

**NORTHWOOD ACADEMY CHARTER SCHOOL
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

**NORTHWOOD ACADEMY CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in the Fund Balances of the Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities	13
Statement of Net Position - Proprietary Fund	14
Statement of Activities - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Notes to Financial Statements	17 - 31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in the Fund Balance - Budget and Actual	32
Schedule of the School's Proportionate Share of the Net Pension Liability	33
Schedule of School Contributions	34
SINGLE AUDIT	
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures of Federal Awards	36
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 <i>Government Auditing Standards</i>	37 - 38
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	39
Schedule of Findings and Questioned Costs	41
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position - Governmental Activities	42
Combining Statement of Activities - Governmental Activities	43



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northwood Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the blended component unit, and each major fund of Northwood Academy Charter School (a nonprofit organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northwood Academy Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the blended component unit, and each major fund of Northwood Academy Charter School as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 - 7 and pages 32 - 34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwood Academy Charter School's basic financial statements. The accompanying combining statement of net position and combining statement of activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of Northwood Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwood Academy Charter School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 29, 2016

**NORTHWOOD ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Board of Trustees of Northwood Academy Charter School (the "School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2016. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- Total governmental revenues for the year ended June 30, 2016, were \$8,861,303, representing a decrease of \$398,701 from June 30, 2015.
- At June 30, 2016, the School reported an ending governmental funds balance of \$1,704,685, representing a decrease of \$169,372 from June 30, 2015.
- The School's cash balance at June 30, 2016, was \$2,408,847, representing a decrease of \$573,189 from June 30, 2015.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

See independent auditor's report.

**NORTHWOOD ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Overview of the Financial Statements (Continued)

Notes to the Financial Statements

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

Supplementary Information

The governmental fund budgetary comparison schedule, schedule of the School's proportionate share of the net pension liability, and schedule of school contributions are required supplementary information presented for purposes of additional analysis and are prepared using a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") for state reporting requirements.

The combining statements in connection with the School and its blended component unit are presented immediately following the single audit information.

Single Audit Requirements

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Government-Wide Financial Analysis

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

	June 30,	
	2016	2015
Current assets	\$ 2,910,062	\$ 3,304,555
Noncurrent assets	<u>17,659,509</u>	<u>18,247,010</u>
Total assets	<u>20,569,571</u>	<u>21,551,565</u>
Deferred outflow of resources	<u>1,970,774</u>	<u>2,087,249</u>
Current liabilities	1,377,441	1,476,756
Long-term liabilities	<u>23,963,394</u>	<u>23,478,430</u>
Total liabilities	<u>25,340,835</u>	<u>24,955,186</u>
Deferred inflow of resources	<u>399,000</u>	<u>1,021,000</u>
Net position:		
Net investment in capital assets	8,430,453	8,550,482
Unrestricted	<u>(11,629,943)</u>	<u>(10,887,854)</u>
Total net position	<u>\$ (3,199,490)</u>	<u>\$ (2,337,372)</u>

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities and deferred inflows exceeded assets and deferred outflows by \$3,199,490 as of June 30, 2016.

See independent auditor's report.

**NORTHWOOD ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Overview of the Financial Statements (Continued)

Government-Wide Financial Analysis (Continued)

The School's revenues are predominately received from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2016, the School's expenditures of \$10,061,582 exceeded its revenues of \$9,199,464 by \$862,118.

