

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2014

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 CHARTER SCHOOL NO. 4088
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INTRODUCTORY SECTION

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SCHOOL BOARD

<u>Name</u>	<u>Board Position</u>
Melissa Jensen	President
Tamara Mattison	Finance Chair
Fong Lor	Vice Chair
Kristin Evans	Member
Roger Sykes	Member
Nancy Smith	Member
Caley Long	Member

ADMINISTRATION

Mongsher Ly	Executive Director
Susan Airhart	Contract Business Manager with Designs for Learning

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Urban Academy'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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and each major fund of Urban Academy, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Urban Academy's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated September 26, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information as listed in the table of contents, 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 Urban Academy's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as

required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic 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 9, 2014, on our consideration of Urban Academy'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 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 Urban Academy's internal control over financial reporting and compliance.



REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 9, 2014

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URBAN ACADEMY
INDEPENDENT SCHOOL DISTRICT NO. 4088
St. Paul, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

This section of Urban Academy's (the School) annual audited financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year includes the following:

- Total net position decreased by \$226,359. This follows an increase of \$298,738 in the School's net position for fiscal year 2013.
- General Fund revenues were \$3,316,276 as compared to \$3,485,255 of expenditures.
- The fund balance of the General Fund decreased in fiscal year 2014 by \$224,284 to a positive balance of \$732,000.
- The School continued its teacher compensation schedule to include Quality Compensation Programs.
- Urban Academy increased instructional staff to meet achievement essentials and increased instructional resources to its students.
- School management continues to carefully monitor enrollment which is key to the financial stability of its programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in more detail than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School’s net position and how they have changed. Net position, or the difference between the School’s assets and liabilities, is one way to measure the School’s financial health or position.

- Over time, increases or decreases in the School’s net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of school building and other facilities.

In the School-wide financial statements, the School’s activities are shown in one category:

- **Governmental activities:** All of the School’s basic services are included here, such as regular and special education, and administration. State and federal aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School’s funds – focusing on its most significant or “major” funds – not the School as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. In other words, funds are accounting devices the School uses to keep track of specific resources of funding and spending on particular programs. State law requires two different programmatic funds for charter schools:

- General Fund
- Food Service Fund

When these two funds are added together, they equal the total governmental funds, as seen in Statement 3 and Statement 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's net position was \$867,078 and \$1,093,437 at June 30, 2014 and 2013, respectively.

	The School's Net Position	
	June 30,	
	2014	2013
Current assets	\$969,673	\$1,144,115
Capital and noncurrent assets	135,078	137,153
Total assets	<u>1,104,751</u>	<u>1,281,268</u>
Current liabilities	<u>237,673</u>	<u>187,831</u>
Net position:		
Net investment in capital assets	135,078	137,153
Unrestricted	<u>732,000</u>	<u>956,284</u>
Total net position	<u><u>\$867,078</u></u>	<u><u>\$1,093,437</u></u>

Urban Academy has been strategic in its planning and management of resources and academic priorities. In Fiscal Year 12 the School conservatively expended some of its prior year accumulated fund balance by investing in Library and Technology programs to enhance its students learning and achievement goals. In Fiscal Year 13 Urban Academy focused on quality compensation for its teachers and achieved the objective to set aside funds for the future by increasing the general fund balance. In Fiscal Year 14 Urban Academy focused on competitive wages for its highly qualified employees and preparing for the World's Best Workforce requirements. (Minn Stat. §120B.11)

Urban Academy continues to have successful financial management using a conservative approach to enrollment projections, careful spending, and a budgetary vision towards the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Change in Net Position

The School's total revenues were \$3,528,462 for the year ended June 30, 2014. Operating revenue accounted for 30% and the other 70% came from other general revenue combined with other investments and program service revenues.

