

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

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

FOR THE YEAR ENDED JUNE 30, 2010

**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, 2010, 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 net assets of Progress in Education, Inc. - North Side Community School as of June 30, 2010, and the change in its net assets for the year then ended, in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010 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 an opinion on the financial statements. The accompanying supplementary information presented on pages 7 through 14, 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 financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note B.



November 24, 2010

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010

ASSETS

Cash	\$ 139,347
Property and equipment, net	<u>25,225</u>
 Total Assets	 <u>\$ 164,572</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Note payable	<u>\$ 75,000</u>
 Net Assets	
Unrestricted	78,949
Temporarily restricted	<u>10,623</u>
 Total Net Assets	 <u>89,572</u>
 Total Liabilities and Net Assets	 <u>\$ 164,572</u>

See accompanying notes.

PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF SUPPORT AND REVENUE AND EXPENDITURES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Local	\$ 46,111	\$ 10,623	\$ 56,734
State	400,935	-	400,935
Federal	<u>143,149</u>	<u>-</u>	<u>143,149</u>
Total support and revenue	<u>590,195</u>	<u>10,623</u>	<u>600,818</u>
EXPENDITURES:			
Instruction	223,801	-	223,801
Student services	1,661	-	1,661
Instructional staff support	2,429	-	2,429
General administration and central services	98,519	-	98,519
Building administration	86,108	-	86,108
Operation of plant	55,935	-	55,935
Transportation	17,437	-	17,437
Food service	<u>27,791</u>	<u>-</u>	<u>27,791</u>
Total expenditures	<u>513,681</u>	<u>-</u>	<u>513,681</u>
Change in Net Assets	76,514	10,623	87,137
Net assets, beginning of year	<u>2,435</u>	<u>-</u>	<u>2,435</u>
Net assets, end of year	<u>\$ 78,949</u>	<u>\$ 10,623</u>	<u>\$ 89,572</u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE A - BUSINESS ACTIVITY

The 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, 2010 the School provided services to students in kindergarten and first 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. 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:

Building Improvements	15 years
Equipment and Vehicles	3 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).

The School adopted the provisions of FASB ASC 740-10-25 (formally FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* [“FIN 48”]) on July 1, 2009. Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return positions when it is more likely than not that position will be sustained. The implementation of FIN 48 had no impact on the School’s financial statements. The School does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2010, there were no interest or penalties recorded in its financial statements.

Subsequent Event: The School has evaluated subsequent events through November 24, 2010, 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, 2010**

NOTE C - CASH

The School maintains its cash balances at one financial institution. At June 30, 2010, the cash balances were insured by the Federal Deposit Insurance Corporation.

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, 2009 through December 31, 2009 was 9.51% and the matching contribution rate for January 1, 2010 through June 30, 2010 was 8.27%. 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, 2010 were \$21,686.

NOTE F - PROPERTY AND EQUIPMENT

Building Improvements	\$	12,683
Equipment and Vehicles		<u>15,558</u>
		28,241
Accumulated depreciation		<u>(3,016)</u>
	\$	<u><u>25,225</u></u>

Depreciation expenditure for the year ended June 30, 2010 was \$3,016. The depreciation expenditure was allocated to the related functions; instruction \$800, transportation \$1,793 and operation of plant \$423.

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010, temporarily restricted net assets were \$10,623. This amount is restricted to be used for classroom furniture.

NOTE H - OPERATING LEASE

On July 1, 2009, the School entered into a lease agreement for the building it currently uses as the educational facility. The lease is payable in monthly installments of \$3,800. During the year ended June 30, 2010, total expenditures under this lease were \$45,600.

NOTE I - 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%. Principal and interest is payable in full on June 30, 2012. At June 30, 2010, the outstanding principal on the note payable was \$75,000.