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Local educational agencies	\$ 8,022,194	\$ 8,197,413
Other local sources	111,432	172,829
State sources	64,712	199,993
Federal sources	662,964	689,809
Food services	<u>338,162</u>	<u>335,848</u>
Total revenues	<u>9,199,464</u>	<u>9,595,892</u>
Expenditures:		
Other instructional programs	6,126,575	6,054,234
Administrative services	1,089,169	1,146,929
Pupil health	81,134	68,738
Business services	219,796	213,997
Operation and maintenance of plant services	641,378	693,458
Other support services	350,340	372,544
Food services	306,352	327,236
Student transportation	20,740	61,339
Student activities	217,276	190,349
Interest expense	421,321	433,326
Depreciation expense	<u>587,501</u>	<u>603,615</u>
Total expenditures	<u>10,061,582</u>	<u>10,165,765</u>
Change in net position	(862,118)	(569,873)
Net position - beginning	<u>(2,337,372)</u>	<u>(1,767,499)</u>
NET POSITION - ENDING	<u>\$ (3,199,490)</u>	<u>\$ (2,337,372)</u>

Governmental Funds

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

The general fund is the chief operating fund of the School. At the end of the current year, the unassigned fund balance of the general fund and the total governmental funds balance was \$1,704,685.

See independent auditor's report.

**NORTHWOOD ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

General Fund Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the School and its blended component unit's net investment in capital assets for their governmental activities totaled \$8,430,453 (net of accumulated depreciation and related debt). This net investment in capital assets includes building and improvements, land and land improvements, leasehold improvements, computer equipment, and furniture.

Long-Term Debt

At June 30, 2016, the School and its blended component unit have notes payable of \$9,227,856.

Economic Factors and Next Year's Budgets and Rates

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

Future Events That Will Financially Impact the School

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

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to Chief Executive Officer, Northwood Academy Charter School, 4621 Castor Avenue, Philadelphia, PA 19124.

Component Unit

Northwood Charter Development Corporation, LLC is a component unit of the School and is reported as part of the general fund in the government-wide financial statements.

NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash	\$ 2,408,847	\$ 81,614	\$ 2,490,461
State subsidies receivable	74,203	509	74,712
Federal subsidies receivable	229,604	20,737	250,341
Local receivables	5,969	-	5,969
Prepaid expenses	88,579	-	88,579
Security deposit	1,200	-	1,200
Capital assets:			
Building and improvements	19,689,759	-	19,689,759
Land	186,023	-	186,023
Land improvements	125,523	-	125,523
Leasehold improvements	323,858	-	323,858
Computer equipment	562,165	-	562,165
Furniture	67,961	-	67,961
Less: accumulated depreciation	(3,296,980)	-	(3,296,980)
Total assets	20,466,711	102,860	20,569,571
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,970,774	-	1,970,774
LIABILITIES			
Accounts payable	63,892	-	63,892
Accrued salary and benefits	770,201	-	770,201
Accrued interest	31,886	-	31,886
Long-term obligations:			
Due within one year:			
Notes payable	511,462	-	511,462
Due beyond one year:			
Notes payable	8,716,394	-	8,716,394
Pension liability	15,247,000	-	15,247,000
Total liabilities	25,340,835	-	25,340,835
Commitments and contingencies (Notes 6, 7, 9, 10, and 11)			
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	399,000	-	399,000
NET POSITION			
Net investment in capital assets	8,430,453	-	8,430,453
Unrestricted	(11,732,803)	102,860	(11,629,943)
Total net position	\$ (3,302,350)	\$ 102,860	\$ (3,199,490)