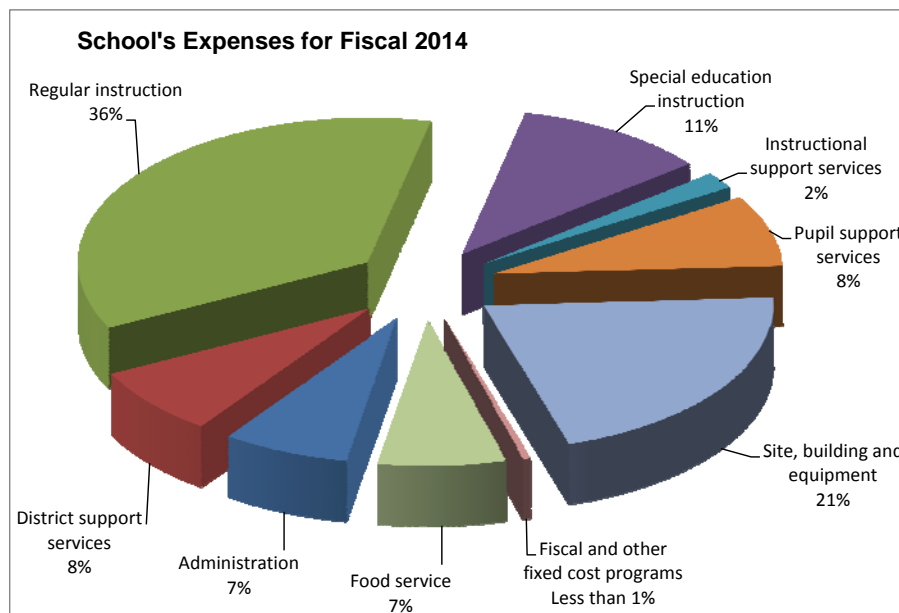
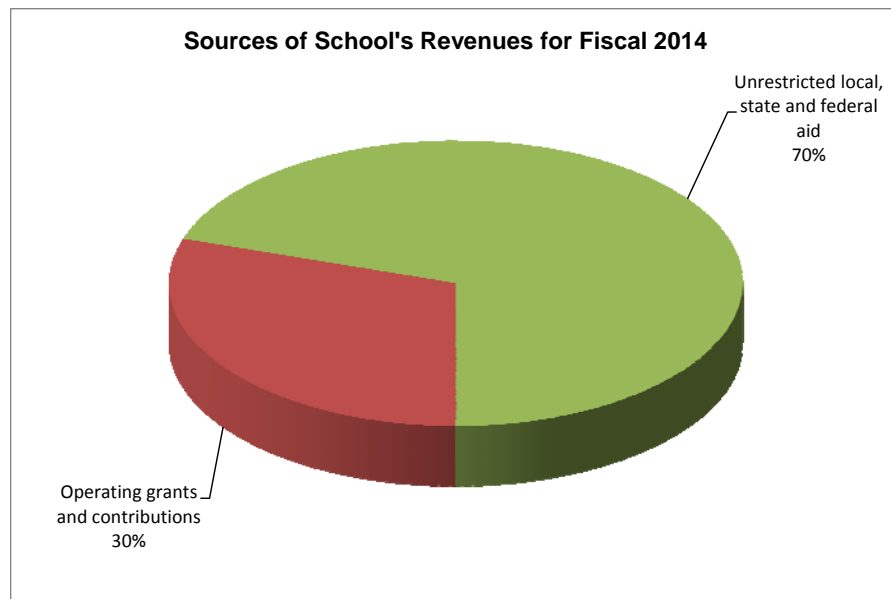
Change in Net Position		
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$60	\$ -
Operating grants and contributions	1,059,718	1,108,536
General revenues:		
Unrestricted local, state and federal aid	2,468,345	2,524,814
Investment income	339	263
Total revenues	<u>3,528,462</u>	<u>3,633,613</u>
Expenses:		
Administration	265,911	248,087
District support services	288,304	296,099
Regular instruction	1,350,412	1,011,602
Special education instruction	405,453	413,811
Instructional support services	69,592	61,808
Pupil support services	299,500	287,837
Site, building and equipment	792,693	776,267
Fiscal and other fixed cost programs	15,465	14,765
Food service	267,491	224,599
Total expenses	<u>3,754,821</u>	<u>3,334,875</u>
Change in net position	(226,359)	298,738
Net position - beginning	<u>1,093,437</u>	<u>794,699</u>
Net position - ending	<u><u>\$867,078</u></u>	<u><u>\$1,093,437</u></u>

The total cost of all programs and services including interest and fiscal charges was \$3,754,821. Total expenditures exceeded revenues which decreased net position by \$226,359 under last year because the School is committed to building its learning programs. Urban Academy invested resources in the areas of administration, regular instruction, and building maintenance. In addition, Urban Academy began the Quality Compensation program which monitors, provides professional development and training, and compensates teachers based on student achievement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The cost of all governmental activities this year was \$3,754,821 (increased from the fiscal 2013 total of \$3,334,875).

- The federal and state governments subsidized certain programs and grants and contributions (\$1,059,718).
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid and interest income.



MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Typically the School does not include in an analysis of all governmental funds a breakout of expenditures. To do so distorts the latitude available to the School to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also include resources from the entrepreneurial-type fund of Food Service and from resources for fiscal service transactions. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or for fiscal services to enhance classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the School does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

Program Expenses and Net Cost of Services						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013		2014	2013	
Administration	\$265,911	\$248,087	7.18%	\$265,911	\$247,804	7.31%
District support services	288,304	296,099	(2.63%)	288,304	296,099	(2.63%)
Regular instruction	1,350,412	1,011,602	33.49%	1,231,168	886,458	38.89%
Special education instruction	405,453	413,811	(2.02%)	(3,359)	(28,455)	(88.20%)
Instructional support services	69,592	61,808	12.59%	69,592	61,808	12.59%
Pupil support services	299,500	287,837	4.05%	299,500	287,837	4.05%
Sites and buildings	792,693	776,267	2.12%	473,157	452,937	4.46%
Fiscal and other fixed cost programs	15,465	14,765	4.74%	15,465	14,765	4.74%
Food service	267,491	224,599	19.10%	55,305	7,086	680.48%
Total	\$3,754,821	\$3,334,875	12.59%	\$2,695,043	\$2,226,339	21.05%

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$732,000 which is \$224,284 below last year’s ending fund balance of \$956,284.

