

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

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

**FOR THE YEAR ENDED JUNE 30, 2011**

**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, 2011, 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, 2011, 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 December 14, 2011 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 13, 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.

December 14, 2011

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2011**

**ASSETS**

Cash	\$ 298,261
Property and equipment, net	<u>42,665</u>
Total Assets	<u><u>\$ 340,926</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Note payable	\$ 37,500
Net Assets:	
Unrestricted	<u>303,426</u>
Total Liabilities and Net Assets	<u><u>\$ 340,926</u></u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES**  
**- MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Local	\$ 134,493	\$ -	\$ 134,493
State	1,033,605	-	1,033,605
Federal	<u>321,401</u>	<u>-</u>	<u>321,401</u>
 Total support and revenue	 <u>1,489,499</u>	 <u>-</u>	 <u>1,489,499</u>
 Net assets released from restrictions	 <u>10,623</u>	 <u>(10,623)</u>	 <u>-</u>
 Total support and revenue and reclassifications	 <u>1,500,122</u>	 <u>(10,623)</u>	 <u>1,489,499</u>
<b>EXPENDITURES:</b>			
Instruction	570,049	-	570,049
Student services	3,462	-	3,462
Instructional staff support	3,487	-	3,487
General administration and central services	292,615	-	292,615
Building administration	77,196	-	77,196
Operation of plant	160,838	-	160,838
Transportation	50,807	-	50,807
Food service	110,142	-	110,142
Debt service:			
Interest and fees	<u>7,049</u>	<u>-</u>	<u>7,049</u>
 Total expenditures	 <u>1,275,645</u>	 <u>-</u>	 <u>1,275,645</u>
 Change in Net Assets	 224,477	 (10,623)	 213,854
 Net assets, beginning of year	 <u>78,949</u>	 <u>10,623</u>	 <u>89,572</u>
 Net assets, end of year	 <u>\$ 303,426</u>	 <u>\$ -</u>	 <u>\$ 303,426</u>

See accompanying notes.

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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, 2011 the School provided services to students in kindergarten through second 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).

Vacation and Annual Leave: Vacation time and annual leave days are considered as expenditures in the year paid. Annual leave amounts unused over 120 days and vacation days unused are paid out to employees at the end of each contract year.

Subsequent Events: The School has evaluated subsequent events through December 14, 2011, 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, 2011**

**NOTE C - CASH**

The School maintains its cash balances at one financial institution. At June 30, 2011, the cash balances were insured by the Federal Deposit Insurance Corporation through the Dodd-Frank Act for unlimited coverage of noninterest-bearing transaction accounts.

**NOTE D - INSURANCE**

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

**NOTE E - RETIREMENT PLAN**

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

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

**NOTE F - PROPERTY AND EQUIPMENT**

Building Improvements	\$	15,837
Equipment and Vehicles		<u>38,756</u>
		54,593
Accumulated depreciation		<u>(11,928)</u>
	\$	<u><u>42,665</u></u>

Depreciation expenditure for the year ended June 30, 2011 was \$9,885. The depreciation expenditure was allocated to the related functions; instruction \$1,599, transportation \$7,220, food service \$115 and operation of plant \$951. Loss on disposal of equipment of \$1,072 has been allocated to transportation expenditures.

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE G - OPERATING LEASE**

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

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

Year ending		
June 30,	<u>        </u>	Total
2012	\$	154,668
2013		165,652
2014		<u>165,652</u>
Total	\$	<u>485,972</u>

During the year ended June 30, 2011, total expenditures under this lease were \$118,264.

**NOTE H - NOTE PAYABLE - RELATED PARTY**

The School entered into an unsecured note payable to a related party on June 29, 2009, in the amount of \$75,000. The note bears interest at an annual fixed rate of 4.00% and will mature on June 30, 2012. Principal and interest are payable in full on June 30, 2012. At June 30, 2011, the outstanding principal on the note was \$37,500.

Interest expense for the year ended June 30, 2011 was \$7,049.

## **SUPPLEMENTARY INFORMATION**

**PROGRESS IN EDUCATION, INC.**  
**NORTH SIDE COMMUNITY SCHOOL**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -**  
**MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	GOVERNMENTAL FUNDS			TOTALS
	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	
<b>ASSETS</b>				
Cash	\$ 298,261	\$ -	\$ -	\$ 298,261
 <b>FUND BALANCE</b>				
Fund Balance, Unassigned	\$ 298,261	\$ -	\$ -	\$ 298,261

