24,519
2018	24,519
2019	<u>24,519</u>
Total	<u>\$ 98,076</u>

**NOTE J - SUBSEQUENT EVENT**

On July 17, 2015, the School entered into a contract for roof repair for \$145,216.

## **SUPPLEMENTARY INFORMATION**

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -**  
**CASH BASIS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Cash	\$ 1,025,997	\$ -	\$ -	\$ 1,025,997
 <b>FUND BALANCE</b>				
Fund Balance, Unassigned	\$ 1,025,997	\$ -	\$ -	\$ 1,025,997

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN**  
**FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

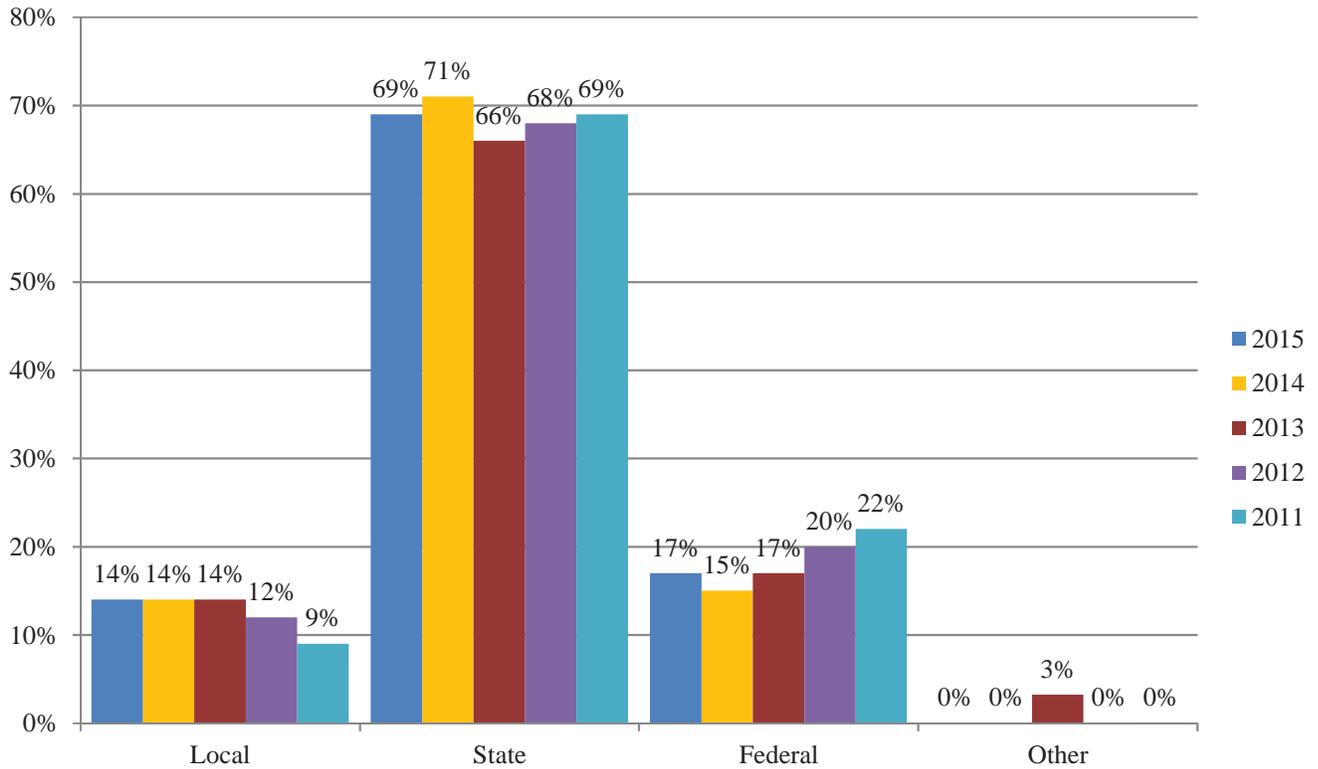
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>REVENUES:</b>				
Local	\$ 487,818	\$ 106,593	\$ 6,118	\$ 600,529
State	1,238,233	1,630,827	-	2,869,060
Federal	<u>717,499</u>	<u>-</u>	<u>-</u>	<u>717,499</u>
Total Revenues	<u>2,443,550</u>	<u>1,737,420</u>	<u>6,118</u>	<u>4,187,088</u>
<b>EXPENDITURES:</b>				
Instruction	373,583	1,612,786	51,790	2,038,159
Student services	7,735	-	-	7,735
Instructional staff support	19,765	-	-	19,765
General administration and central services	496,078	-	-	496,078
Building administration	71,053	124,634	-	195,687
Operation of plant	302,582	-	71,981	374,563
Transportation	239,235	-	-	239,235
Food service	227,778	-	217	227,995
Community services	3,252	-	-	3,252
Facilities acquisition and construction	-	-	148,788	148,788
Debt service:				
Principal	-	-	69,297	69,297
Interest and fees	<u>-</u>	<u>-</u>	<u>69,718</u>	<u>69,718</u>
Total Expenditures	<u>1,741,061</u>	<u>1,737,420</u>	<u>411,791</u>	<u>3,890,272</u>
Revenues Over (Under) Expenditures	702,489	-	(405,673)	296,816
<b>Other Financing Sources (Uses):</b>				
Transfers	<u>(405,673)</u>	<u>-</u>	<u>405,673</u>	<u>-</u>
Net change in fund balance	296,816	-	-	296,816
Fund balance, beginning	<u>729,181</u>	<u>-</u>	<u>-</u>	<u>729,181</u>
Fund balance, ending	<u>\$ 1,025,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,997</u>

