

SOUTHSIDE ACADEMY CHARTER SCHOOL



Financial Statements, Additional
Information, and Federal Awards
Supplemental Information as of and
for the Year Ended June 30, 2017,
and Independent Auditor's Reports

SOUTHSIDE ACADEMY CHARTER SCHOOL

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017:	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6–9
ADDITIONAL INFORMATION —	10
Schedule of Functional Expenses	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12–13
SUPPLEMENTAL INFORMATION —	14
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	15–16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditure of Federal Awards	18
Schedule of Findings and Questioned Costs	19–20

Independent Auditor's Report

To the Board of Trustees
Southside Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Southside Academy Charter School. (the "School"), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southside Academy Charter School as of June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Southside Academy Charter School

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southside Academy Charter School's financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the supplemental schedule of functional expenses, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements.

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

The supplemental schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 on our consideration of Southside Academy Charter School's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southside Academy Charter School's internal control over financial reporting and compliance.

Plante Moran, PC

October 18, 2017

SOUTHSIDE ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash	\$ 75,775
Due from governmental revenue sources	<u>663,316</u>

Total current assets 739,091

NON-CURRENT ASSETS:

Capital assets	117,723
Less accumulated depreciation	<u>(62,823)</u>

Total capital assets, net of accumulated depreciation 54,900

TOTAL \$ 793,991

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred revenue	\$ 4,986
Contracted service fee payable	<u>728,291</u>

Total liabilities 733,277

NET ASSETS:

Unrestricted and undesignated	<u>60,714</u>
-------------------------------	---------------

TOTAL \$ 793,991

See notes to financial statements.

SOUTHSIDE ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEAR ENDED JUNE 30, 2017

REVENUES, GAINS AND OTHER SUPPORT:

State aid	\$ 8,468,052
Other state sources	537,138
Federal sources	905,221
Private sources	<u>33,194</u>

Total revenues, gains and other support 9,943,605

EXPENSES:

Contracted service fee	9,948,185
Depreciation	<u>11,772</u>

Total expenses 9,959,957

CHANGE IN UNRESTRICTED NET ASSETS (16,352)

NET ASSETS:

Beginning of year 77,066

End of year \$ 60,714

See notes to financial statements.

SOUTHSIDE ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2017

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	
State aid	\$ 9,566,919
Other state sources	520,070
Federal sources	895,838
Private sources	36,519
Payments for services rendered	<u>(11,019,634)</u>
Net cash used in operating activities	<u>(288)</u>
NET DECREASE IN CASH	(288)
CASH — Beginning of year	<u>76,063</u>
CASH — End of year	<u>\$ 75,775</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ (16,352)
Depreciation	11,772
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:	
Change in due from governmental revenue sources	1,072,416
Change in deferred revenue	3,325
Change in contracted service fee payable	<u>(1,071,449)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (288)</u>

See notes to financial statements.

SOUTHSIDE ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

1. NATURE OF OPERATIONS

Southside Academy Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the New York State Education Department, which is responsible for oversight of the School's operations. The charter expires June 30, 2020 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2016 through May 2017 for the year ended June 30, 2017.

The Board of Trustees of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 — Cash as of June 30, 2017 represents bank deposits which are covered by federal depository insurance.

Deferred Revenue — Deferred revenue as of June 30, 2017 consists of funds received for services which have not yet been performed.

Contracted Service Fee Payable — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which include other equipment, are reported at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains, and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Income Taxes — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

Accordingly, no provision for federal income taxes has been made.

Recent Accounting Pronouncements — The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net

assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the School, including required disclosures about the liquidity and availability of resources. The new standard is effective for the School's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The School is currently evaluating the impact this standard will have on the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the School's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The School has not yet determined which application method it will use. The School is in the process of evaluating potential effects of the new standard on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the School's year ending June 30, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact when adopted.

3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2017 and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

4. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 117,723	\$ -	\$ -	\$ 117,723
Less accumulated depreciation — equipment	<u>51,051</u>	<u>11,772</u>	<u>-</u>	<u>62,823</u>
Total capital asset activity, net	<u>\$ 66,672</u>	<u>\$(11,772)</u>	<u>\$ -</u>	<u>\$ 54,900</u>

6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2016 through June 30, 2017. Annual rental payments required by the lease were \$823,259 payable in twelve monthly payments of \$68,605. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the School or NHA.

The School subsequently renewed the sublease with NHA for the period of July 1, 2017 through June 30, 2018 at the same rental rate.