Revenues for the School’s governmental funds were \$3,528,462 of which total expenditures were \$3,752,746.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

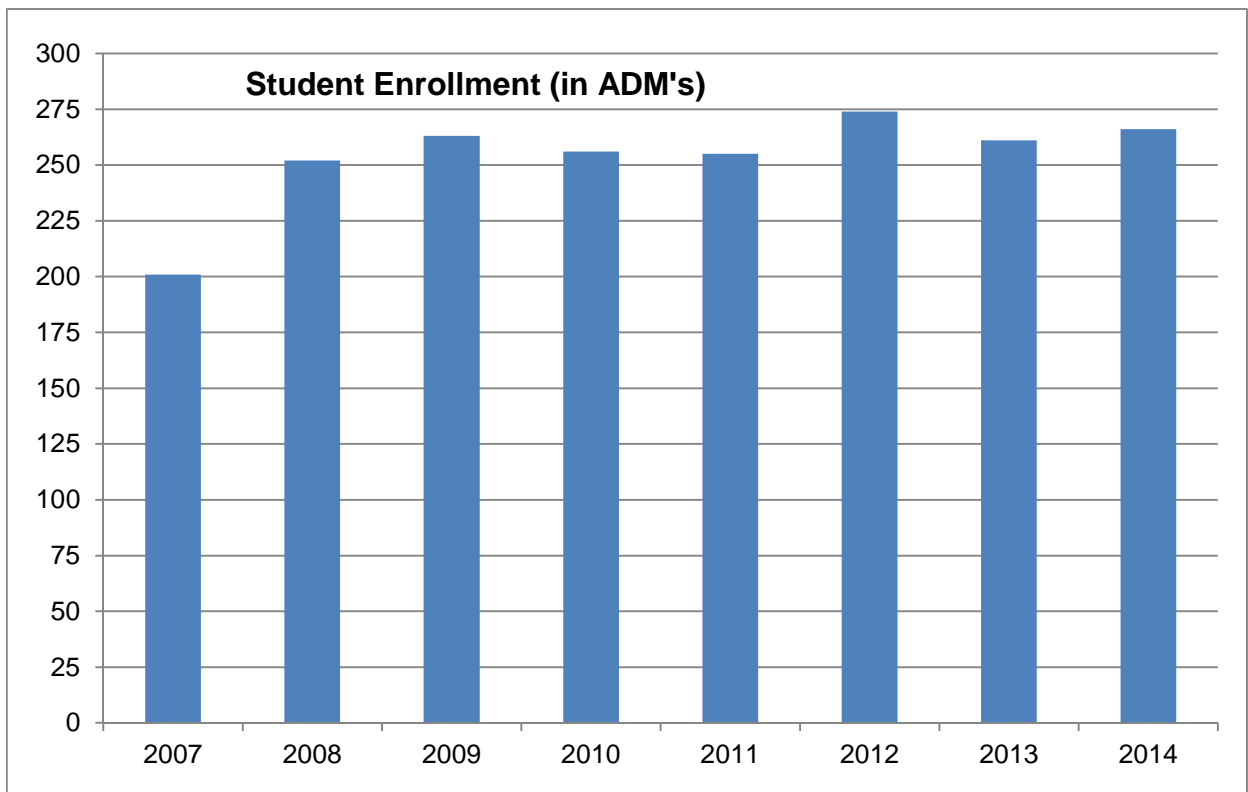
GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including pupil transportation activities.

A significant amount of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes basic general education aid which is determined by multiple state formulas and is largely enrollment driven and special education state aid, which, is based upon a cost reimbursement model.

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows the latest seven years of student enrollment at the School.



Enrollment increased from 261 ADMs (average daily membership) at the end of the 2012-2013 school year to 266 in school year 2013-2014. The change in student enrollment reflects an increase of 5 ADM. The School is planning to increase this number over the next few years reaching out to a broader community into the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues.

Fund	General Fund Revenues		Change	
	Year Ended June 30,		Increase	Percent
	2014	2013	(Decrease)	
Local sources:				
Investment income	\$339	\$263	\$76	28.90%
Other	1,379	22,265	(20,886)	(93.81%)
State sources	3,150,065	3,210,830	(60,765)	(1.89%)
Federal sources	164,493	182,742	(18,249)	(9.99%)
Total general fund revenue	<u>\$3,316,276</u>	<u>\$3,416,100</u>	<u>(\$99,824)</u>	(2.92%)

During the current fiscal year the General Fund revenues decreased by \$99,824 from the previous. The difference primarily results from a decrease in state funding.

The following schedule presents a summary of General Fund expenditures.

	General Fund Expenditures		Change	
	Year Ended June 30,		Increase	Percent
	2014	2013	(Decrease)	
Salaries	\$1,628,305	\$1,299,413	\$328,892	25.31%
Employee benefits	376,886	313,001	63,885	20.41%
Purchased services	1,342,736	1,351,587	(8,851)	(0.65%)
Supplies and materials	80,576	82,967	(2,391)	(2.88%)
Capital expenditures	24,804	5,091	19,713	387.21%
Other expenditures	31,948	30,714	1,234	4.02%
Total expenditures	<u>\$3,485,255</u>	<u>\$3,082,773</u>	<u>\$402,482</u>	13.06%

Total General Fund expenditures increased \$402,482 from the previous year. In 2013-2014 Urban Academy invested resources in instructional salaries and benefits to provide competitive staffing who enrich student learning and achievement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year and again at year end.

Projected revenues were at \$3,337,909 and were revised to \$3,320,655 after reviewing state and federal expenditures. Some of these programs are based on student services provided or actual expenditures which are calculated on a reimbursement basis. By the end of the fiscal year, the actual amount was at \$3,316,276, which is \$4,379 less than the revised budgeted amount.