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Function</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Primary government					
Governmental activities:					
Other instructional programs	\$ 6,126,575	\$ 2,635,327	\$ (3,491,248)	\$ -	\$ (3,491,248)
Administrative services	1,089,169	-	(1,089,169)	-	(1,089,169)
Pupil health	81,134	-	(81,134)	-	(81,134)
Business services	219,796	-	(219,796)	-	(219,796)
Operation and maintenance of plant services	641,378	-	(641,378)	-	(641,378)
Other support services	350,340	-	(350,340)	-	(350,340)
Food services	-	-	-	(306,352)	(306,352)
Student transportation	20,740	-	(20,740)	-	(20,740)
Student activities	217,276	-	(217,276)	-	(217,276)
Interest expense	421,321	-	(421,321)	-	(421,321)
Depreciation expense	<u>587,501</u>	<u>-</u>	<u>(587,501)</u>	<u>-</u>	<u>(587,501)</u>
Total governmental activities	<u>\$ 9,755,230</u>	<u>\$ 2,635,327</u>	<u>(7,119,903)</u>	<u>(306,352)</u>	<u>(7,426,255)</u>
General revenues:					
Local educational agencies			6,114,542	-	6,114,542
Food services			-	338,162	338,162
All other revenue			<u>111,433</u>	<u>-</u>	<u>111,433</u>
Total general revenues			<u>6,225,975</u>	<u>338,162</u>	<u>6,564,137</u>
Income (loss) before interfund transfers			(893,928)	31,810	(862,118)
Other financing sources (uses):					
Interfund transfers in (out)			<u>(2,008)</u>	<u>2,008</u>	<u>-</u>
Change in net position			(895,936)	33,818	(862,118)
Net position - beginning			<u>(2,406,414)</u>	<u>69,042</u>	<u>(2,337,372)</u>
NET POSITION - ENDING			<u>\$ (3,302,350)</u>	<u>\$ 102,860</u>	<u>\$ (3,199,490)</u>

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 2,408,847	\$ -	\$ 2,408,847
State subsidies receivable	74,203	-	74,203
Federal subsidies receivable	229,604	-	229,604
Local receivables	5,969	-	5,969
Prepaid expenses	88,579	-	88,579
Security deposit	1,200	-	1,200
Total assets	\$ 2,808,402	\$ -	\$ 2,808,402
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 63,892	\$ -	\$ 63,892
Accrued salary and benefits	1,007,939	-	1,007,939
Accrued interest	31,886	-	31,886
Total liabilities	1,103,717	-	1,103,717
Fund balances			
Unassigned	1,704,685	-	1,704,685
Total liabilities and fund balances	\$ 2,808,402	\$ -	\$ 2,808,402

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances for the governmental funds \$ 1,704,685

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

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

Building and improvements	19,689,759
Land	186,023
Land improvements	125,523
Leasehold improvements	323,858
Computer equipment	562,165
Furniture	67,961
Less: accumulated depreciation	<u>(3,296,980)</u>

17,658,309

Long-term liabilities that pertain to the governmental funds, including notes payable and net pension obligations, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:

Notes payable	(9,227,856)
Net pension liability, net of required contractual liability	<u>(15,009,262)</u>

(24,237,118)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. Balances at year end are:

Deferred outflows of resources related to pensions	1,970,774
Deferred inflows of resources related to pensions	<u>(399,000)</u>

1,571,774

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (3,302,350)**

**NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF THE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local educational agencies	\$ 8,022,194	\$ -	\$ 8,022,194
Other sources	111,433	-	111,433
State sources	64,712	-	64,712
Federal sources	<u>662,964</u>	<u>-</u>	<u>662,964</u>
Total revenues	<u>8,861,303</u>	<u>-</u>	<u>8,861,303</u>
Expenditures:			
Instruction	5,606,634	-	5,606,634
Support services	2,323,653	-	2,323,653
Non-instructional services	209,587	-	209,587
Debt service	<u>-</u>	<u>888,793</u>	<u>888,793</u>
Total expenditures	<u>8,139,874</u>	<u>888,793</u>	<u>9,028,667</u>
Excess (deficiency) of expenditures over revenues	721,429	(888,793)	(167,364)
Other financing source (uses):			
Interfund transfers in (out)	<u>(890,801)</u>	<u>888,793</u>	<u>(2,008)</u>
Net change in fund balances	(169,372)	-	(169,372)
Fund balances - beginning	<u>1,874,057</u>	<u>-</u>	<u>1,874,057</u>
FUND BALANCES - ENDING	<u>\$ 1,704,685</u>	<u>\$ -</u>	<u>\$ 1,704,685</u>

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ (169,372)

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

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

Capital outlays	-	
Depreciation expense	(587,501)	
	(587,501)	(587,501)

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

Repayment of notes payable principal	467,472
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The governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost incurred for future pension benefits is reported as pension expense, as follows:

