

**CHARTER HIGH SCHOOL FOR
ARCHITECTURE AND DESIGN
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Charter High School for Architecture and Design

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter High School for Architecture and Design (a nonprofit organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Charter High School for Architecture and Design's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Designing Futures Foundation and Affiliates were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter High School for Architecture and Design as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 7 and 34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter High School for Architecture and Design's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of Charter High School for Architecture and Design's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter High School for Architecture and Design's internal control over financial reporting and compliance.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
November 24, 2014

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Board of Trustees of Charter High School of Architecture and Design (the "School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- Total governmental revenues for the fiscal year ended June 30, 2014, were \$8,228,745, representing an increase of \$926,346 from June 30, 2013.
- At June 30, 2014, the School reported an ending governmental fund balance of \$1,899,254, representing an increase of \$385,260 from June 30, 2013.
- The School's cash balance at June 30, 2014, was \$1,377,203, representing an increase of \$177,956 from June 30, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's financial statements as presented comprise four components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the required supplementary information, and (4) the federal awards section.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. expenditures accrued in one year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School. The School's function is to provide an alternative educational opportunity.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has three fund types: the governmental general fund, the proprietary fund, and the fiduciary agency fund.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

The governmental fund budgetary comparison schedule is required supplementary information presented for purposes of additional analysis and is prepared using a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") for state reporting requirements.

Single Audit Requirements

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

Government-Wide Financial Analysis

Management has adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which requires a comparative analysis of current- and prior-year balances.

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,907,188	\$ 2,291,768
Capital assets	<u>311,800</u>	<u>253,607</u>
Total assets	<u>3,218,988</u>	<u>2,545,375</u>
Current liabilities	1,228,887	965,281
Long-term liabilities	<u>84,218</u>	<u>-</u>
Total liabilities	<u>1,313,105</u>	<u>965,281</u>
Net position:		
Net investment in capital assets	208,780	253,607
Unrestricted	<u>1,697,103</u>	<u>1,326,487</u>
Total net position	<u>\$ 1,905,883</u>	<u>\$ 1,580,094</u>

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, assets exceeded liabilities by \$1,905,883 as of June 30, 2014.

See independent auditor's report.

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Overview of the Financial Statements (Continued)

Government-Wide Financial Analysis (Continued)

The School's revenues are predominately received from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2014, the School's revenues of \$8,452,321 exceeded its expenses of \$8,126,532 by \$325,789.

	<u>2014</u>	<u>2013</u>
Revenues:		
Local educational agencies	\$ 6,474,948	\$ 6,065,241
Other sources	623,236	294,924
Food services	223,576	189,107
State sources	565,253	512,157
Federal sources	<u>565,308</u>	<u>430,075</u>
Total revenues	<u>8,452,321</u>	<u>7,491,504</u>
Expenditures:		
Other instructional programs	3,837,406	3,256,136
Pupil personnel services	414,362	449,183
Instructional staff services	185,164	134,450
Administrative services	1,290,177	1,160,553
Pupil health	97,590	90,763
Business services	141,646	139,757
Operation and maintenance of plant services	1,551,760	1,627,672
Other support services	273,000	328,358
Food services	238,220	181,867
Student activities	14,757	27,048
Interest expense	7,558	-
Depreciation expense	<u>74,892</u>	<u>60,360</u>
Total expenditures	<u>8,126,532</u>	<u>7,456,147</u>
Change in net position	325,789	35,357
Net position - beginning	<u>1,580,094</u>	<u>1,544,737</u>
NET POSITION - ENDING	<u>\$ 1,905,883</u>	<u>\$ 1,580,094</u>

Governmental Fund

The focus of the School's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, the fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the year.

The general fund is the chief operating fund of the School. At the end of the current year, the unassigned fund balance of the general fund was \$1,899,254.

See independent auditor's report.

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

General Fund Budgetary Highlights

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in the school-based needs for programs, supplies and equipment. There were no formal budget amendments made that were required to be submitted to the state of Pennsylvania.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2014, the School's investment in capital assets for its governmental activities and business-type activity totaled \$208,780 (net of accumulated depreciation and related debt). This investment in capital assets includes furniture, machinery, and equipment for the School along with leasehold improvements.

Long-Term Debt

At June 30, 2014, the School had a capital lease payable of \$103,020.

Economic Factors and Next Year's Budgets and Rates

The School does not foresee any substantial variations with next year's economic factors, budgets or rates.

Future Events That Will Financially Impact the School

The School does not foresee any future events at this time that will financially impact the School.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report or requests for additional information should be addressed to: Chief Executive Officer, Charter High School for Architecture and Design, 105 S. 7th Street, Philadelphia, PA 19106.