Actual expenditures were \$66,580 more than budget. Much of this difference can be attributed to temporary increased employee hours, and building maintenance costs.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$55,305 compared to budgeted expenditures exceeding revenues of \$18,111 due to reimbursement based funding limits in food service.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund is operating on a sound financial basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014, the School had invested \$377,570 in equipment. Total depreciation expense for the year was \$26,879.

	2014	2013
Capital assets, being depreciated:		
Computers and office equipment	\$131,954	\$128,015
Furniture and fixtures	187,950	187,950
Vehicles	26,763	5,898
Leasehold improvements	30,903	30,903
Total capital assets, being depreciated	<u>377,570</u>	<u>352,766</u>
Less accumulated depreciation for:		
Computers and office equipment	113,439	103,364
Furniture and fixtures	102,949	92,220
Vehicles	5,035	1,769
Leasehold improvements	21,069	18,260
Total accumulated depreciation	<u>242,492</u>	<u>215,613</u>
Total capital assets being depreciated - net	<u>\$135,078</u>	<u>\$137,153</u>

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for the vast majority of its revenue. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. As the School continues to strive for success it is forced to seek outside grants and funding to create and support innovative programs.

Urban Academy has entered into a lease agreement with Lumen Christi Catholic Community and will be relocating to a new facility in July 2015.

The School will strive to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Charter School No. 4088, Urban Academy, 133 East 7th Street, St. Paul, Minnesota 55101.

BASIC FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
STATEMENT OF NET POSITION

Statement 1

June 30, 2014

With Comparative Amounts For June 30, 2013

	Governmental Activities	
	2014	2013
Assets:		
Cash and investments	\$612,481	\$618,368
Due from other governments	328,742	499,001
Other receivables	3,807	6,586
Prepaid items	24,643	20,160
Capital assets (net of accumulated depreciation)	135,078	137,153
Total assets	<u>1,104,751</u>	<u>1,281,268</u>
Liabilities:		
Accounts payable	78,908	67,400
Salaries and taxes payable	158,765	120,431
Total liabilities	<u>237,673</u>	<u>187,831</u>
Net position:		
Net investment in capital assets	135,078	137,153
Unrestricted	732,000	956,284
Total net position	<u>\$867,078</u>	<u>\$1,093,437</u>

The accompanying notes are an integral part of these financial statements.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 2

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

With Comparative Totals For The Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>2014</u>	<u>2013</u>
Governmental activities:					
Administration	\$265,911	\$ -	\$ -	(\$265,911)	(\$247,804)
District support services	288,304	-	-	(288,304)	(296,099)
Regular instruction	1,350,412	-	119,244	(1,231,168)	(886,458)
Special education instruction	405,453	-	408,812	3,359	28,455
Instructional support services	69,592	-	-	(69,592)	(61,808)
Pupil support services	299,500	-	-	(299,500)	(287,837)
Site, building and equipment	792,693	-	319,536	(473,157)	(452,937)
Fiscal and other fixed costs	15,465	-	-	(15,465)	(14,765)
Food service	267,491	60	212,126	(55,305)	(7,086)
Total governmental activities	<u>\$3,754,821</u>	<u>\$60</u>	<u>\$1,059,718</u>	<u>(2,695,043)</u>	<u>(2,226,339)</u>
General revenues:					
Local sources				1,379	22,265
State sources				2,466,966	2,502,549
Investment income				339	263
Total general revenues				<u>2,468,684</u>	<u>2,525,077</u>
Change in net position				(226,359)	298,738
Net position - beginning				<u>1,093,437</u>	<u>794,699</u>
Net position - ending				<u>\$867,078</u>	<u>\$1,093,437</u>

The accompanying notes are an integral part of these financial statements.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 3

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2014

With Comparative Totals For June 30, 2013

	General	Food Service Fund	Total	
			2014	2013
Assets				
Cash and investments	\$609,923	\$2,558	\$612,481	\$618,368
Due from Minnesota Department of Education	303,548	255	303,803	478,083
Due from Federal Government through Minnesota Department of Education	17,412	7,527	24,939	20,918
Other receivables	3,807	-	3,807	6,586
Prepaid items	24,643	-	24,643	20,160
Total assets	\$959,333	\$10,340	\$969,673	\$1,144,115
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$68,568	\$10,340	\$78,908	\$67,400
Salaries and taxes payable	138,234	-	138,234	105,250
Payroll deductions and employer contributions payable	20,531	-	20,531	15,181
Total liabilities	227,333	10,340	237,673	187,831
Fund balance:				
Nonspendable - prepaid items	24,643	-	24,643	20,160
Unassigned	707,357	-	707,357	936,124
Total fund balance	732,000	0	732,000	956,284
Total liabilities and fund balance	\$959,333	\$10,340	\$969,673	\$1,144,115
Amounts reported for governmental activities in the statement of net position are different because:				
Fund balance reported above			\$732,000	\$956,284
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds			135,078	137,153
Net position of governmental activities (Statement 1)			\$867,078	\$1,093,437

The accompanying notes are an integral part of these financial statements.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014
With Comparative Totals For The Year Ended June 30, 2013