School pension contributions	(1,541,000)	
Cost of benefits earned net of employee contributions	934,465	
	(606,535)	(606,535)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (895,936)**

**NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

	<u>Enterprise Fund</u>
	<u>Food Service Fund</u>
ASSETS	
Current assets:	
Cash	\$ 81,614
Federal subsidies receivable	20,737
State subsidies receivable	<u>509</u>
Total assets	<u>102,860</u>
LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u>\$ 102,860</u>

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Enterprise Fund</u>
	<u>Food Service Fund</u>
Operating revenues:	
Food service revenues	\$ <u>29,351</u>
Operating expenses:	
Food	283,761
Salaries and benefits	22,501
Supplies	<u>90</u>
Total operating expenses	<u>306,352</u>
Operating loss	<u>(277,001)</u>
Nonoperating revenues:	
Federal sources	299,641
State sources	<u>9,170</u>
Total nonoperating revenues	<u>308,811</u>
Income before transfers	31,810
Interfund transfers out	<u>2,008</u>
Change in net position	33,818
Net position - beginning	<u>69,042</u>
NET POSITION - ENDING	\$ <u>102,860</u>

See accompanying notes to financial statements.

**NORTHWOOD ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Enterprise Fund</u> <u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from students	\$ 29,351
Payments to suppliers	(285,108)
Payments to employees	<u>(21,244)</u>
Net cash used in operating activities	<u>(277,001)</u>
Cash flows from noncapital financing activities:	
Cash received from federal sources	295,886
Cash received from state sources	9,195
Transfer to general fund	<u>2,008</u>
Net cash provided by noncapital financing activities	<u>307,089</u>
Net change in cash	30,088
Cash - beginning	<u>51,526</u>
CASH - ENDING	<u>\$ 81,614</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(277,001)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (277,001)</u>

See accompanying notes to financial statements.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Northwood Academy Charter School (the "Northwood Academy") is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997 (the "Act") and is operating under a charter school contract through 2020. Northwood Academy is located in Philadelphia, Pennsylvania. During the 2015-2016 school year, the School served children in grades K through 8.

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

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

Component Unit

Northwood Charter Development Corporation, LLC ("NW CDC") is a single member limited liability company, of which the member is Northwood Academy, and is considered a component unit of Northwood Academy. NW CDC was organized to acquire and construct Northwood Academy's facilities. Northwood Academy controls the timing or amounts of receipts from NW CDC, and the majority of resources, and income thereon, that NW CDC holds are restricted to the activities of Northwood Academy. Because these restricted resources held by NW CDC can only be used by, or for the benefit of, Northwood Academy, NW CDC is considered a component unit of Northwood Academy and is blended in Northwood Academy's financial statements.

Basis of Presentation

The financial statements of Northwood Academy include NW CDC as a blended component unit of Northwood Academy and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. Northwood Academy and its blended component unit NW CDC are collectively referred to as the "School." The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School's accounting policies are described below.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Basis of Presentation (Continued)

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement amends GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government entity should apply. Statement No. 76 did not have any impact on the School's financial statements.

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements

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

Fund financial statements

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

The School reports the following major governmental funds:

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

Debt Service Fund - Used to account for, and report financial resources for and the payment of, principal and interest.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Fund financial statements (continued)

The School reports the following proprietary fund:

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

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

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, classifies net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Fund Balance Classification Policies and Procedures

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

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

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

In the fund financial statements, assignments and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the School's Board of Trustees and management and may be increased, reduced, or eliminated by similar actions.

The unassigned fund balance was spendable in fiscal year 2016. In future years, as other classifications of fund balance are developed, the order of spending will be nonspendable, restricted, committed, assigned, and then unassigned.

Budgets and Budgetary Accounting

The School adopts an annual budget on a basis consistent with GAAP for the general fund. The School is required to present the adopted and final budgeted revenues and expenditures for the general fund that were filed and accepted by the Labor, Education and Community Services Comptroller's Office. The general fund budget appears on page 32.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Use of Estimates

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

Cash

The School's cash consists of cash on hand and demand deposits.