Component Unit

Designing Futures Foundation and Affiliates (the "Organization") is a component unit of the School and is reported in a separate column in the government-wide financial statements to emphasize that the Organization is legally separate from the School. The complete financial statements of the Organization can be obtained at 105 S. 7th Street, Philadelphia, PA 19106.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business- Type Activity	Total	Component Unit
ASSETS				
Cash	\$ 1,377,203	\$ -	\$ 1,377,203	\$ 543,656
Restricted cash and cash equivalents	-	-	-	1,338,985
State subsidies receivable	269,031	1,332	270,363	-
Federal subsidies receivable	143,492	27,620	171,112	-
Contributions receivable	-	-	-	375,000
Other receivables	111,064	-	111,064	149,722
Prepaid expenses	49,852	24,479	74,331	7,225
Prepaid rent	22,223	-	22,223	-
Due from other funds	213,377	-	213,377	-
Due from related parties	639,086	-	639,086	-
Security deposit	28,429	-	28,429	-
Bond issuance costs	-	-	-	430,855
Capital assets:				
Nondepreciable capital assets	-	-	-	1,642,530
Building and improvements	-	-	-	10,814,359
Leasehold improvements	873,747	-	873,747	-
Furniture and fixtures	631,939	57,544	689,483	377,906
Machinery and equipment	18,076	-	18,076	-
Software	-	-	-	20,284
Less: accumulated depreciation	<u>(1,228,216)</u>	<u>(41,290)</u>	<u>(1,269,506)</u>	<u>(2,361,248)</u>
Total assets	<u>3,149,303</u>	<u>69,685</u>	<u>3,218,988</u>	<u>13,339,274</u>
LIABILITIES				
Accounts payable and accrued expenses	135,288	36,316	171,604	1,068,454
Salaries and benefits payable	758,255	-	758,255	-
Due to related parties	-	-	-	645,220
Due to general fund	-	219,266	219,266	-
Advances from grantors	60,960	-	60,960	88,895
Long-term obligations:				
Due within one year:				
Capital lease payable	18,802	-	18,802	-
Notes payable	-	-	-	137,511
Due beyond one year:				
Bonds payable	-	-	-	8,540,000
Capital lease payable	84,218	-	84,218	-
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,431</u>
Total liabilities	<u>1,057,523</u>	<u>255,582</u>	<u>1,313,105</u>	<u>10,858,511</u>
Commitments and contingencies (Notes 6, 7, 8, 9, 10, 11 and 12)				
NET POSITION				
Net investment in capital assets	192,526	16,254	208,780	-
Unrestricted	<u>1,899,254</u>	<u>(202,151)</u>	<u>1,697,103</u>	<u>2,480,763</u>
Total net position	<u>\$ 2,091,780</u>	<u>\$ (185,897)</u>	<u>\$ 1,905,883</u>	<u>\$ 2,480,763</u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions	Expenses	Program	Net (Expense) Revenue and Changes in Net Assets			
		Operating Grants and Contributions	Governmental Activities	Business- type Activity	Total	Component Unit
Primary government						
Governmental activities:						
Other instructional programs	\$ 3,837,406	\$ 2,272,578	\$ (1,564,828)	\$ -	\$ (1,564,828)	\$ -
Pupil personnel services	414,362	38,271	(376,091)	-	(376,091)	-
Instructional staff services	185,164	9,192	(175,972)	-	(175,972)	-
Administrative services	1,290,177	78,329	(1,211,848)	-	(1,211,848)	-
Pupil health	97,590	7,114	(90,476)	-	(90,476)	-
Business services	141,646	-	(141,646)	-	(141,646)	-
Operation and maintenance of						
plant services	1,551,760	128,277	(1,423,483)	-	(1,423,483)	-
Other support services	273,000	7,803	(265,197)	-	(265,197)	-
Food services	-	-	-	(238,220)	(238,220)	-
Student activities	14,757	1,147	(13,610)	-	(13,610)	-
Interest expense	7,558	-	(7,558)	-	(7,558)	-
Depreciation expense	<u>66,634</u>	<u>-</u>	<u>(66,634)</u>	<u>(8,258)</u>	<u>(74,892)</u>	<u>-</u>
Total governmental activities	<u>\$ 7,880,054</u>	<u>\$ 2,542,711</u>	<u>(5,337,343)</u>	<u>(246,478)</u>	<u>(5,583,821)</u>	<u>-</u>
Component unit:						
Designing Futures Foundation						
and Affiliates	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,116,613)</u>
General revenues:						
Local educational agencies			5,062,798	-	5,062,798	-
Food services			-	223,576	223,576	-
Rental income			-	-	-	1,561,919
Other revenue			<u>623,236</u>	<u>-</u>	<u>623,236</u>	<u>1,203,035</u>
Total general revenues			<u>5,686,034</u>	<u>223,576</u>	<u>5,909,610</u>	<u>2,764,954</u>
Change in net position			348,691	(22,902)	325,789	648,341
Net position - beginning			<u>1,743,089</u>	<u>(162,995)</u>	<u>1,580,094</u>	<u>1,832,422</u>
NET POSITION -						
ENDING			<u>\$ 2,091,780</u>	<u>\$ (185,897)</u>	<u>\$ 1,905,883</u>	<u>\$ 2,480,763</u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2014

