

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

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

**FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 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* and should be considered in assessing the results of our audit.

### ***Other Matters***

#### ***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 presented on pages 10 through 18, is presented for purposes of additional analysis and is not a required part of the 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. Such 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 supplementary information listed in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note B.

#### ***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 30, 2013

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2013**

**ASSETS**

Cash	\$ 576,417
Property and equipment, net	<u>1,558,937</u>
 Total Assets	 <u><u>\$ 2,135,354</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Note payable	\$ 1,425,176
 Net Assets:	
Unrestricted	 <u>710,178</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,135,354</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, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Government grants and contracts	\$ 2,374,637	\$ -	\$ 2,374,637
Fees and services	3,711	-	3,711
Contributions	202,615	-	202,615
Other	<u>85,817</u>	<u>-</u>	<u>85,817</u>
 Total revenues	 <u>2,666,780</u>	 <u>-</u>	 <u>2,666,780</u>
 Net assets released from restrictions	 <u>32,986</u>	 <u>(32,986)</u>	 <u>-</u>
 Total revenues and reclassifications	 <u>2,699,766</u>	 <u>(32,986)</u>	 <u>2,666,780</u>
<b>EXPENSES:</b>			
Instruction	1,543,827	-	1,543,827
Student services	34,914	-	34,914
Instructional staff support	37,817	-	37,817
General administration and central services	281,958	-	281,958
Building administration	163,326	-	163,326
Operation of plant	296,786	-	296,786
Transportation	108,715	-	108,715
Food service	149,983	-	149,983
Debt service:			
Interest and fees	<u>19,302</u>	<u>-</u>	<u>19,302</u>
 Total expenses	 <u>2,636,628</u>	 <u>-</u>	 <u>2,636,628</u>
 Change in Net Assets	 63,138	 (32,986)	 30,152
 Net assets, beginning of year	 <u>647,040</u>	 <u>32,986</u>	 <u>680,026</u>
 Net assets, end of year	 <u>\$ 710,178</u>	 <u>\$ -</u>	 <u>\$ 710,178</u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 30,152
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	<u>33,586</u>
Net cash provided by operating activities	<u>63,738</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(1,491,470)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Payment on note payable	(15,909)
Payment on note payable - related party	(2,861)
Proceeds from note payable	<u>1,441,085</u>
Net cash provided by financing activities	<u>1,422,315</u>
<b>NET DECREASE IN CASH</b>	(5,417)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>581,834</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u><u>\$ 576,417</u></u>
<b>SUPPLEMENTAL DISCLOSURE:</b>	
Interest paid	<u><u>\$ 19,089</u></u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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, 2013, the School provided services to students in kindergarten through fourth 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.

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, 2013**

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

Subsequent Events: The School has evaluated subsequent events through October 30, 2013, 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, 2013, the bank balances of the School's deposits totaled \$604,706. Of the bank balance, \$250,000 was covered by federal depository insurance and \$354,706 was uninsured.

**NOTE D - PROPERTY AND EQUIPMENT**

Building	\$	950,000
Building Improvements		370,588
Equipment and Vehicles		41,995
Land		<u>250,000</u>
		1,612,583
Accumulated depreciation		<u>(53,646)</u>
		<u><u>\$ 1,558,937</u></u>

Depreciation expenditure for the year ended June 30, 2013 was \$33,586. The depreciation expenditure was allocated to the related programs; instruction \$1,592, transportation \$5,483, food service \$229 and operation of plant \$26,282.

**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, 2012 through June 30, 2013 was 15.07%. 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, 2013 was \$167,052.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 - 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%. The outstanding principal on the note of \$2,861 was paid off August 24, 2012.