Prepaid Expenses

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

Receivables

Receivables primarily consist of amounts due from the Pennsylvania Department of Education for federal and state grants and subsidies. Receivables are stated at the amount management expects to collect. As of June 30, 2016, based on historical experience, no allowance has been established.

Capital Assets

Capital assets, which include building and improvements, land and land improvements, leasehold improvements, computer equipment and furniture are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School maintains a threshold level of \$2,500 or more for capitalizing assets. The School does not possess any infrastructure. The infrastructure is owned by NW CDC, which is shown as blended in the accompanying financial statements. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed. Capital assets of the School and its blended component unit are depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life.

Deferred Outflows/Inflows of Resources

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Advertising Costs

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

Income Tax Status

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

Uncertain Tax Positions

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

As of June 30, 2016, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes.

The School files an income tax return in the U.S. federal jurisdiction. With few exceptions, the School is no longer subject to U.S. federal tax examinations by taxing authorities for years before June 30, 2013.

Pensions

The School follows Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Under Statements No. 68 and No. 71, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("PSERS") and additions to/deductions from the PSERS's fiduciary net position have been determined on the same basis as they are reported by the PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

Pending Changes in Accounting Principles

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This statement is effective for reporting periods beginning after June 15, 2016, and will require that the presentation of the School's blended component unit be reevaluated. The effect of this implementation has not yet been determined.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Pending Changes in Accounting Principles (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of Statement No. 82 are effective for the School's June 30, 2017 financial statements. The effect of this implementation has not yet been determined.

Subsequent Events

The School has evaluated subsequent events through December 29, 2016, the date on which these financial statements were available to be issued. Except as described in Note 9, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2. CASH

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

As of June 30, 2016, the custodial risk is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Uninsured and uncollateralized	\$ 1,888,666	\$ -
Collateralized	-	-
Uninsured and collateral held by the pledging bank's trust department, not in the School's name	-	-
Total	<u>\$ 1,888,666</u>	<u>\$ -</u>

Reconciliation to the financial statements:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Cash exposed to custodial risk	\$ 1,888,666	\$ -
Plus: Insured amount	500,000	81,199
Less: Outstanding checks	(218,648)	-
Plus: Deposits in transit	<u>238,829</u>	<u>415</u>
	<u>\$ 2,408,847</u>	<u>\$ 81,614</u>

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3. RECEIVABLES

Receivables at June 30, 2016, consisted of subsidies from federal, state and local authorities. All receivables are considered collectible due to the stable condition of the federal and state programs.

A summary of receivables is as follows:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Federal	\$ 229,604	\$ 20,737	\$ 250,341
State	74,203	509	74,712
Local	5,969	-	5,969
	<u>\$ 309,776</u>	<u>\$ 21,246</u>	<u>\$ 331,022</u>

NOTE 4. LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)

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

For each non-special education student enrolled, the charter school receives no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2016, the rate was \$7,738 per year per student for the majority of the students, plus additional funding for special education students and transportation. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$8,022,194 for the year ended June 30, 2016.

NOTE 5. CAPITAL ASSETS, NET

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2016</u>
Building and improvements	\$ 19,689,759	\$ -	\$ -	\$ 19,689,759
Land	186,023	-	-	186,023
Land improvements	125,523	-	-	125,523
Leasehold improvements	323,858	-	-	323,858
Transportation equipment	358,040	-	(358,040)	-
Computer equipment	570,913	-	(8,748)	562,165
Furniture	67,961	-	-	67,961
Less: accumulated depreciation	<u>(3,076,267)</u>	<u>(587,501)</u>	<u>366,788</u>	<u>(3,296,980)</u>
Capital assets, net	<u>\$ 18,245,810</u>	<u>\$ (587,501)</u>	<u>\$ -</u>	<u>\$ 17,658,309</u>

Depreciation expense for the year ended June 30, 2016, was \$587,501.

NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. RETIREMENT PLAN

Plan Description

The School contributes to a governmental cost-sharing, multiple-employer defined benefit pension plan administered by the PSERS, which provides retirement and disability benefits, legislative-mandated ad-hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The members eligible to participate in the PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in the Commonwealth of Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA.C.S. 81018535) (the "Code") assigns the authority to establish and amend benefit provisions to the PSERS. The PSERS issues an annual financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

The PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Retirement benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F- members) or who has at least five years of credited service (ten years for Class T-E and Class T-F- members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6. RETIREMENT PLAN (CONTINUED)

Contributions

The contribution policy is established in the Code and requires contributions by active members, employers and the Commonwealth.

Member contributions are as follows:

- Active members who joined the PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS prior to, on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the PSERS after June 30, 2011, automatically contribute at the Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 that, in future fiscal years, could cause the Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

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

The School's contractually required contribution rate for fiscal year ended June 30, 2016, was 25.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School for the years ended June 30, 2016, 2015 and 2014, amounted to \$1,151,305, \$981,531 and \$825,431, respectively.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2016, the School reported a liability of \$15,247,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS's total pension liability as of June 30, 2014 to June 30, 2015. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School's proportion was 0.0352%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the School recognized pension expense of \$1,541,000. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	(399,000)
Changes in proportions	901,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	1,069,774	-
	\$ 1,970,774	\$ (399,000)

\$1,069,774 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	
2017	\$ 124,000
2018	124,000
2019	124,000
2020	130,000
	\$ 502,000

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by rolling forward the PSERS's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. Rates for disabled annuitants were based on the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS's Board of Trustees at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The PSERS's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS's Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22 %	4.8 %
Private markets (equity)	15 %	6.6 %
Private real estate	12 %	4.5 %
Global fixed income	8 %	2.4 %
U.S. long treasuries	3 %	1.4 %
Treasury Inflation-Protected Securities	12 %	1.1 %
High yield bonds	6 %	3.3 %
Cash	3 %	0.7 %
Absolute return	10 %	4.9 %
Risk parity	10 %	3.7 %
Master Limited Partnerships/Infrastructure	5 %	5.2 %
Commodities	8 %	3.1 %
Financing (LIBOR)	<u>(14)%</u>	1.1 %
	<u>100 %</u>	

The above was the PSERS's Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the PSERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
The School's proportionate share of the net pension liability	<u>\$ 18,793,000</u>	<u>\$ 15,247,000</u>	<u>\$ 12,266,000</u>

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the PSERS's fiduciary net position is available in the PSERS's Comprehensive Annual Financial Report, which can be found on the PSERS's website at www.psers.state.pa.us.

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ (890,801)
Debt service fund	888,793	-
Food service fund	<u>2,008</u>	<u>-</u>
	<u>\$ 890,801</u>	<u>\$ (890,801)</u>

The interfund transfers were used to supplement the general fund, as the food service fund operated at a profit for the year ended June 30, 2016.

NOTE 9. LONG-TERM DEBT

In June 2011, NW CDC entered into an agreement with Fox Chase Bank for a term loan in the amount of \$5,226,815 that bears interest at 4.5% and matures on June 30, 2020. The term loan was to be specifically used to satisfy the original mortgage on the building, which was paid in full in June 2011. The term loan is guaranteed by the School. Monthly payments of principal and interest began in July 2011. The balance of the term loan at June 30, 2016, was \$3,234,644.