7. FUNCTIONAL EXPENSES

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

Program services:	
Regular education	\$ 7,031,697
Special education	626,260
Supporting services — management and general	<u>2,290,228</u>
Total contracted service fee	\$ 9,948,185
Depreciation Expense	<u>11,772</u>
Total Expenses	<u>\$ 9,959,957</u>

8. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2017 have been evaluated through October 18, 2017, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

* * * * *

ADDITIONAL INFORMATION

SOUTHSIDE ACADEMY CHARTER SCHOOL

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	2017																																																																																																																																																																																																																																																																																												
	Program Services					Supporting Services																																																																																																																																																																																																																																																																																							
	Regular Education	Special Education	Other Education	Total		Fund-raising	Management and General	Total	Total	Total																																																																																																																																																																																																																																																																																			
Personnel Services Costs											Administrative Staff Personnel	\$ 613,244	\$ -	\$ -	\$ 613,244	\$ -	\$ -	\$ -	\$ -	\$ 613,244	\$ -	Instructional Personnel	2,538,623	488,583	-	3,027,206	-	-	-	-	3,027,206	-	Non-Instructional Personnel	380,657	-	-	380,657	-	-	-	-	380,657	-	Total Salaries and Staff	3,532,524	488,583	-	4,021,107	-	-	-	-	4,021,107	-	Fringe Benefits & Payroll Taxes	857,741	75,930	-	933,671	-	-	-	-	933,671	-	Retirement	72,491	10,805	-	83,296	-	-	-	-	83,296	-	Management Company Fees	-	-	-	-	-	-	-	-	-	-	Legal Service	10,359	3,952	-	14,311	-	-	-	-	14,311	-	Accounting / Audit Services	11,172	-	-	11,172	-	-	-	-	11,172	-	Other Purchased / Professional / Consulting Services	2,090	39,780	-	41,870	-	-	-	-	284,783	284,783	Building and Land Rent / Lease	1,038,431	-	-	1,038,431	-	-	-	-	777,078	777,078	Repairs & Maintenance	306,818	-	-	306,818	-	-	-	-	28,317	28,317	Insurance	21,866	-	-	21,866	-	-	-	-	21,866	-	Utilities	72,756	-	-	72,756	-	-	-	-	72,756	-	Supplies / Materials	169,746	-	-	169,746	-	-	-	-	169,746	-	Equipment / Furnishings	112,357	99	-	112,456	-	-	-	-	112,456	-	Staff Development	113,132	6,035	-	119,167	-	-	-	-	78,796	78,796	Marketing / Recruitment	14,084	-	-	14,084	-	-	-	-	369,080	369,080	Technology	74,421	-	-	74,421	-	-	-	-	297,023	297,023	Food Service	508,213	-	-	508,213	-	-	-	-	508,213	-	Student Services	69,701	-	-	69,701	-	-	-	-	113,536	113,536	Office Expense	42,235	-	-	42,235	-	-	-	-	11,629	11,629	Depreciation	11,772	-	-	11,772	-	-	-	-	-	-	Other	1,560	1,076	-	2,636	-	-	-	-	329,986	329,986	Total Expenses	\$ 7,043,469	\$ 626,260	\$ -	\$ 7,669,729	\$ -	\$ -	\$ 2,290,228	\$ 2,290,228	\$ 9,959,957	\$ 332,622
Administrative Staff Personnel	\$ 613,244	\$ -	\$ -	\$ 613,244	\$ -	\$ -	\$ -	\$ -	\$ 613,244	\$ -																																																																																																																																																																																																																																																																																			
Instructional Personnel	2,538,623	488,583	-	3,027,206	-	-	-	-	3,027,206	-																																																																																																																																																																																																																																																																																			
Non-Instructional Personnel	380,657	-	-	380,657	-	-	-	-	380,657	-																																																																																																																																																																																																																																																																																			
Total Salaries and Staff	3,532,524	488,583	-	4,021,107	-	-	-	-	4,021,107	-																																																																																																																																																																																																																																																																																			
Fringe Benefits & Payroll Taxes	857,741	75,930	-	933,671	-	-	-	-	933,671	-																																																																																																																																																																																																																																																																																			
Retirement	72,491	10,805	-	83,296	-	-	-	-	83,296	-																																																																																																																																																																																																																																																																																			
Management Company Fees	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																			
Legal Service	10,359	3,952	-	14,311	-	-	-	-	14,311	-																																																																																																																																																																																																																																																																																			
Accounting / Audit Services	11,172	-	-	11,172	-	-	-	-	11,172	-																																																																																																																																																																																																																																																																																			
Other Purchased / Professional / Consulting Services	2,090	39,780	-	41,870	-	-	-	-	284,783	284,783																																																																																																																																																																																																																																																																																			
Building and Land Rent / Lease	1,038,431	-	-	1,038,431	-	-	-	-	777,078	777,078																																																																																																																																																																																																																																																																																			
Repairs & Maintenance	306,818	-	-	306,818	-	-	-	-	28,317	28,317																																																																																																																																																																																																																																																																																			
Insurance	21,866	-	-	21,866	-	-	-	-	21,866	-																																																																																																																																																																																																																																																																																			
Utilities	72,756	-	-	72,756	-	-	-	-	72,756	-																																																																																																																																																																																																																																																																																			
Supplies / Materials	169,746	-	-	169,746	-	-	-	-	169,746	-																																																																																																																																																																																																																																																																																			
Equipment / Furnishings	112,357	99	-	112,456	-	-	-	-	112,456	-																																																																																																																																																																																																																																																																																			
Staff Development	113,132	6,035	-	119,167	-	-	-	-	78,796	78,796																																																																																																																																																																																																																																																																																			
Marketing / Recruitment	14,084	-	-	14,084	-	-	-	-	369,080	369,080																																																																																																																																																																																																																																																																																			
Technology	74,421	-	-	74,421	-	-	-	-	297,023	297,023																																																																																																																																																																																																																																																																																			
Food Service	508,213	-	-	508,213	-	-	-	-	508,213	-																																																																																																																																																																																																																																																																																			
Student Services	69,701	-	-	69,701	-	-	-	-	113,536	113,536																																																																																																																																																																																																																																																																																			
Office Expense	42,235	-	-	42,235	-	-	-	-	11,629	11,629																																																																																																																																																																																																																																																																																			
Depreciation	11,772	-	-	11,772	-	-	-	-	-	-																																																																																																																																																																																																																																																																																			
Other	1,560	1,076	-	2,636	-	-	-	-	329,986	329,986																																																																																																																																																																																																																																																																																			
Total Expenses	\$ 7,043,469	\$ 626,260	\$ -	\$ 7,669,729	\$ -	\$ -	\$ 2,290,228	\$ 2,290,228	\$ 9,959,957	\$ 332,622																																																																																																																																																																																																																																																																																			