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,377,203
State subsidies receivable	269,031
Federal subsidies receivable	143,492
Other receivables	111,064
Prepaid expenses	49,852
Prepaid rent	22,223
Due from other funds	213,377
Due from related parties	639,086
Security deposit	<u>28,429</u>
TOTAL ASSETS	\$ <u>2,853,757</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts payable and accrued expenses	\$ 135,288
Salaries and benefits payable	758,255
Advances from grantors	<u>60,960</u>
Total liabilities	954,503
Fund balance	
Unassigned	<u>1,899,254</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,853,757</u>

See accompanying notes to financial statements.

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balance for the governmental fund \$ 1,899,254

Total net position reported for governmental activities in the statement of net position is different because:

Long-term liabilities that pertain to the governmental fund, including capitalized lease obligations, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Capital lease payable (103,020)

Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Those assets consist of:

Leasehold improvements	873,747	
Furniture and fixtures	631,939	
Machinery and equipment	18,076	
Less: accumulated depreciation	<u>(1,228,216)</u>	
		<u>295,546</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,091,780**

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCE OF THE GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
Revenues:	
Local educational agencies	\$ 6,474,948
Other sources	623,236
State sources	565,253
Federal sources	<u>565,308</u>
Total revenues	<u>8,228,745</u>
Expenditures:	
Instruction	3,837,406
Support services	3,953,699
Non-instructional services	14,757
Debt service	17,532
Capital outlay	<u>133,085</u>
Total expenditures	<u>7,956,479</u>
Excess of revenues over expenditures	272,266
Other financing sources:	
Proceeds from capital lease	<u>112,994</u>
Net change in fund balance	385,260
Fund balance - beginning	<u>1,513,994</u>
FUND BALANCE - ENDING	<u>\$ 1,899,254</u>

See accompanying notes to financial statements.

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance - total governmental fund **\$ 385,260**

Amounts reported for governmental activities in the statement of activities are different because:

The governmental fund reports capital lease proceeds as financing sources, while repayment of capital lease principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The net effect of these differences in the treatment of capital lease payable is as follows:

Repayment of capital lease	9,974	
Proceeds from capital lease	<u>(112,994)</u>	
		(103,020)

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense, as follows:

Capital outlay	133,085	
Depreciation expense	<u>(66,634)</u>	
		<u>66,451</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 348,691**

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise Fund
	Food Service Fund
ASSETS	
Current assets:	
Federal subsidies receivable	\$ 27,620
State subsidies receivable	1,332
Prepaid expenses	<u>24,479</u>
Total current assets	<u>53,431</u>
Noncurrent assets:	
Capital assets:	
Furniture and fixtures	57,544
Less: accumulated depreciation	<u>(41,290)</u>
Capital assets, net	<u>16,254</u>
Total assets	<u>69,685</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	36,316
Due to general fund	<u>219,266</u>
Total liabilities	<u>255,582</u>
NET POSITION	
Net investment in capital assets	16,254
Unrestricted	<u>(202,151)</u>
Total net position	<u><u>\$ (185,897)</u></u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF ACTIVITIES
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund <u>Food Service Fund</u>
Operating revenues:	
Food service revenues	\$ <u>66,091</u>
Operating expenses:	
Salaries and benefits	4,739
Food and supplies	213,476
Professional fees	20,005
Depreciation	<u>8,258</u>
Total operating expenses	<u>246,478</u>
Operating loss	<u>(180,387)</u>
Nonoperating revenues:	
Federal sources	150,218
State sources	<u>7,267</u>
Total nonoperating revenues	<u>157,485</u>
Change in net position	(22,902)
Net position - beginning	<u>(162,995)</u>
NET POSITION - ENDING	\$ <u>(185,897)</u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund
	Food Service Fund
Cash flows from operating activities:	
Cash received from students	\$ 66,091
Payments to suppliers	(240,287)
Payments to employees	<u>(4,739)</u>
Net cash used in operating activities	<u>(178,935)</u>
Cash flows from noncapital financing activities:	
Cash received from federal sources	156,595
Cash received from state sources	7,835
Due to the general fund	<u>14,505</u>
Cash flows provided by noncapital financing activities	<u>178,935</u>
Net change in cash	-
Cash - beginning	<u>-</u>
CASH - ENDING	\$ <u>-</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (180,387)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	8,258
Changes in operating assets and liabilities:	
Accounts payable	<u>(6,806)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ <u>(178,935)</u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Total Agency Fund
	<u> </u>
ASSETS	
Cash	\$ <u>15,119</u>
LIABILITIES	
Due to student groups	<u>15,119</u>
NET POSITION	
Unrestricted	\$ <u>-</u>

See accompanying notes to financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Charter High School of Architecture and Design (the "School") is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997 (the "Act") and is operating under a charter school contract through 2018, which can be renewed for additional terms through an application process. The School is located in Philadelphia, Pennsylvania. During the 2013-2014 school year, the School served children in grades 9 through 12.