	General	Food Service Fund	Total	
			2014	2013
Revenues:				
Local sources	\$1,379	\$60	\$1,439	\$22,265
State sources	3,150,065	5,915	3,155,980	3,216,932
Federal sources	164,493	206,211	370,704	394,153
Investment income	339	-	339	263
Total revenues	3,316,276	212,186	3,528,462	3,633,613
Expenditures:				
Current:				
Administration	265,911	-	265,911	248,087
District support services	286,722	-	286,722	292,912
Regular instruction	1,332,541	-	1,332,541	988,394
Special education instruction	404,769	-	404,769	413,199
Instructional support services	67,247	-	67,247	59,463
Pupil support services	295,942	-	295,942	286,478
Site, building and equipment	790,349	-	790,349	771,351
Fiscal and other fixed costs	15,465	-	15,465	14,765
Food service	-	267,491	267,491	224,599
Capital outlay	24,804	-	24,804	5,091
Debt service	1,505	-	1,505	3,033
Total expenditures	3,485,255	267,491	3,752,746	3,307,372
Revenues over (under) expenditures	(168,979)	(55,305)	(224,284)	326,241
Other financing sources (uses):				
Transfers in	-	55,305	55,305	7,131
Transfers out	(55,305)	-	(55,305)	(7,131)
Total other financing sources (uses)	(55,305)	55,305	0	0
Net change in fund balance	(224,284)	-	(224,284)	326,241
Fund balance - beginning	956,284	-	956,284	630,043
Fund balance - ending	\$732,000	\$0	\$732,000	\$956,284

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

Revenues over expenditures reported above		(\$224,284)	\$326,241
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:			
Depreciation		(26,879)	(30,471)
Capital outlay		24,804	5,091
Loss on dispositions		-	(2,123)
Change in net position of governmental activities (Statement 2)		(\$226,359)	\$298,738

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Urban Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below:

The School's financial statements include all funds, departments, agencies, boards, commissions and other organizations for which the School is considered to be financially accountable.

A. FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable. The School does not have any component units, nor is it a component unit of any other entity.

The School is authorized by Novation Education Opportunities. The authorizer has limited oversight responsibility but is not financially accountable for the School. Therefore, the School is not considered a component unit of the authorizer.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

As required by State Statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, State law also requires that the School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental accounting structure.

URBAN ACADEMY
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June 30, 2014

The government-wide financial statements are reported 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 both 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 all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Fund Financial Statements: The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Fund* is used to account for the School's food service program.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

D. INCOME TAXES

The School is operating as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes. The School’s 2011 through 2013 tax years are open to examination by regulatory authorities.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

E. BUDGETS

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General and Food Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include mid-year budget amendments that increased (decreased) revenue and expenditure budgets as follows:

<u>Revenues and Other Sources</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$3,337,909	(\$17,254)	\$3,320,655
Special Revenue Funds:			
Food Service Fund	\$205,142	\$10,912	\$216,054
<u>Expenditures and Other Uses</u>			
General Fund	\$3,307,349	\$111,326	\$3,418,675
Special Revenue Funds:			
Food Service Fund	\$214,101	\$20,064	\$234,165

F. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. RECEIVABLES

Receivables represent amounts receivable from other governments, individuals, firms, and corporations. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

I. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the school-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 20 years for equipment.

J. STUDENT ACTIVITIES

There were no student activities that were not under board control.

K. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) 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.

M. ACCRUED EMPLOYEE BENEFITS

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits do not vest to employees.

N. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by resolution of the School Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the School Board and/or management. Pursuant to Board resolution, the School's Director is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

O. MINIMUM FUND BALANCE POLICY

The School Board has formally adopted a minimum fund balance policy for the General Fund. The policy establishes a year-end minimum fund balance of 15% of the annual budgeted expenditures.

At June 30, 2014, the minimum unassigned fund balance for the General Fund was \$524,655. Actual unassigned fund balance in the General Fund was \$707,357.

P. NET POSITION

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Q. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

R. COMPARATIVE DATA

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations.

S. STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded budgeted amounts in the following funds at June 30, 2014:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$3,418,675	\$3,485,255	\$66,580
Special Revenue Fund:			
Food Service Fund	\$234,165	\$267,491	\$33,326

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "cash and investments." In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk – is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2014, all deposit bank balances were fully insured or collateralized.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2014, the School did not have any such investments.

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June 30, 2014

Note 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	\$128,015	\$3,939	\$ -	\$131,954
Furniture and fixtures	187,950	-	-	187,950
Vehicles	5,898	20,865	-	26,763
Leasehold improvements	30,903	-	-	30,903
Total capital assets, being depreciated	<u>352,766</u>	<u>24,804</u>	<u>-</u>	<u>377,570</u>
Less accumulated depreciation for:				
Computers and office equipment	103,364	10,075	-	113,439
Furniture and fixtures	92,220	10,729	-	102,949
Vehicles	1,769	3,266	-	5,035
Leasehold improvements	18,260	2,809	-	21,069
Total accumulated depreciation	<u>215,613</u>	<u>26,879</u>	<u>-</u>	<u>242,492</u>
Total capital assets being depreciated - net	<u>\$137,153</u>	<u>(\$2,075)</u>	<u>\$0</u>	<u>\$135,078</u>

Depreciation expense was charged to functions/programs as follows:

District support services	\$77
Regular instruction	17,871
Special education instruction	684
Instructional support services	2,345
Pupil support services	3,558
Site, building and equipment	<u>2,344</u>
Total depreciation expense - governmental activities	<u>\$26,879</u>

Note 4 SHORT-TERM DEBT

LINE OF CREDIT AGREEMENT

The School renewed its line of credit on October 31, 2013 in the amount of \$150,000 for short-term cash flow needs with a variable interest rate of 3% over the prime rate (currently 5.75%) which matures October 31, 2014. It is secured by substantially all the School's assets. The outstanding balance at June 30, 2014 was \$0. There was no activity on the line of credit for the year ended June 30, 2014.