In June 2011, NW CDC entered into an agreement with Fox Chase Bank for a construction loan in the amount of \$6,773,185 that bore interest at the 30-day LIBOR rate plus 3% with a floor of 3.75%. The construction loan was a non-revolving line of credit in which loan advances were available up to \$6,773,185. These advances were to be used only for approved costs for the construction of a new School wing and second floor addition. The construction loan was converted to a permanent development loan effective January 2013, which bears interest at a rate of 4.5% and matures on June 30, 2020. The School must measure excess cash flow and make additional principal payments equal to 25% of the excess cash flow, as defined in the agreement. The permanent development loan is guaranteed by the School. Monthly payments of principal and interest began in February 2013. The balance of the permanent loan at June 30, 2016, was \$5,993,212.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9. LONG-TERM DEBT (CONTINUED)

The above loans are secured by all of the assets of NW CDC and the School. The loan requires the School to comply with financial and nonfinancial covenants, which include a minimum debt service coverage ratio that is measured annually. The School was not in compliance with the debt service coverage ratio at June 30, 2016, and received a waiver from the lender dated December 29, 2016. The School is also subject to various non-financial covenants, including the submission of annual audited financial statements within 120 days after the close of the fiscal year. The School subsequently received a waiver dated December 29, 2016, extending the due date to December 31, 2016. The waiver also requires the School to fund an escrow account in the amount of \$720,000 which will be used as additional collateral for the loans.

The minimum principal payments on the long-term debt at June 30, 2016, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 511,462	\$ 372,477	\$ 883,939
2018	509,006	350,489	859,495
2019	507,802	328,731	836,533
2020	<u>7,699,586</u>	<u>299,787</u>	<u>7,999,373</u>
	<u>\$ 9,227,856</u>	<u>\$ 1,351,484</u>	<u>\$ 10,579,340</u>

Following are changes in long-term debt for the year ended June 30, 2016:

	<u>Balance</u>		<u>Balance</u>	<u>Amount</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>June 30, 2016</u>	<u>Due in One</u>
		<u>Deductions</u>		<u>Year</u>
Loan - Fox Chase	\$ <u>9,695,328</u>	\$ <u>-</u>	\$ <u>(467,472)</u>	\$ <u>9,227,856</u>
				\$ <u>511,462</u>

Interest expense on long-term debt was \$421,321 for the year ended June 30, 2016.

NOTE 10. FEDERAL AND STATE GRANT CONTINGENCIES

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

NOTE 11. LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWOOD ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local educational agencies	\$ 8,356,138	\$ 8,356,138	\$ 8,022,194	\$ (333,944)
Other sources	72,500	72,500	111,433	38,933
State sources	28,336	28,336	64,712	36,376
Federal sources	<u>940,048</u>	<u>940,048</u>	<u>662,964</u>	<u>(277,084)</u>
Total revenues	<u>9,397,022</u>	<u>9,397,022</u>	<u>8,861,303</u>	<u>(535,719)</u>
Expenditures:				
Instruction	5,865,946	5,865,946	5,606,634	(259,312)
Support services	3,260,305	3,260,305	2,323,653	(936,652)
Non-instructional services	<u>517,275</u>	<u>517,275</u>	<u>209,587</u>	<u>(307,688)</u>
Total expenditures	<u>9,643,526</u>	<u>9,643,526</u>	<u>8,139,874</u>	<u>(1,503,652)</u>
Excess (deficiency) of revenues over expenditures	(246,504)	(246,504)	721,429	967,933
Other financing uses:				
Interfund transfers out	<u>-</u>	<u>-</u>	<u>(890,801)</u>	<u>(890,801)</u>
Net change in fund balance	(246,504)	(246,504)	(169,372)	77,132
Fund balance - beginning	<u>1,874,057</u>	<u>1,874,057</u>	<u>1,874,057</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,627,553</u>	<u>\$ 1,627,553</u>	<u>\$ 1,704,685</u>	<u>\$ 77,132</u>

See independent auditor's report.