The School has financial accountability and control over all activities related to the students' education. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The reporting entity of the School is based upon criteria set forth by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*. Statement No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of school officials by ensuring that the financial reporting entity includes only organizations for which the officials are financially accountable or that are determined by the government to be misleading to exclude. The statement is effective for periods beginning after June 15, 2012. Statement No. 61 does not have any impact on the School's financial statements.

The GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. Statement No. 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The statement is effective for periods beginning after December 15, 2012. Statement No. 66 does not have a material impact on the School's financial statements.

The accompanying financial statements present the activities of the School. The School is not a component unit of another reporting entity. The decision to include a potential component unit in the School's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. As described below the School has identified a component unit.

Component Unit

Designing Futures Foundation and Affiliates (the "Organization") is a legally separate, tax-exempt component unit of the School. The Organization was organized to acquire and support the School's facilities. Although the School does not control the timing or amounts of receipts from the Organization, the majority of resources, and income thereon, that the Organization holds are restricted to the activities of the School.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

Because these restricted resources held by the Organization can only be used by, or for the benefit of, the School, the Organization is considered a component unit of the School and is discretely presented in the School's financial statements. The last completed audit dated July 2, 2014, was for the period ended December 31, 2013, and has been included in these financial statements.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Statement 62 does not have any impact on the School's financial statements.

The Organization is accounted for under GAAP as applied to not-for-profit entities and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues. These financial statements include the financial activities of the primary government; fiduciary funds are excluded.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in the fund balance) report on the School's general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. **BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Fund financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The School reports the following major governmental fund:

General Fund - The general fund is the operating fund of the School and accounts for all operating revenues and expenditures of the School.

The School reports the following proprietary fund:

Food Service Fund - Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise fund are charges to students for sales of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The School reports the following fiduciary fund:

Student Activities Fund - Used to account for assets held by the School for student groups and that are available to the students. The student activities fund is custodial in nature and does not have a measurement focus.

Net Position

The School adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 established a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). Statement No. 63 requires

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. Statement No. 63 requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on the use of net assets through external constraints imposed by creditors such as through debt covenants, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Classification Policies and Procedures

The School follows the provisions of GASB Statement No. 54. Statement No. 54 requires the classification of the School's fund balance into five components: nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as follows:

- Nonspendable - This category is for amounts that can not be spent because they are either (1) not in spendable form or (2) legally or contractually required to remain intact.
- Restricted - This category is the part of the fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by enabling legislation.
- Committed - This category is the portion of the fund balance that can only be used for specific purposes as a result of formal action by the School's highest level of authority.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification Policies and Procedures (Continued)

- Assigned - This category reflects funds that the School intends to use for a specific purpose but are not considered restricted or committed.
- Unassigned - This category represents the part of the spendable fund balance that has not been categorized as nonspendable, restricted, committed or assigned.

Budgets and Budgetary Accounting

The School adopts an annual budget on a basis consistent with GAAP for the general fund. The School is required to present the adopted and final budgeted revenues and expenditures for the general fund that were filed and accepted by the Labor, Education and Community Services Comptroller's Office. The general fund budget appears on page 34.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School's cash consists of cash on hand and demand deposits. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Expenses

Prepaid expenses include payments to vendors for services applicable to future accounting periods such as rental payments and insurance premiums.

Receivables

Receivables primarily consist of amounts due from the Pennsylvania Department of Education for federal and state grants and subsidies. Receivables are stated at the amount management expects to collect. As of June 30, 2014, based on historical experience, no allowance has been established.

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School maintains a threshold level of \$2,500 or more for capitalizing assets. The School does not possess any infrastructure. The infrastructure is owned by the Organization, which is presented discretely. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets, which range from three to ten years.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. In compliance with Statement No. 63, the statement of net position includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has no items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has no items that qualify for reporting in this category.

Advertising Costs

All costs associated with advertising and promotions are expensed in the year incurred.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in which tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2014, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest and penalties related to income taxes.

The School files an income tax return in the U.S. federal jurisdiction. With few exceptions, the School is no longer subject to U.S. federal tax examinations by taxing authorities for years before June 30, 2011.

Adoption of Government Account Standards Board Statement

During the year ended June 30, 2014, the School adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under Statement No. 65, debt issuance costs, excluding debt insurance, are fully expensed in the year of issuance. Statement No. 65 does not have an impact on the School's financial statements.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements Nos. 68 and 71 revise and establish reporting requirements for most governments that provide their employees with pension benefits. The provisions of Statements Nos. 68 and 71 are effective for the School's June 30, 2015 financial statements. The effect of implementation has not yet been determined.