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF REVENUES COLLECTED BY SOURCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>LOCAL:</b>				
Sales tax	\$ 177,654	\$ 106,593	\$ -	\$ 284,247
Student activities	953	-	-	953
Grants and donations	280,127	-	-	280,127
Community services	17,657	-	-	17,657
Other revenue	11,427	-	6,118	17,545
Total Local	<u>487,818</u>	<u>106,593</u>	<u>6,118</u>	<u>600,529</u>
<b>STATE:</b>				
Basic formula	1,099,769	1,630,827	-	2,730,596
Basic formula - classroom trust fund	105,782	-	-	105,782
Food service	1,633	-	-	1,633
Transportation	31,049	-	-	31,049
Total State	<u>1,238,233</u>	<u>1,630,827</u>	<u>-</u>	<u>2,869,060</u>
<b>FEDERAL:</b>				
Medicaid	118,417	-	-	118,417
Individuals with Disabilities	59,499	-	-	59,499
Food service	256,799	-	-	256,799
Title I	247,695	-	-	247,695
Title II.A	35,089	-	-	35,089
Total Federal	<u>717,499</u>	<u>-</u>	<u>-</u>	<u>717,499</u>
 Total Revenues	 <u>\$ 2,443,550</u>	 <u>\$ 1,737,420</u>	 <u>\$ 6,118</u>	 <u>\$ 4,187,088</u>

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**COMPARISON OF REVENUES COLLECTED BY SOURCE**  
**FOR THE YEARS ENDED JUNE 30, 2015, 2014, 2013, 2012 AND 2011**