**NOTE H - 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, 2013 is \$1,425,176.

Future maturities are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 65,749	\$ 73,266	\$ 139,015
2015	69,285	69,730	139,015
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>102,245</u>	<u>2,262</u>	<u>104,507</u>
Total	<u>\$ 1,425,176</u>	<u>\$ 625,541</u>	<u>\$ 2,050,717</u>

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE I - 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. On February 28, 2013, the School has purchased this building as discussed in Note H.

During the year ended June 30, 2013, total expenditures under this lease were \$115,067.

## **SUPPLEMENTARY INFORMATION**

**PROGRESS IN EDUCATION, INC.  
 NORTH SIDE COMMUNITY SCHOOL  
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
 CASH BASIS - GOVERNMENTAL FUNDS  
 JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Cash	\$ 576,417	\$ -	\$ -	\$ 576,417
<b>FUND BALANCE</b>				
Fund Balance, Unassigned	\$ 576,417	\$ -	\$ -	\$ 576,417

**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, 2013**

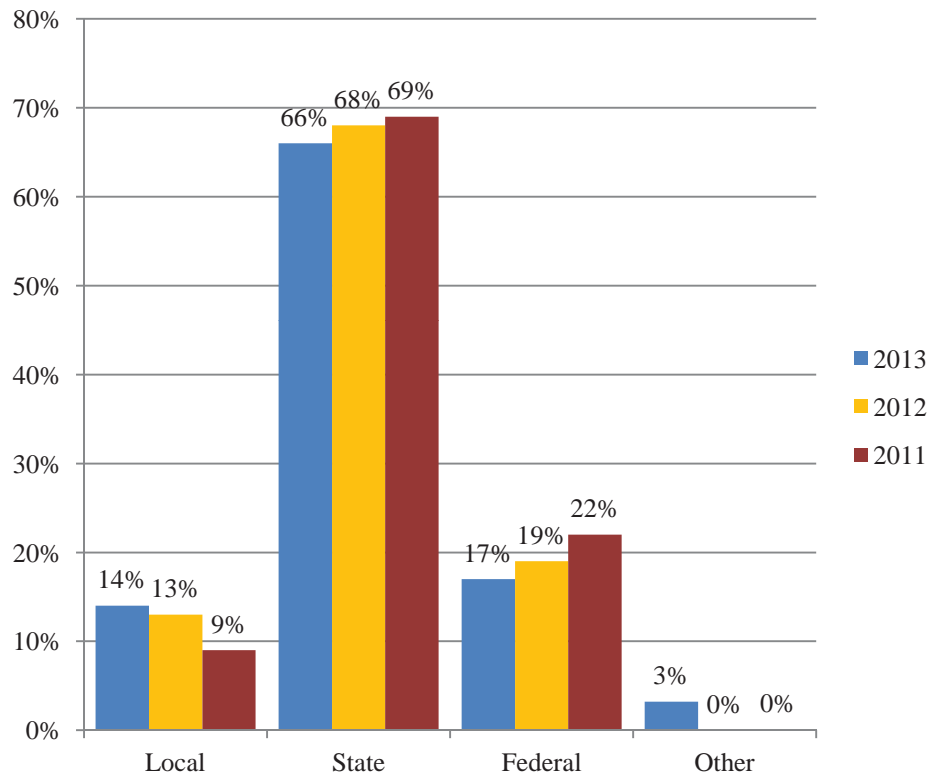
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>REVENUES:</b>				
Local	\$ 312,451	\$ 63,675	\$ -	\$ 376,126
State	943,170	816,453	-	1,759,623
Federal	445,214	-	-	445,214
Other	<u>-</u>	<u>-</u>	<u>1,526,902</u>	<u>1,526,902</u>
 Total Revenues	 <u>1,700,835</u>	 <u>880,128</u>	 <u>1,526,902</u>	 <u>4,107,865</u>
 <b>EXPENDITURES:</b>				
Instruction	631,781	880,128	34,981	1,546,890
Student services	34,914	-	-	34,914
Instructional staff support	37,817	-	-	37,817
General administration and central services	279,176	-	2,782	281,958
Building administration	163,326	-	-	163,326
Operation of plant	263,811	-	6,693	270,504
Transportation	103,232	-	-	103,232
Food service	141,818	-	7,936	149,754
Community services	4,060	-	-	4,060
Facilities acquisition and construction	-	-	1,482,755	1,482,755
Debt service:				
Principal	2,861	-	15,909	18,770
Interest and fees	<u>247</u>	<u>-</u>	<u>19,055</u>	<u>19,302</u>
 Total Expenditures	 <u>1,663,043</u>	 <u>880,128</u>	 <u>1,570,111</u>	 <u>4,113,282</u>
 Revenues Over (Under) Expenditures	 37,792	 -	 (43,209)	 (5,417)
 Other Financing Sources (Uses):				
Transfers	<u>(43,209)</u>	<u>-</u>	<u>43,209</u>	<u>-</u>
 Net change in fund balance	 (5,417)	 -	 -	 (5,417)
 Fund balance, beginning	 <u>581,834</u>	 <u>-</u>	 <u>-</u>	 <u>581,834</u>
 Fund balance, ending	 <u>\$ 576,417</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 576,417</u>