Subsequent Events

The School has evaluated subsequent events through November 24, 2014, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Custodial credit risk is the risk that in the event of a bank failure, the School and the Organization's deposits may not be returned to the School and the Organization. The School and the Organization monitor custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository bank. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School's accounts are covered under this act.

As of June 30, 2014, the custodial risk is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Component Unit</u>
Uninsured and uncollateralized	\$ -	\$ -	\$ 1,474,005
Collateralized	-	-	-
Uninsured and collateral held by the pledging bank's trust department not in the School's name	<u>1,136,827</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,136,827</u>	<u>\$ -</u>	<u>\$ 1,474,005</u>

Reconciliation to the financial statements:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Component Unit</u>
Cash exposed to custodial risk	\$ 1,136,827	\$ -	\$ 1,474,005
Plus: insured amount	250,000	-	500,000
Less: outstanding checks	<u>(9,624)</u>	<u>-</u>	<u>(91,364)</u>
	<u>\$ 1,377,203</u>	<u>\$ -</u>	<u>\$ 1,882,641</u>

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. RECEIVABLES

Receivables at June 30, 2014, consisted of subsidies from federal, state, and local sources. All receivables are considered collectible due to the stable condition of the state and private programs.

A summary of receivables follows:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Federal	\$ 143,492	\$ 27,620
State	269,031	1,332
Local	<u>111,064</u>	<u>-</u>
	<u>\$ 523,587</u>	<u>\$ 28,952</u>

NOTE 4. LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)

The School receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

Charter schools are funded by the local public school district. For non-special education students, the charter school receives for each student enrolled no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2014, the rate was \$8,417 per year per student for most of the students, plus additional funding for special education students and transportation. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$6,474,948 for the year ended June 30, 2014.

NOTE 5. CAPITAL ASSETS, NET

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Balance - <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance - June 30, <u>2014</u>
Leasehold improvements	\$ 873,747	\$ -	\$ -	\$ 873,747
Furniture and fixtures	516,930	115,009	-	631,939
Machinery and equipment	-	18,076	-	18,076
Less: accumulated depreciation	<u>(1,161,582)</u>	<u>(66,634)</u>	<u>-</u>	<u>(1,228,216)</u>
Capital assets, net	<u>\$ 229,095</u>	<u>\$ 66,451</u>	<u>\$ -</u>	<u>\$ 295,546</u>

Depreciation expense for the year ended June 30, 2014, was \$66,634.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. CAPITAL ASSETS, NET (CONTINUED)

Business-Type Activity:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Furniture and fixtures	\$ 57,544	\$ -	\$ -	\$ 57,544
Less: accumulated depreciation	(33,032)	(8,258)	-	(41,290)
Capital assets, net	<u>\$ 24,512</u>	<u>\$ (8,258)</u>	<u>\$ -</u>	<u>\$ 16,254</u>

Depreciation expense for the year ended June 30, 2014, was \$8,258.

NOTE 6. OBLIGATIONS UNDER CAPITAL LEASE

Computer equipment costing \$112,994, with a net book value of \$99,811, is held under a capital lease. Future minimum lease payments required under the capital lease are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>
2015	\$ 18,802
2016	21,186
2017	23,873
2018	26,901
2019	<u>12,258</u>
	103,020
Less: current portion	<u>(18,802)</u>
	<u>\$ 84,218</u>

Changes in capital lease obligations were as follows for the year ended June 30, 2014:

Balance, July 1, 2013	\$ -
Additions	112,994
Repayments of principal	<u>(9,974)</u>
Balance, June 30, 2014	<u>\$ 103,020</u>

Interest expense on the capital lease was \$7,558 for the year ended June 30, 2014.

NOTE 7. RELATED-PARTY TRANSACTIONS AND FACILITY LEASING ARRANGEMENTS

The School had a series of operating leases for the rental of its facilities with the Organization, which acquired the building during 2005. The leases were set to expire at various times through December 31, 2015, but were extended until March 15, 2043, as described in the "Amended and Restated Lease" dated March 1, 2013. The School has advanced funds to the Organization, which have been recorded as prepaid rent. It is anticipated that these funds will be charged to operations at the rate of approximately \$11,111 per month for 60 months, which began September 2009, with the third amendment to the lease agreement. Monthly payments on the leases were approximately \$65,005 during 2014, and fluctuate annually throughout the leases' term.

During the year ended June 30, 2014, rent expense under the leases was \$913,391.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. RELATED-PARTY TRANSACTIONS AND FACILITY LEASING ARRANGEMENTS (CONTINUED)

The remaining balance of prepaid rent is \$22,223 as of June 30, 2014, and will be fully amortized to rent expense during the next fiscal year.