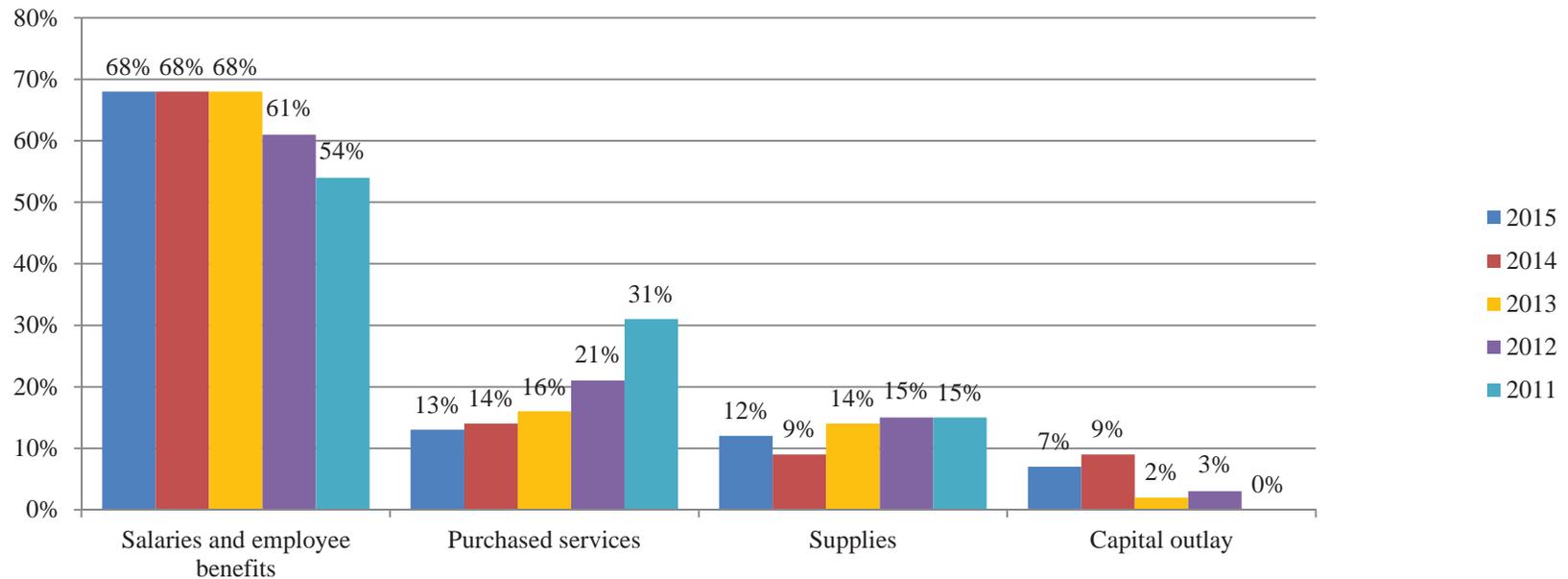
	2015	2014	2013	2012	2011
Local	\$ 600,529	\$ 452,683	\$ 376,126	\$ 273,718	\$ 134,493
State	2,869,060	2,360,882	1,759,623	1,462,187	1,033,605
Federal	717,499	496,687	445,214	422,099	321,401
Other	-	-	85,817	1,000	1,000
	<u>\$ 4,187,088</u>	<u>\$ 3,310,252</u>	<u>\$ 2,666,780</u>	<u>\$ 2,159,004</u>	<u>\$ 1,490,499</u>



The above graph does not include loan proceeds.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF EXPENDITURES PAID BY OBJECT  
FOR THE YEARS ENDED JUNE 30, 2015, 2014, 2013, 2012 AND 2011**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2015 TOTALS	2014 TOTALS	2013 TOTALS	2012 TOTALS	2011 TOTALS
Salaries	\$ 650,727	\$ 1,344,453	\$ -	\$ 1,995,180	\$ 1,584,903	\$ 1,361,834	\$ 874,182	\$ 560,928
Employee benefits	185,107	349,989	-	535,096	479,960	384,820	196,424	115,781
Purchased services	462,446	42,978	-	505,424	415,431	418,789	371,671	398,438
Supplies	442,781	-	-	442,781	262,132	374,620	257,793	182,492
Capital outlay	-	-	272,776	272,776	264,463	1,535,147	140,041	29,397
Debt service:								
Principal	-	-	69,297	69,297	71,397	18,770	34,639	37,500
Interest and fees	-	-	69,718	69,718	79,202	19,302	681	7,049
	<u>\$ 1,741,061</u>	<u>\$ 1,737,420</u>	<u>\$ 411,791</u>	<u>\$ 3,890,272</u>	<u>\$ 3,157,488</u>	<u>\$ 4,113,282</u>	<u>\$ 1,875,431</u>	<u>\$ 1,331,585</u>