Note 5 **PENSION PLANS**

A. TEACHERS' RETIREMENT ASSOCIATION (TRA)

PLAN DESCRIPTION

All teachers employed by the School are covered by a cost-sharing, multiple employer defined benefit plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356. The School does not have any employees participating under the Basic Plan.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA web site, www.minnesotatra.org. Alternatively a copy of the report may be obtained by writing or calling TRA at 60 Empire Drive Suite 400, St. Paul, Minnesota 55103-4000, (651)296-2409, (800)657-3669.

FUNDING POLICY

Minnesota Statutes Chapter 354.42 sets the rates for employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated Plan members are required to contribute 7%, of their annual covered salary as employee contributions. The TRA employer contribution rate is 7% for Coordinated Plan members. The School is required to contribute 7% of annual covered payroll. The School's contributions for the years ended June 30, 2014, 2013 and 2012 were \$77,452, \$54,065 and \$55,130, respectively, which were materially equal to the required contributions for each year as set by State Statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5 percent.

B. PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

URBAN ACADEMY
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June 30, 2014

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The School does not have any employees participating under the Basic Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

The benefit provisions stated in the previous paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or (800)652-9026.

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by State Statutes. GERF Coordinated Plan members are required to contribute 6.25% of their annual covered salary. The School is required to contribute 7.25%. The School's contributions for the years ended June 30, 2014, 2013 and 2012 were \$37,216, \$32,026 and \$39,425, respectively. The School's contributions were equal to the contractually required contributions for each year as set by State Statute.

Note 6 INTERFUND ACTIVITY

During 2014, the School made a routine transfer of \$55,305 to eliminate a deficit in the Food Service Fund.

Note 7 COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to OMB Circular A-133 or audits by the grantor agency.

B. OPERATING LEASE COMMITMENTS AND TERMS

The School (lessee) leases classroom and office space at 133 East 7th Street, St. Paul, MN from Commerce Center Partnership, LLP (lessor). The term of the lease agreement was for eight years commencing July 1, 2005 and expiring June 30, 2013. In June 2007, the School signed an amended lease agreement which provides for a total of 33,813 of square footage on floors 1, 2 and 3 and which extends the lease term to June 30, 2017. There are other various components that are for shorter periods. The School can terminate the lease with a one-year notice beginning June 30, 2013. If the lease is terminated early, the School is required to pay for all outstanding tenant improvements and an early termination penalty. Rental payments for the remainder of the lease term are due on a monthly basis. For fiscal 2014, the School qualified for estimated lease aid of \$322,284, based on a statutory cap equal to \$1,200 times the pupil units served. Total lease costs incurred were \$513,779. The School is also responsible to pay the cost of utilities. The School may be paid a prorated aid entitlement should the statewide funding be insufficient to pay the full entitlement. In June of 2014 the School gave a one year notice to cancel this lease ending June 30, 2015.

In June of 2014 the School signed a new lease for classroom and office space at Montreal Ave, St. Paul, MN 55116. The term of the lease agreement is for fifteen years commencing July 1, 2015 and expiring June 30, 2030. Rent is the greater of specified minimum amounts or the lease aid maximum amount, as defined in the lease agreement. The new lessor has agreed to pay the early termination fee of the old lease.

Below is a summary of the minimum lease payments, set forth by the new building leases:

Year Ending June 30,	Current Lease	New Lease	Total
2015	\$ 568,211	\$ -	\$ 568,211
2016	-	408,000	408,000
2017	-	416,000	416,000
2018	-	424,000	424,000
2019	-	432,000	432,000
2020-2024	-	2,280,000	2,280,000
2025-2029	-	2,480,000	2,480,000
2030	-	520,000	520,000
Total	<u>\$568,211</u>	<u>\$6,960,000</u>	<u>\$7,528,211</u>

Additional rent payments not included in the above minimum lease payments schedule are also included in the lease for the School's share of operating costs.