Minimum future lease payments under operating leases as of June 30, 2014, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 614,955
2016	615,562
2017	617,913
2018	616,274
2019	615,831
2020-2024	3,083,639
2025-2029	3,080,343
2030-2034	3,081,370
2035-2039	3,082,368
2040-2043	<u>2,288,818</u>
	<u>\$ 17,697,073</u>

NOTE 8. RETIREMENT PLAN

The School contributes to the Public School Employees' Retirement System (the "System"), a governmental cost-sharing, multiple-employer defined benefit pension plan administered by the Pennsylvania Public School Employees' Retirement System, which provides retirement and disability benefits, legislative-mandated ad-hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125. This publication is also available on the System's website at www.psers.state.pa.us/publications/general/cafr.htm.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Member contributions are as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System prior to, on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. RETIREMENT PLAN (CONTINUED)

- Members who joined the System after June 30, 2001, contribute at 7.50% (Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, can choose between two classes of membership and, therefore, two different base contribution rates that are subject to a limited fluctuation based on a "shared risk." Membership Class T-E members have a base employee contribution rate of 7.5%, with shared risk contribution rate levels from 7.5% through and including 9.5%. Membership Class T-F members have a base employee contribution rate of 10.3%, with shared risk contribution rate levels from 10.3% through and including 12.3%.

With the "shared risk" program, members benefit when investments of the fund are doing well and share some of the risk when investments underperform. Membership Class T-E or T-F contribution rates will stay within the specified range, but may increase or decrease by .5% within the specified range once every three years, starting July 1, 2015. The contribution rates for these two membership classes will never go below the base rate or above the highest percentage rate.

Contributions required of the School are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of the School's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and 0.93% for healthcare insurance premium assistance. Payroll expense for employees covered by the System for the year ended June 30, 2014, was approximately \$3,840,000. The School's contributions to the System for the years ended June 30, 2014, 2013 and 2012, amounted to \$707,780, \$437,616 and \$290,476, respectively.

NOTE 9. COMMITMENTS

In July 2014, the School entered into a five-year agreement with an organization for various business services at a monthly rate of \$6,325. The minimum payments under the agreement are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 75,900
2016	78,200
2017	80,600
2018	83,000
2019	<u>85,500</u>
	<u>\$ 403,200</u>

The School is a co-borrower along with the Organization on a term note in the amount of \$650,000 as described in Note 12.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. GRANT CONTINGENCIES

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

NOTE 11. LITIGATION

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

NOTE 12. COMPONENT UNIT

Designing Futures Foundation ("DFF") is organized as a nonprofit corporation in Pennsylvania under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The goal of DFF is to provide financial support to the School through fundraising and charitable gifts and through the operations of its interests in L-A Liberty Square Associates, L.P. and DFF Real Estate, LLC.

L-A Liberty Square Associates, L.P. (the "Partnership") is a Pennsylvania limited partnership, which rents office and classroom space to the School and other tenants. DFF has a 99.99% interest in the Partnership.

DFF Real Estate, LLC (the "Corporation") is a nonrecognized tax entity. Its sole member is DFF. The Corporation has a .01% interest as general partner in the Partnership. The Partnership and Corporation are collectively known as the "Affiliates."

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Bond Issuance Costs

Costs relating to the issuance of bonds are amortized over the term of the bonds using the straight-line method.

Capital Assets

As of December 31, 2013, the Organization's latest reporting period, its capital assets consisted of the following:

Building and improvements	\$ 10,814,359
Furniture and equipment	377,906
Software	<u>20,284</u>
	11,212,549
Less: accumulated depreciation	<u>(2,361,248)</u>
	<u>\$ 8,851,301</u>

Depreciation expense for the year ended December 31, 2013, was \$267,584.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. COMPONENT UNIT (CONTINUED)

Rental Operations

The Partnership is a lessor of office space. Commitments for future minimum rental income under noncancelable leases and subleases at December 31, 2013, its latest reporting period, are approximately as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2014	\$ 1,469,627
2015	1,403,000
2016	1,111,128
2017	879,922
2018	881,227
2019-2023	3,999,236
2024-2028	3,875,000
2029-2033	3,875,000
2034-2038	3,875,000
2039-2043	<u>3,875,000</u>
	<u>\$ 25,244,140</u>

Deferred Revenue

The School has a current lease agreement with the Partnership, and has advanced funds of \$1,200,000. Accordingly, the advance was recorded as deferred revenue. The amount is to be amortized at the rate of \$11,111 through September 2014, as per the third amendment to the lease agreement.