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**SCHEDULE OF REVENUES COLLECTED BY SOURCE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>LOCAL:</b>				
Sales tax	\$ 106,125	\$ 63,675	\$ -	\$ 169,800
Food service	10	-	-	10
Student activities	3,701	-	-	3,701
Grants and donations	168,762	-	-	168,762
Other revenue	33,853	-	-	33,853
Total Local	<u>312,451</u>	<u>63,675</u>	<u>-</u>	<u>376,126</u>
<b>STATE:</b>				
Basic formula	867,522	816,453	-	1,683,975
Basic formula - classroom trust fund	67,162	-	-	67,162
Food service	1,066	-	-	1,066
Transportation	7,420	-	-	7,420
Total State	<u>943,170</u>	<u>816,453</u>	<u>-</u>	<u>1,759,623</u>
<b>FEDERAL:</b>				
Individuals with Disabilities	25,746	-	-	25,746
Food service	176,325	-	-	176,325
Title I	220,055	-	-	220,055
Title II.A	23,088	-	-	23,088
Total Federal	<u>445,214</u>	<u>-</u>	<u>-</u>	<u>445,214</u>
<b>OTHER:</b>				
Loan proceeds	-	-	1,441,085	1,441,085
Insurance proceeds	-	-	85,817	85,817
Total Other	<u>-</u>	<u>-</u>	<u>1,526,902</u>	<u>1,526,902</u>
 Total Revenues	 <u>\$ 1,700,835</u>	 <u>\$ 880,128</u>	 <u>\$ 1,526,902</u>	 <u>\$ 4,107,865</u>

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

	2013	2012	2011
Local	\$ 376,126	\$ 273,718	\$ 134,493
State	1,759,623	1,462,187	1,033,605
Federal	445,214	422,099	321,401
Other	85,817	1,000	1,000
	<u>\$ 2,666,780</u>	<u>\$ 2,159,004</u>	<u>\$ 1,490,499</u>