The School's ability to make payments under these lease agreements is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

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REQUIRED SUPPLEMENTARY INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2014
With Comparative Actual Amounts For the Year Ended June 30, 2013

	2014				2013 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Revenues:					
Local sources	\$27,000	\$3,800	\$1,379	(\$2,421)	\$22,265
State sources	3,111,106	3,144,597	3,150,065	5,468	3,210,830
Federal sources	199,303	171,893	164,493	(7,400)	182,742
Investment income	500	365	339	(26)	263
Total revenues	3,337,909	3,320,655	3,316,276	(4,379)	3,416,100
Expenditures:					
Administration:					
Current:					
Salaries	185,800	187,811	187,811	-	182,000
Employee benefits	29,868	31,947	33,209	1,262	31,779
Purchased services	6,950	15,250	16,246	996	7,160
Supplies and materials	400	150	105	(45)	489
Other expenditures	26,777	28,683	28,540	(143)	26,659
Capital expenditures	-	-	-	-	1,125
Total administration	249,795	263,841	265,911	2,070	249,212
District support services:					
Current:					
Salaries	53,895	103,550	105,540	1,990	83,734
Employee benefits	19,481	23,987	25,492	1,505	21,029
Purchased services	172,500	145,195	144,189	(1,006)	178,440
Supplies and materials	11,050	9,750	10,263	513	9,026
Other expenditures	735	1,250	1,238	(12)	683
Total district support services	257,661	283,732	286,722	2,990	292,912
Regular instruction:					
Current:					
Salaries	912,007	954,868	992,208	37,340	721,686
Employee benefits	204,080	243,449	241,451	(1,998)	185,567
Purchased services	28,321	54,099	53,245	(854)	37,576
Supplies and materials	46,260	43,988	44,972	984	43,226
Other expenditures	340	665	665	-	339
Capital expenditures	16,000	670	659	(11)	3,247
Total regular instruction	1,207,008	1,297,739	1,333,200	35,461	991,641
Special education instruction:					
Current:					
Salaries	228,868	244,317	235,338	(8,979)	210,274
Employee benefits	58,487	57,209	58,025	816	54,511
Purchased services	135,218	105,372	110,741	5,369	146,435
Supplies and materials	1,980	665	665	-	1,979
Capital expenditures	-	-	-	-	719
Total special education instruction	424,553	407,563	404,769	(2,794)	413,918

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2014
 With Comparative Actual Amounts For the Year Ended June 30, 2013

	2014				2013 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	
	Original	Final			
Expenditures: (continued)					
Instructional support services:					
Current:					
Salaries	\$37,000	\$37,756	\$37,756	\$ -	\$34,000
Employee benefits	5,113	5,615	6,295	680	5,324
Purchased services	10,000	10,000	22,007	12,007	10,854
Supplies and materials	7,000	1,400	1,189	(211)	9,285
Capital expenditures	-	-	-	-	-
Total instructional support services	<u>59,113</u>	<u>54,771</u>	<u>67,247</u>	<u>12,476</u>	<u>59,463</u>
Pupil support services:					
Current:					
Salaries	46,814	41,802	41,396	(406)	42,094
Employee benefits	6,257	3,825	4,303	478	6,918
Purchased services	230,250	237,705	243,075	5,370	230,118
Supplies and materials	5,600	10,072	7,168	(2,904)	7,348
Capital expenditures	-	20,865	20,865	-	-
Total pupil support services	<u>288,921</u>	<u>314,269</u>	<u>316,807</u>	<u>2,538</u>	<u>286,478</u>
Site, building and equipment:					
Current:					
Salaries	23,000	28,000	28,256	256	25,625
Employee benefits	7,600	7,846	8,111	265	7,873
Purchased services	759,164	725,629	737,768	12,139	726,239
Supplies and materials	12,000	15,000	16,214	1,214	11,614
Capital expenditures	-	3,280	3,280	-	-
Total site, building and equipment	<u>801,764</u>	<u>779,755</u>	<u>793,629</u>	<u>13,874</u>	<u>771,351</u>
Fiscal and other fixed costs:					
Current:					
Purchased services	15,500	15,500	15,465	(35)	14,765
Debt service	3,034	1,505	1,505	-	3,033
Total fiscal and other fixed costs	<u>18,534</u>	<u>17,005</u>	<u>16,970</u>	<u>(35)</u>	<u>17,798</u>
Total expenditures	<u>3,307,349</u>	<u>3,418,675</u>	<u>3,485,255</u>	<u>66,580</u>	<u>3,082,773</u>
Revenues over (under) expenditures	30,560	(98,020)	(168,979)	(70,959)	333,327
Other financing sources (uses):					
Transfer to Food Service Fund	<u>(8,959)</u>	<u>(18,111)</u>	<u>(55,305)</u>	<u>(37,194)</u>	<u>(7,131)</u>
Net change in fund balance	<u>\$21,601</u>	<u>(\$116,131)</u>	<u>(224,284)</u>	<u>(\$108,153)</u>	326,196
Fund balance - beginning			<u>956,284</u>		<u>630,088</u>
Fund balance - ending			<u>\$732,000</u>		<u>\$956,284</u>

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND
For The Year Ended June 30, 2014
With Comparative Actual Amounts For the Year Ended June 30, 2013

	2014			Variance with Final Budget - Over (Under)	2013 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
Revenues:					
Local sources	\$ -	\$60	\$60	\$ -	\$ -
State sources	5,416	6,007	5,915	(92)	6,102
Federal sources	199,726	209,987	206,211	(3,776)	211,411
Total revenues	205,142	216,054	212,186	(3,868)	217,513
Expenditures:					
Food service					
Current:					
Salaries	10,965	20,270	21,816	1,546	9,198
Employee benefits	2,223	3,537	4,032	495	2,308
Purchased services	713	163	163	-	854
Supplies and materials	200,200	210,195	241,480	31,285	212,239
Total expenditures	214,101	234,165	267,491	33,326	224,599
Revenues over (under) expenditures	(8,959)	(18,111)	(55,305)	(37,194)	(7,086)
Other financing sources (uses):					
Transfer from General Fund	8,959	18,111	55,305	37,194	7,131
Net change in fund balance	\$0	\$0	0	\$0	45
Fund balance - beginning			-		(45)
Fund balance - ending			\$0		\$0