**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, 2011**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
REVENUES:				
Local	\$ 117,667	\$ 16,826	\$ -	\$ 134,493
State	628,721	404,884	-	1,033,605
Federal	321,401	-	-	321,401
Other	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Revenues	<u>1,067,789</u>	<u>421,710</u>	<u>1,000</u>	<u>1,490,499</u>
EXPENDITURES:				
Instruction	277,510	290,940	-	568,450
Student services	3,462	-	-	3,462
Instructional staff support	3,487	-	-	3,487
General administration and central services	239,041	53,574	-	292,615
Building administration	-	77,196	-	77,196
Operation of plant	159,887	-	-	159,887
Transportation	42,514	-	25,100	67,614
Food service	110,028	-	1,143	111,171
Facilities acquisition and construction	-	-	3,154	3,154
Debt service:				
Principal	37,500	-	-	37,500
Interest and fees	<u>7,049</u>	<u>-</u>	<u>-</u>	<u>7,049</u>
Total Expenditures	<u>880,478</u>	<u>421,710</u>	<u>29,397</u>	<u>1,331,585</u>
Revenues Over (Under) Expenditures	187,311	-	(28,397)	158,914
Other Financing Sources (Uses):				
Transfers	<u>(28,397)</u>	<u>-</u>	<u>28,397</u>	<u>-</u>
Net change in fund balance	158,914	-	-	158,914
Fund balance, beginning	<u>139,347</u>	<u>-</u>	<u>-</u>	<u>139,347</u>
Fund balance, ending	<u>\$ 298,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,261</u>

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF REVENUES COLLECTED BY SOURCE  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>LOCAL:</b>				
Sales tax	\$ 28,043	\$ 16,826	\$ -	\$ 44,869
Food service	401.00	-	-	401
Student activities	383	-	-	383
Grants and donations	80,832	-	-	80,832
Other	8,008	-	-	8,008
Total Local	<u>117,667</u>	<u>16,826</u>	<u>-</u>	<u>134,493</u>
<b>STATE:</b>				
Basic formula	607,548	404,884	-	1,012,432
Basic formula - classroom trust fund	18,129	-	-	18,129
Food service - State	229	-	-	229
Transportation	2,815	-	-	2,815
Total State	<u>628,721</u>	<u>404,884</u>	<u>-</u>	<u>1,033,605</u>
<b>FEDERAL:</b>				
Individuals with Disabilities	9,980	-	-	9,980
Individuals with Disabilities - ARRA	4,868	-	-	4,868
Food service	73,895	-	-	73,895
Title I	133,552	-	-	133,552
Title I - ARRA	40,000	-	-	40,000
Title II, A	10,504	-	-	10,504
Federal Budget Stabilization - ARRA	7,928	-	-	7,928
Government Services - ARRA	4,848	-	-	4,848
Jobs Bill - State School Moneys Fund	20,354	-	-	20,354
Jobs Bill - Fed Budget Stabilization	12,258	-	-	12,258
Jobs Bill - Classroom Trust Fund	3,214	-	-	3,214
Total Federal	<u>321,401</u>	<u>-</u>	<u>-</u>	<u>321,401</u>
<b>OTHER:</b>				
Sale of property	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Revenues	<u>\$ 1,067,789</u>	<u>\$ 421,710</u>	<u>\$ 1,000</u>	<u>\$ 1,490,499</u>

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL
Salaries	\$ 212,734	\$ 348,194	\$ -	\$ 560,928
Employee benefits	42,265	73,516	-	115,781
Purchased services	398,438	-	-	398,438
Supplies	182,492	-	-	182,492
Capital outlay	-	-	29,397	29,397
Debt service:				
Principal	37,500	-	-	37,500
Interest and fees	7,049	-	-	7,049
	<u>\$ 880,478</u>	<u>\$ 421,710</u>	<u>\$ 29,397</u>	<u>\$ 1,331,585</u>

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF SELECTED STATISTICS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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-2	1,204.08
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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-2	128.56
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**3. SEPTEMBER MEMBERSHIP**

September Membership FTE Count	132.00
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**4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)**

State FTE Total	Free 121.00
	Reduced 2.00

**5. FINANCE**

- A. A bond and or insurance policy as required by Section 160.405, RSMo. has been purchased for the School. True
- B. The School's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. True
- C. The School maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. N/A
- D. Salaries reported for educators in the October 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, 2011**

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: 67.00  
Ineligible ADT: 10.00

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

E. Actual odometer records, the total school-operated and contracted mileage for the year was:  
10,864

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 9,324  
Ineligible miles (non-route/disapproved) 1,540

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

## **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, 2011 and have issued our report thereon dated December 14, 2011. 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 outsource 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** - As is the case with many smaller Schools, the Business and Development Director may be relied upon to perform accounting duties which are incompatible for proper internal control. During our audit, we noted that the Business and Development Director has the ability to make disbursements, maintains the general ledger and performs the reporting function. While the School has an outside accountant that receives and reviews the monthly bank statements to improve controls over cash disbursements, there are not effective compensating controls performed by other employees to prevent or detect a material misstatement in the above mentioned accounting functions.

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 December 14, 2011.

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 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.

December 14, 2011

**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 December 14, 2011, 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, 2010 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2011. 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, 2011, 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.

December 14, 2011

**PROGRESS IN EDUCATION, INC.  
NORTH SIDE COMMUNITY SCHOOL  
SCHEDULE OF STATE FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**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.

We also noted that the School had incorrectly calculated the standard day resulting in a misstatement of hours in session. As a result of our audit, the School has corrected attendance information in Core Data.

**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, 2011.

**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 2011-2012 school year, we noted that the School is correctly recording mileage by daily odometer readings.