The following is a schedule of deferred revenue at December 31, 2013, the Partnership's latest reporting period:

	<u>Amount</u>
Deferred revenue, beginning	\$ 1,200,000
Less: amortized rent	<u>(1,111,105)</u>
Deferred revenue, ending	<u>\$ 88,895</u>

Long-Term Debt

Long-term debt of the Organization as of December 31, 2013, its latest reporting period, consisted of the following:

On August 26, 2009, DFF, the Partnership, and the School, as co-borrowers, entered into an \$8,200,000 note payable with PNC Bank, N.A. (the "Bank"), payable in 59 equal and consecutive monthly installments of \$54,116, based on a 20-year amortization, with a balloon payment of all outstanding principal and interest due on August 24, 2014. The monthly payment amount represents principal plus interest at the one-month London Interbank Offered Rate ("LIBOR"), adjusted monthly, plus 3%. The note was collateralized by (a) all receipts, revenues, income and other monies received by or on behalf of the Partnership, and (b) real property, fixtures and improvements located at lien on 105-17 South 7th Street, Philadelphia, PA (the "Property"), and assignment of all leases and rents on the Property. There were certain covenants related to this note payable. Such covenants included reporting requirements and financial covenants relating to unrestricted cash balances and debt coverage. The purpose of the note payable was to refinance all of the Partnership's and DFF's then existing indebtedness. This note was paid in full in March 2013.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. COMPONENT UNIT (CONTINUED)

Long-Term Debt (continued)

On February 3, 2011, DFF, the Partnership, and the School, as co-borrowers, entered into a term note with the Bank in the amount of \$650,000. The term note is payable in monthly installments of principal and interest, of approximately \$11,800. Amounts outstanding under this note bear interest at a rate per annum equal to the daily LIBOR, adjusted monthly, plus 3%. The effective rate was 3.17% as of December 31, 2013. Any outstanding principal and accrued interest is due and payable in full on the maturity date, February 2, 2016. This note was cross-collateralized and cross-defaulted with the \$8,200,000 note mentioned above, and with all other present and future obligations of DFF and the Bank.

On March 21, 2013, a line of credit was converted into a term loan with monthly payments of principal and interest of \$2,056 per month for the 48 months until maturity on March 20, 2018. Before conversion, the line of credit with a commercial bank had a borrowing limit of \$900,000. Amounts outstanding under this note will bear interest at a rate per annum which is at all times equal to (A) the daily LIBOR Rate plus (B) three hundred (300) basis points (3%). The effective rate was 3.16% at December 31, 2013. At December 31, 2013, the balance outstanding on the line of credit was \$210,360.

Interest incurred on the line of credit amounted to \$4,766 for the year ended December 31, 2013.

Future maturities of long-term debt adjusted for the March 20, 2014 line of credit conversion as of December 31, 2013, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2014	\$ 137,511
2015	143,549
2016	41,359
2017	6,494
2018	<u>187,029</u>
	<u>\$ 515,942</u>

Terms of the new debt incurred upon the refinancing are discussed below.

Following are changes in long-term debt for the year ended December 31, 2013:

	<u>Balance</u> <u>January 1,</u> <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December</u> <u>31, 2013</u>	<u>Amount</u> <u>Due in One</u> <u>Year</u>
Notes payable	<u>\$ 7,312,551</u>	<u>\$ 210,360</u>	<u>\$ (7,006,969)</u>	<u>\$ 515,942</u>	<u>\$ 137,511</u>

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. COMPONENT UNIT (CONTINUED)

Bonds Payable and Restricted Cash and Cash Equivalents

On March 1, 2013, DFF and the Partnership borrowed \$8,540,000 of Series 2013 bonds for the refinance of existing indebtedness and improvements to their facilities. The loan is payable in annual payments of principal and interest, which correspond to the repayment or redemption of the bonds that were issued on behalf of DFF and the Partnership by the Philadelphia Authority for Industrial Development. The bonds are secured by the assets of DFF and the Partnership. The bonds bear interest at 5.25% until March 15, 2023, at which time the interest rate increases to 6.125%. The bonds call for annual mandatory sinking fund redemptions beginning March 15, 2014, with scheduled maturities on March 15, 2023 and 2043. The balance payable on the bonds was \$8,540,000 at December 31, 2013. During the year ended December 31, 2013, none of the bonds were redeemed.

Future principal and interest requirements of long-term debt based on the schedule of mandatory sinking fund redemption are as follows:

Year Ending December 31:	Principal	Interest	Total
2014	\$ -	\$ 511,219	\$ 511,219
2015	-	511,219	511,219
2016	-	511,219	511,219
2017	-	511,219	511,219
2018	-	511,219	511,219
2019-2023	1,355,000	2,520,525	3,875,525
2024-2043	<u>7,185,000</u>	<u>8,581,585</u>	<u>15,766,585</u>
	<u>\$ 8,540,000</u>	<u>\$ 13,658,205</u>	<u>\$ 22,198,205</u>

The principal requirements of funding the mandatory sinking fund are as follows:

<u>Year ending December 31:</u>	
2014	\$ 115,000
2015	110,000
2016	115,000
2017	125,000
2018	130,000
2019-2023	760,000
2024-2028	995,000
2029-2033	1,335,000
2034-2038	1,805,000
2039-2043	<u>3,050,000</u>
	<u>\$ 8,540,000</u>

The Organization also maintains several cash and cash equivalent accounts whereby the funds are restricted pursuant to the bond issuance agreement. Total restricted cash and cash equivalents as of December 31, 2013, was \$1,338,985, of which \$838,484 was being held for future payments of principal and interest.