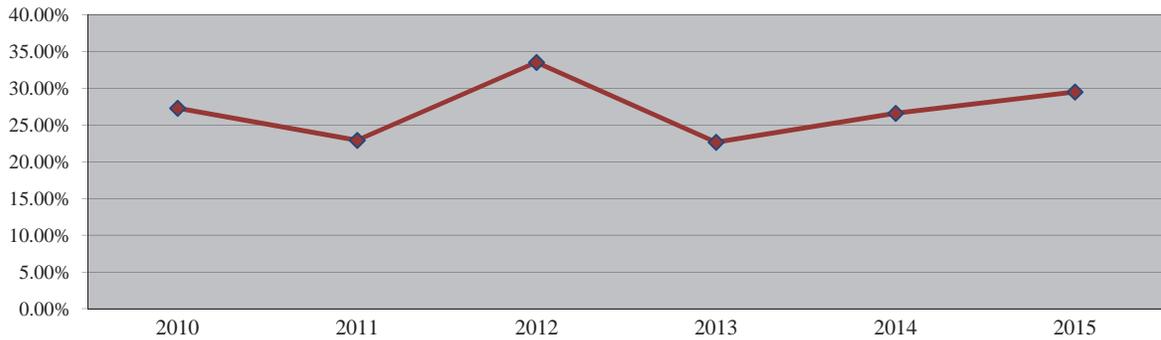


Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

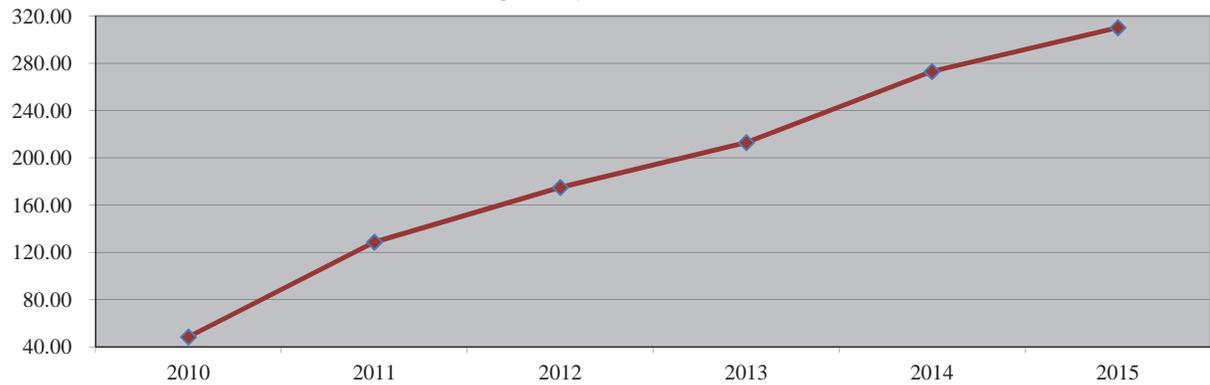
**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SELECTED TRENDS  
FOR THE YEARS ENDED JUNE 30, 2010 THROUGH 2015**

General and Special Revenue Funds	2010	2011	2012	2013	2014	2015
Total Fund Balances	\$ 139,347	\$ 298,261	\$ 581,834	\$ 576,417	\$ 729,181	\$ 1,025,997
Total Expenditures	510,665	1,302,188	1,735,390	2,543,171	2,742,426	3,478,481
Reserve ratio	27.29%	22.90%	33.53%	22.67%	26.59%	29.50%
Average Daily Attendance	48.25	128.56	174.92	212.99	273.07	310.22

**Reserve Ratio**



**Average Daily Attendance**



**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF SELECTED STATISTICS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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-5	1,228.20
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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 178 days.