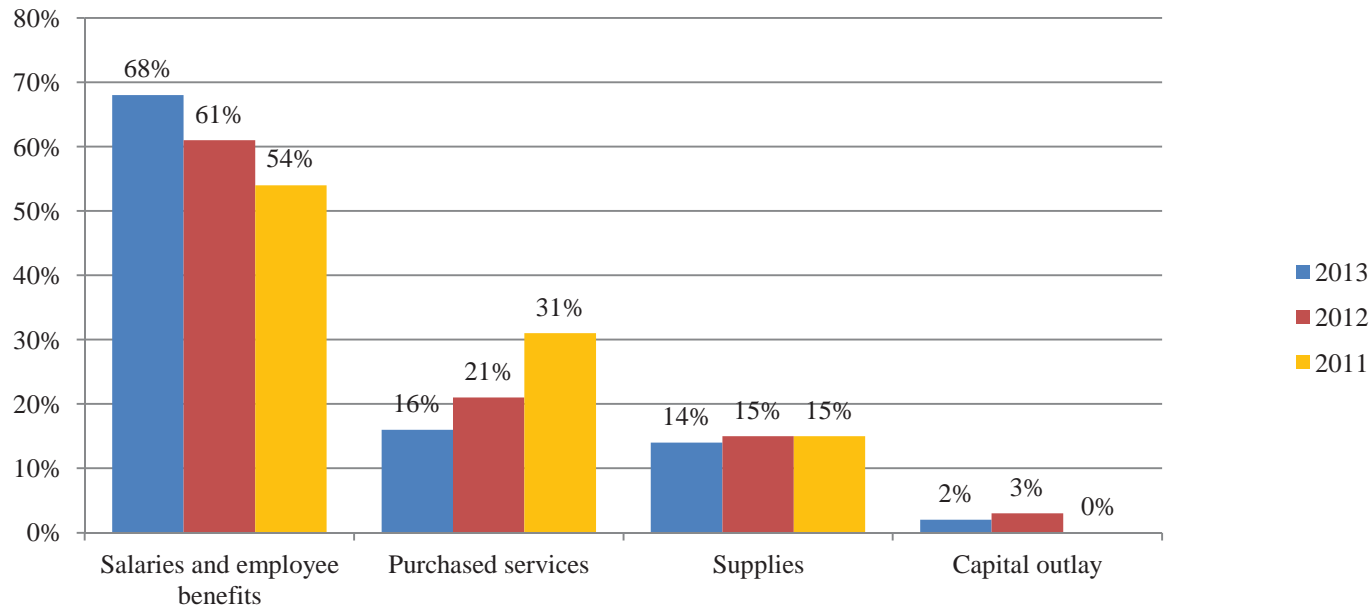


The above graph does not include loan proceeds.



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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	2013 TOTALS	2012 TOTALS	2011 TOTALS
Salaries	\$ 665,261	\$ 696,573	\$ -	\$ 1,361,834	\$ 874,182	\$ 560,928
Employee benefits	201,912	182,908	-	384,820	196,424	115,781
Purchased services	418,142	647	-	418,789	371,671	398,438
Supplies	374,620	-	-	374,620	257,793	182,492
Capital outlay	-	-	1,535,147	1,535,147	140,041	29,397
Debt service:						
Principal	2,861	-	15,909	18,770	34,639	37,500
Interest and fees	247	-	19,055	19,302	681	7,049
	<u>\$ 1,663,043</u>	<u>\$ 880,128</u>	<u>\$ 1,570,111</u>	<u>\$ 4,113,282</u>	<u>\$ 1,875,431</u>	<u>\$ 1,331,585</u>