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
June 30, 2014

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund and Food Service Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

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INDIVIDUAL FUND STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
BALANCE SHEET - GENERAL FUND
June 30, 2014
With Comparative Totals For June 30, 2013

Statement 7

Assets	2014	2013
Cash and investments	\$609,923	\$617,159
Due from Minnesota Department of Education	303,548	477,918
Due from Federal Government through Minnesota Department of Education	17,412	15,707
Other receivables	3,807	6,586
Prepaid items	24,643	20,160
 Total assets	 \$959,333	 \$1,137,530
 Liabilities and Fund Balances		
Liabilities:		
Accounts and contracts payable	\$68,568	\$60,815
Salaries and taxes payable	138,234	105,250
Payroll deductions and employer contributions payable	20,531	15,181
Total liabilities	227,333	181,246
Fund balance:		
Nonspendable - prepaid items	24,643	20,160
Unassigned	707,357	936,124
Total fund balance	732,000	956,284
 Total liabilities and fund balance	 \$959,333	 \$1,137,530

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
 June 30, 2014
 With Comparative Totals For June 30, 2013

Statement 8

Assets	2014	2013
Cash and investments	\$2,558	\$1,209
Due from Minnesota Department of Education	255	165
Due from Federal Government through Minnesota Department of Education	7,527	5,211
 Total assets	 \$10,340	 \$6,585
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$10,340	\$6,585
Fund balance:		
Unassigned	-	-
 Total liabilities and fund balance	 \$10,340	 \$6,585

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SUPPLEMENTAL INFORMATION

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
 June 30, 2014

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$3,316,276	\$3,316,276	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	3,485,255	3,485,258	(3)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	24,643	24,643	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
4.03 Staff Development	-	-	-	4.07 Capital Projects Levy	-	-	-
4.05 Deferred Maintenance	-	-	-	4.09 Alternative Fac. Program	-	-	-
4.06 Health and Safety	-	-	-	4.13 Projects Funded By COP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.14 Operating Debt	-	-	-	<i>Unassigned:</i>			
4.16 Levy Reduction	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.17 Taconite Building Maint	-	-	-				
4.23 Certain Teacher Programs	-	-	-	07 DEBT SERVICE			
4.24 Operating Capital	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total Expenditures	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Non-Spendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/Reserve:</i>			
4.35 Contracted Alt. Programs	-	-	-	4.25 Bond Refundings	-	-	-
4.36 St. Approved Alt. Program	-	-	-	4.51 QZAB Payments	-	-	-
4.38 Gifted & Talented	-	-	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.45 Career & Tech Programs	-	-	-	<i>Unassigned:</i>			
4.49 Safe School Crime	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.50 Pre-Kindergarten	-	-	-				
4.51 QZAB Payments	-	-	-	08 TRUST			
4.52 OPEB Liab Not In Trust	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.53 Unfunded Sev & Retirement Levy	-	-	-	Total Expenditures	-	-	-
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.64 Restricted Fund Balance	-	-	-				
<i>Committed:</i>				20 INTERNAL SERVICE			
4.18 Committed For Separation	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.61 Committed Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Assigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.62 Assigned Fund Balance	-	-	-				
<i>Unassigned:</i>				25 OPEB REVOCABLE TRUST			
4.22 Unassigned Fund Balance	707,357	707,356	1	Total Revenue	\$ -	\$ -	\$ -
				Total Expenditures	-	-	-
02 FOOD SERVICE				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
Total Revenue	\$212,186	\$212,186	\$ -				
Total Expenditures	267,491	267,491	-	45 OPEB IRREVOCABLE TRUST			
<i>Non-Spendable:</i>				Total Revenue	\$ -	\$ -	\$ -
4.60 Non Spendable Fund Balance	-	-	-	Total Expenditures	-	-	-
<i>Restricted/Reserve:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>				47 OPEB DEBT SERVICE FUND			
4.64 Restricted Fund Balance	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	-	-	-
4.63 Unassigned Fund Balance	-	-	-	<i>Non-Spendable:</i>			
				4.60 Non Spendable Fund Balance	-	-	-
04 COMMUNITY SERVICE				<i>Restricted:</i>			
Total Revenue	\$ -	\$ -	\$ -	4.25 Bond Refundings	-	-	-
Total Expenditures	-	-	-	4.64 Restricted Fund Balance	-	-	-
<i>Restricted/Reserve:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.31 Community Education	-	-	-				
4.32 E.C.F.E	-	-	-				
4.44 School Readiness	-	-	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liab Not In Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS

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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 Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

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 and each major fund of Urban Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Urban Academy's basic financial statements and have issued our report thereon dated October 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Urban Academy'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 Urban Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Urban Academy'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 Urban Academy'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 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.



REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 9, 2014



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Urban Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools.

In connection with our audit, nothing came to our attention that caused us to believe that Urban Academy failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Urban Academy's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Redpath and Company, Ltd." in a cursive script.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

October 9, 2014

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