**2. AVERAGE DAILY ATTENDANCE (ADA)**

Grades K-5	278.70
Summer School	<u>31.52</u>
Total	<u><u>310.22</u></u>

**3. SEPTEMBER MEMBERSHIP**

September Membership FTE Count	315.00
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**4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)**

State FTE Total	Free: 288.00
	Reduced: 0.00

**5. FINANCE**

- A. A bond and or insurance policy as required by Section 160.405, RSMo. has been purchased for the School's employees in the amount of: \$500,000
- 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, 2015**

5. **FINANCE** (continued)

G. The School has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True

H. The amount spent for approved professional development committee plan activities was: \$18,100

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

A. The School's transportation allowable costs substantially conform 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: 173.00

Ineligible ADT: 37.00

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. False

E. Actual odometer records, the total school-operated and contracted mileage for the year was: 29,176

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: 25,276

Ineligible miles (non-route/disapproved): 3,900

F. Number of days the School operated the school transportation system during this school year.178

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Passed-through Missouri Department of Elementary and Secondary Education:			
National School Breakfast Program	10.553	115-913	\$ 76,061
National School Lunch Program	10.555	115-913	155,658
National After-School Snack Program	10.555	115-913	25,080
Total Child Nutrition Cluster			<u>256,799</u>
<u>U.S. Department of Education</u>			
Passed-through Missouri Department of Elementary and Secondary Education:			
Title I, Part A	84.010A	115-913	237,282
IDEA, Part B	84.027A	115-913	37,413
Title II.A	84.367A	115-913	35,113
			<u>\$ 566,607</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Progress In Education, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Progress In Education, Inc., it is not intended to and does not present the financial position, change in net assets or cash flows of Progress In Education, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## **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 October 28, 2015, 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, 2014 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2015. 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, 2015, 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.*

October 28, 2015

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF STATE FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

**TRANSPORTATION**

During our audit of transportation, we noted that the School had reported incorrect amounts on the Application for State Transportation Aid for pupil data, days operated and mileage data. We recommend that the School review its procedures for capturing and reporting data to the state. Further, such procedures should require review of reported numbers by another administrative employee. As a result of our audit, the School has corrected the Application for State Transportation Aid.

Also during our audit, we noted that the School estimates the number of eligible miles by taking the actual readings for one day during the month and multiplying them by the number of days the students are transported during that month. Although this method provides materially correct information, state transportation regulations require that schools report actual route miles for the year by taking odometer readings.

**INDEPENDENT AUDITORS' 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, 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 modified cash basis financial statements of Progress in Education, Inc. - North Side Community School for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **School's Responses to Findings**

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 result of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Westbrook & Co., P.C.*

Richmond, Missouri  
October 28, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Progress in Education, Inc. - North Side Community School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2015.

## Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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 upon the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Westbrook & Co., P.C.*

Richmond, Missouri  
October 28, 2015

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u>    X    </u>	Yes	<u>          </u> No
• Significant deficiency(ies) identified?	<u>    X    </u>	Yes	<u>          </u> None reported
Noncompliance material to financial statements noted?	<u>          </u>	Yes	<u>    X    </u> No

*Federal Awards*

Internal control over major programs:			
• Material weakness(es) identified?	<u>          </u>	Yes	<u>    X    </u> No
• Significant deficiency(ies) identified?	<u>          </u>	Yes	<u>    X    </u> None reported

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>          </u>	Yes	<u>    X    </u>	No
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Identification of major programs:	
Child Nutrition Cluster	CFDA No. 10.553 and 10.555
Title I, Part A	CFDA No. 84.010A

Dollar threshold used to distinguish between type A and type B programs:	<u>    \$ 300,000    </u>
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Auditee qualified as low-risk auditee?	<u>          </u>	Yes	<u>    X    </u>	No
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

**2015-001 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.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

*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 an administrator review the uploaded direct deposit payees and amounts.

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

**SIGNIFICANT DEFICIENCY**

**2015-002 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, or 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 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 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 financial statement drafting process. A disclosure checklist will be used when reviewing the drafted financial statements and notes.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

None