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*

Independent Auditor's Report

To Management and the Board of Trustees
Southside Academy Charter School

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 Southside Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

To Management and the Board of Trustees
Southside Academy Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southside Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante Moran, PC

October 18, 2017

SUPPLEMENTAL INFORMATION

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Southside Academy Charter School

Report on Compliance for Each Major Federal Program

We have audited Southside Academy Charter School's (the "School") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Southside Academy Charter School'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southside Academy Charter School's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 Southside Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees
Southside Academy Charter School

Opinion on Each Major Federal Program

In our opinion, Southside Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante Moran, PC

October 18, 2017

SOUTHSIDE ACADEMY CHARTER SCHOOL

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Program Title/Project Number/Subrecipient Name</u>	<u>Grant/Project Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Current Year Cash Transferred to Subrecipients</u>
Clusters:				
Child Nutrition Cluster - U.S. Department of Agriculture -				
Direct Program:				
National School Lunch Program 2016-17	171960	10.555	\$ 311,979	-
National School Breakfast Program 2016-17	171970	10.553	<u>176,818</u>	<u>-</u>
Total Child Nutrition Cluster			488,797	-
Special Education Cluster - U.S. Department of Education -				
Passed through the Syracuse City School District:				
IDEA Flowthrough:				
IDEA Flowthrough 1617	N/A	84.027	<u>98,980</u>	<u>-</u>
Total Special Education Cluster			98,980	-
Other Federal Awards:				
Passed through the New York State Department of Education:				
Title I Part A:				
Title I Part A 1516	0021164182	84.010	18,030	-
Title I Part A 1617	0021174182	84.010	<u>268,400</u>	<u>-</u>
Total Title I Part A		84.010	286,430	-
Title II Part A - Improving Teacher Quality:				
Title II Part A 1516	0147164182	84.367	9,136	-
Title II Part A 1617	0147174182	84.367	<u>21,878</u>	<u>-</u>
Total Title II Part A		84.367	<u>31,014</u>	<u>-</u>
Total noncluster programs passed through the New York State Department of Education			<u>317,444</u>	<u>-</u>
Total Federal Awards			<u>\$ 905,221</u>	<u>\$ -</u>

Southside Academy Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Southside Academy Charter School under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Southside Academy Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southside Academy Charter School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The School has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Southside Academy Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Southside Academy Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None