SUPPLEMENTARY INFORMATION

**PROGRESS IN EDUCATION, INC.
 NORTH SIDE COMMUNITY SCHOOL
 STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
 JUNE 30, 2010**

	GOVERNMENTAL FUNDS			TOTALS
	GENERAL	SPECIAL	CAPITAL	
	FUND	REVENUE FUND	PROJECTS FUND	
ASSETS				
Cash	\$ 139,347	\$ -	\$ -	\$ 139,347
FUND BALANCE				
Fund Balance, Unreserved	\$ 139,347	\$ -	\$ -	\$ 139,347

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
REVENUES:				
Local	\$ 134,169	\$ -	\$ -	\$ 134,169
State	165,398	235,537	-	400,935
Federal	143,149	-	-	143,149
	<u>442,716</u>	<u>235,537</u>	<u>-</u>	<u>678,253</u>
EXPENDITURES:				
Instruction	73,572	149,429	4,798	227,799
Student services	1,661	-	-	1,661
Instructional staff support	2,429	-	-	2,429
General administration and central services	98,519	-	-	98,519
Building administration	-	86,108	-	86,108
Operation of plant	55,512	-	-	55,512
Transportation	15,644	-	10,760	26,404
Food service	27,791	-	-	27,791
Facilities acquisition and construction	-	-	12,683	12,683
	<u>275,128</u>	<u>235,537</u>	<u>28,241</u>	<u>538,906</u>
Revenues Over (Under) Expenditures	167,588	-	(28,241)	139,347
Other Financing Sources (Uses):				
Transfers	(28,241)	-	28,241	-
Net change in fund balance	139,347	-	-	139,347
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 139,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,347</u>

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF REVENUES COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
LOCAL:				
Grants and donations	\$ 134,169	\$ -	\$ -	\$ 134,169
STATE:				
Basic formula	160,642	235,537	-	396,179
Transportation	<u>4,756</u>	<u>-</u>	<u>-</u>	<u>4,756</u>
Total State	<u>165,398</u>	<u>235,537</u>	<u>-</u>	<u>400,935</u>
FEDERAL:				
Individuals with Disabilities	6,000	-	-	6,000
Individuals with Disabilities - ARRA	10,000	-	-	10,000
Food service	30,897	-	-	30,897
Title I	60,964	-	-	60,964
Title I - ARRA	20,000	-	-	20,000
Title II, A	11,537	-	-	11,537
Title II, D	596	-	-	596
Title II, D - ARRA	1,420	-	-	1,420
Title IV	1,049	-	-	1,049
Transportation - ARRA	<u>686</u>	<u>-</u>	<u>-</u>	<u>686</u>
Total Federal	<u>143,149</u>	<u>-</u>	<u>-</u>	<u>143,149</u>
Total Revenues	<u>\$ 442,716</u>	<u>\$ 235,537</u>	<u>\$ -</u>	<u>\$ 678,253</u>

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL
Salaries	\$ 100,195	\$ 194,793	\$ -	\$ 294,988
Employee benefits	17,027	40,744	-	57,771
Purchased services	118,917	-	-	118,917
Supplies	38,989	-	-	38,989
Capital outlay	-	-	28,241	28,241
	<u>\$ 275,128</u>	<u>\$ 235,537</u>	<u>\$ 28,241</u>	<u>\$ 538,906</u>

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

Type of audit performed: Yellow Book X

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-1	1,174.50
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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-1	48.25
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3. SEPTEMBER MEMBERSHIP

September Membership FTE Count	54.00
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4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total		Free 51.00
		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. False

- 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. The School issued the following type(s) of general obligation refunding bonds in the current year.

Current: N/A
Advanced-Defeased: N/A
Advanced-Crossover: N/A

- E. The School has appropriately included all current year and prior year crossover refunding bonds in the financial statements. N/A

- F. The School is not required to participate in professional development activities.

- G. The School did not use state funded grant monies to supplant existing salaries. True

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

5. **FINANCE** (continued)

- H. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- I. 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
- J. The School took action prior to October 31 to cause the current year audit to be performed. True
- K. 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. N/A

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: 19.00
Ineligible ADT: 4.50

- 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:
4,744

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 3,825
Ineligible miles (non-route/disapproved) 919

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

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2010**

7. MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP)

- A. The School has adequate procedures that allow for the proper recording and reporting of hours of absence. N/A
- B. The School has adequate procedures that allow for the identification and recording of dropouts as defined in the Core Data Manual (Exhibit 6) and the subsequent reporting of those students to the Adult Literacy Hotline and on the June Cycle of Core Data. N/A
- C. The School has a set of adequate procedures for following up on the College and Vocational Placement of all the previous years' graduates 180 days after graduation. N/A
- D. The School has a set of procedures that ensures Advanced Courses and Vocational Courses (approved by the state) are properly identified and reported according to Core Data standards. N/A

INTERNAL CONTROL AND COMPLIANCE

**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, 2010 and have issued our report thereon dated November 24, 2010. 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 discussed below, 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 below to be material weaknesses.