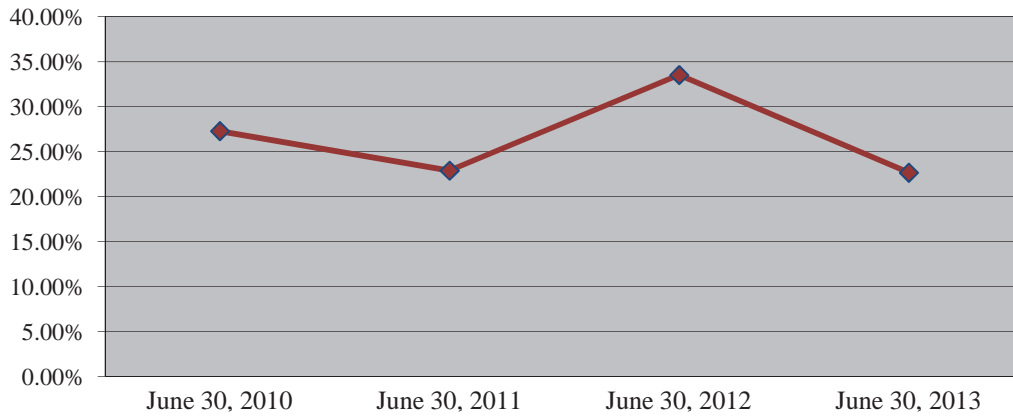


Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

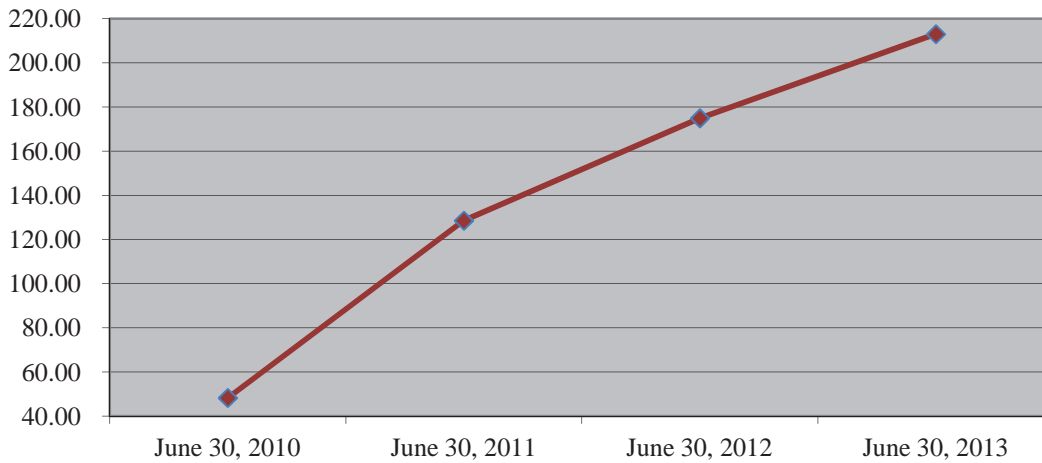
**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SELECTED TRENDS**

<u>General and Special Revenue Funds</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Total Fund Balances	\$ 139,347	\$ 298,261	\$ 581,834	\$ 576,417
Total Expenditures	510,665	1,302,188	1,735,390	2,543,171
Reserve ratios	27.29%	22.90%	33.53%	22.67%
Average Daily Attendance	48.25	128.56	174.92	212.99

**Reserve Ratios**



**Average Daily Attendance**



**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF SELECTED STATISTICS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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-4	1,200.60
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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 174 days.

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

Grades K-4	198.89
Summer School	<u>14.10</u>
Total	<u><u>212.99</u></u>

**3. SEPTEMBER MEMBERSHIP**

September Membership FTE Count	218.00
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**4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)**

State FTE Total		Free	200.00
		Reduced	4.00

**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. False
- 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, 2013**

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: 145.50

Ineligible ADT: 20.00

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:  
22,331

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 19,522

Ineligible miles (non-route/disapproved) 2,809

F. Number of days the School operated the school transportation system during this school year.174

## **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 30, 2013, 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, 2012 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2013. 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, 2013, 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 30, 2013

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF STATE FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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 reported 3 weather days as in session instead of not in session on Core Data. Additionally, we noted that the standard day calculation was incorrectly reported in the School's attendance software. As a result of our audit, Core Data has been corrected.

**TRANSPORTATION**

During our audit of transportation ridership, we noted that the School incorrectly included 40 less than one mile riders in Line A of the state transportation report. This line should not include less than one mile riders. We also noted that the School incorrectly reported the number of days the transportation system operated. 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.

**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, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013.

**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 responses, 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 responses as 13-01 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 responses as item 13-02 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 responses. 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 30, 2013

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2013**

**MATERIAL WEAKNESS**

**13-01 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 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**

**13-02 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 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 statements and notes.