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. COMPONENT UNIT (CONTINUED)

Line of Credit

The Organization maintains a line of credit with a commercial bank with a borrowing limit of \$300,000 that expires on March 20, 2015. Advances under the \$300,000 line of credit will be used for working capital or other general business purposes of the borrower. Amounts outstanding under this note will bear interest at a rate per annum which is at all times equal to (A) the daily LIBOR Rate plus (B) two hundred twenty-five (225) basis points (2.25%). The effective rate was 2.41% at December 31, 2013. Collateral is a pledge of gross revenues and a mortgage on the school property on parity with the Series 2013 bondholders. At December 31, 2013, there was no outstanding balance on the line of credit. No interest was incurred on the line of credit for the year ended December 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Local educational agencies	\$ 6,205,769	\$ 6,701,996	\$ 6,474,948	\$ (227,048)
Other sources	306,500	440,166	623,236	183,070
State sources	504,611	504,611	565,253	60,642
Federal sources	<u>628,004</u>	<u>582,010</u>	<u>565,308</u>	<u>(16,702)</u>
Total revenues	<u>7,644,884</u>	<u>8,228,783</u>	<u>8,228,745</u>	<u>(38)</u>
Expenditures:				
Instruction	3,691,155	3,949,781	3,837,406	(112,375)
Support services	3,792,272	3,957,587	3,953,699	(3,888)
Non-instructional services	48,895	48,895	14,757	(34,138)
Debt service	-	-	17,532	17,532
Capital outlay	<u>-</u>	<u>-</u>	<u>133,085</u>	<u>133,085</u>
Total expenditures	<u>7,532,322</u>	<u>7,956,263</u>	<u>7,956,479</u>	<u>216</u>
Excess of revenues over expenditures	112,562	272,520	272,266	(254)
Other financing sources:				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>112,994</u>	<u>112,994</u>
Net change in fund balance	112,562	272,520	385,260	112,740
Fund balance - beginning	<u>1,516,829</u>	<u>1,516,829</u>	<u>1,513,994</u>	<u>(2,835)</u>
FUND BALANCE - ENDING	<u>\$ 1,629,391</u>	<u>\$ 1,789,349</u>	<u>\$ 1,899,254</u>	<u>\$ 109,905</u>

See accompanying notes to financial statements.

SINGLE AUDIT

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Pass-through the Pennsylvania Department of Education			
National School Lunch Program	10.555	362	\$ 140,415
School Breakfast Program	10.553	365	<u>19,292</u>
Total Child Nutrition Cluster			<u>159,707</u>
Total U.S. Department of Agriculture			<u>159,707</u>
<u>U.S. Department of Education</u>			
Pass-through the Pennsylvania Department of Education			
Title I Grants to LEAs	84.010	013-130863	36,358
Title I Grants to LEAs	84.010	013-140863	<u>382,779</u>
Total Title I Grants to LEAs			419,137
Improving Teacher Quality State Grants	84.367	020-140863	22,629
Pass-through the School District of Philadelphia			
Special Education Grants to States	84.027	N/A	<u>123,542</u>
Total U.S. Department of Education			<u>565,308</u>
Total Federal Awards			<u>\$ 725,015</u>

See accompanying notes to schedule of expenditures of federal awards.

**CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Charter High School for Architecture and Design (the "School"). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the School's financial statements.

NOTE 3. PROGRAM CLUSTERS

In accordance with Subpart A105 of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555



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**INDEPENDENT AUDITOR'S 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 Board of Trustees
Charter High School for Architecture and Design

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter High School for Architecture and Design (a nonprofit organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Charter High School for Architecture and Design's basic financial statements, and have issued our report thereon dated November 24, 2014. The financial statements of Designing Futures Foundation and Affiliates were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Designing Futures Foundation and Affiliates.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter High School for Architecture and Design'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter High School for Architecture and Design's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter High School for Architecture and Design's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter High School for Architecture and Design'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*.

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

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
November 24, 2014



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

To the Board of Trustees
Charter High School for Architecture and Design

Report on Compliance for Each Major Federal Program

We have audited Charter High School for Architecture and Design's (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on Charter High School for Architecture and Design's major federal program for the year ended June 30, 2014. Charter High School for Architecture and Design's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Charter High School for Architecture and Design complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
November 24, 2014

CHARTER HIGH SCHOOL FOR ARCHITECTURE AND DESIGN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Charter High School for Architecture and Design (the "School").
2. No significant deficiencies relating to the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report for Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the School expresses an unqualified opinion.
6. There were no audit findings that were required to be reported under Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was Title I Grants to LEAs, CFDA #84.010.
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. The School does not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

There were no findings and questioned costs for federal awards, which would include audit findings as defined in OMB Circular A-133.