FINANCIAL ACCOUNTING AND REPORTING - Statement on Auditing Standards 115, which is effective for audits of periods ending on or after December 15, 2009, require auditors to communicate control deficiencies whereby material misstatements will not be prevented, or detected and corrected, by the School's internal control.

Under SAS 115, the auditor cannot be part of the School's internal control, nor can any audit procedure be considered a compensating control. In prior years, material misstatements have often been identified by auditors during the audit process, and the resulting adjustments were then accepted and posted by the auditee. The auditors then rendered an opinion on the materially correct financial statements.

The new audit regulations require that material misstatements in the financial statements for the period under audit should be identified by the School's internal control and not by the auditor. Therefore, the

School will need to have management and accounting employees with expertise in financial accounting and reporting. These employees should possess qualifications and training to be able to prepare materially correct financial statements and disclosures in conformity with the comprehensive basis of accounting used by the School. If financial statements are prepared by the auditors or other outside source, then the School must be able to detect and correct any omission of material disclosure or material misstatement of account.

We noted that the School does not have the expertise in financial accounting and reporting as required under SAS 115. Internal controls should be designed to prevent, or detect and correct misstatements in financial accounting and reporting. The lack of controls could allow misstatements in the financial statements to occur and go undetected.

In order to remove this material weakness in the School's internal control, the School would need to hire an accounting firm independent of the auditing process; however, costs would exceed benefits. The School would incur costs for the accounting firm to prepare materially correct financial statements and disclosures. The only benefit of this action would be to remove this comment from the report as the independent audit process will ultimately result in materially correct financial statements.

Response: We do not believe it is cost beneficial to hire additional personnel or out source this work in order to mitigate this condition. Further, we see no benefit of this action other than the removal of this comment from this report.

SEGREGATION OF DUTIES - During our audit, we noted that the Accountant's duties include processing direct deposit payroll authorizations and reconciling bank accounts. The assignment of these duties to the same person does not provide adequate control, since the person executing payments to employees also prepares the bank reconciliation. This lack of segregation in duties could allow fraud or errors to occur and go undetected.

Response: The School has indicated that with limited office personnel, proper segregation of duties is difficult to achieve. However, the School will continue to review procedures and make changes in an effort to mitigate the related risk.

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 24, 2010.

The School's responses to the findings identified in our audit are described above. 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 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 24, 2010

**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 24, 2010, 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, 2009 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2010. 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, 2010, 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 24, 2010

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

INSURANCE POLICY

The State requires a charter school to obtain a surety bond in the amount determined by the sponsor to be adequate based on the cash flow of the school; or purchase an insurance policy issued by an insurance company licensed to do business in Missouri on all employees in the amount of \$500,000 or more that provides coverage in the event of employee theft. During our audit, we noted the School had purchased an insurance policy for only \$100,000. We recommend that the School obtain additional insurance.

ATTENDANCE

During our audit, we noted the School over reported the hours in session and the number of days in session for the 2009-2010 school year. We also noted errors in the computation of hours in attendance. As a result of our audit, core data has been corrected.

TRANSPORTATION

During our audit, we noted that the School reported the eligible route miles by multiplying the route miles driven at the beginning of the year times the number of days that school was in session. The Department of Elementary and Secondary Education requires that the School report the actual mileage driven based on odometer readings obtained during the year. For the 2010-2011 school year, we noted that the School is correctly recording mileage by daily odometer readings.

Also, during our audit of pupils transported, we noted that the School did not report the students living less than one mile from the school as ineligible riders on the Application for State Transportation Aid. We recommend that the School review its procedures for capturing and reporting data to the state. As a result of our audit, the School has corrected the pupils transported data reported on the Application for State Transportation Aid.

CERTIFIED INSTRUCTIONAL STAFF

Section 160.420 RSMo requires the School to employ at least eighty percent certificated instructional staff. We noted that based on instructional staff information submitted to the State, the School did not comply with this statute at June 30, 2010.