**NORTHWOOD ACADEMY CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' PENSION PLAN
Last 10 Fiscal Years***

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's proportion of the net pension liability	0.0352 %	0.0361 %	0.0325 %
School's proportionate share of the net pension liability	\$ 15,247,000	\$ 14,288,000	\$ 13,304,000
School's covered-employee payroll	\$ 4,534,707	\$ 4,600,758	\$ 4,174,095
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.23 %	310.56 %	318.73 %
Plan fiduciary net position as a percentage of the total pension liability	54.36 %	57.24 %	54.49 %

***Until a full 10-year trend is compiled, the School has presented
information for those years for which information is available.**

**NORTHWOOD ACADEMY CHARTER SCHOOL
SCHEDULE OF SCHOOL CONTRIBUTIONS
TEACHERS' PENSION PLAN
Last 10 Fiscal Years***

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's contractually required contribution	\$ 1,151,305	\$ 981,531	\$ 825,431
School's contributions in relation to the contractually required contribution	<u>(913,566)</u>	<u>(590,732)</u>	<u>(518,084)</u>
Contribution deficiency	<u>\$ (237,739)</u>	<u>\$ (390,799)</u>	<u>\$ (307,347)</u>
School's covered-employee payroll	\$ 4,534,707	\$ 4,600,758	\$ 4,174,095
Contributions as a percentage of covered-employee payroll	25.39 %	21.33 %	19.78 %

***Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.**

SINGLE AUDIT

**NORTHWOOD ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Pass-through the Pennsylvania Department of Education			
Title I Grants to LEAs	84.010	014-141056	\$ 501,929
Improving Teacher Quality State Grants	84.367	020-141056	<u>31,642</u>
Total Pennsylvania Department of Education			533,571
Pass-through the School District of Philadelphia			
Special Education Grants to States	84.027	N/A	<u>129,393</u>
Total Federal Financial Assistance - U.S. Department of Education			<u>662,964</u>
<u>U.S. Department of Agriculture</u>			
Pass-through the Pennsylvania Department of Education			
National School Lunch Program	10.555	N/A	258,790
Fresh Fruit and Vegetable Program	10.582	N/A	<u>40,851</u>
Total Federal Financial Assistance - U.S. Department of Agriculture			<u>299,641</u>
Total Federal Financial Assistance			<u>\$ 962,605</u>

See accompanying notes to schedule of expenditures of federal awards.

**NORTHWOOD ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Northwood Academy Charter School (the "School"). 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"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. INDIRECT COST RATE

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Northwood 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 the governmental activities, the business-type activity, the blended component unit, and each major fund of Northwood Academy Charter School (a nonprofit organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northwood Academy Charter School's basic financial statements, and have issued our report thereon dated December 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwood 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwood Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwood Academy Charter 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 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 Northwood Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

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.



CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 29, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Northwood Academy Charter School

Report on Compliance for Each Major Federal Program

We have audited Northwood Academy Charter School's (a nonprofit organization) compliance with the types of compliance requirements described in the *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on Northwood Academy Charter School's major federal program for the year ended June 30, 2016. Northwood 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Northwood Academy Charter School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Northwood 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 Northwood Academy Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwood Academy Charter School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Northwood 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 Northwood 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 Northwood Academy Charter 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 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.



CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 29, 2016

**NORTHWOOD ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on whether the financial statements of Northwood Academy Charter School (the "Northwood Academy") and Northwood Charter Development Corporation ("NW CDC") (collectively, the "School") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Require by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program of the School expresses an unqualified opinion.
6. There were no audit findings that were required to be reported under 2 CFR section 200.516(a).
7. The program tested as a major program was Title I Grants to LEAs, CFDA #84.010.
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. The School does qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings.

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

There were no findings and questioned costs for federal awards, which would include audit findings as defined in the Uniform Guidance.

SUPPLEMENTARY INFORMATION

**NORTHWOOD ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2016**

	<u>School</u>	<u>NW CDC, LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
ASSETS				
Cash	\$ 2,408,847	\$ -	\$ -	\$ 2,408,847
State subsidies receivable	74,203	-	-	74,203
Federal subsidies receivable	229,604	-	-	229,604
Local receivables	5,969	-	-	5,969
Prepaid expenses	88,579	-	-	88,579
Advance to related party	4,016,695	-	(4,016,695)	-
Security deposit	1,200	-	-	1,200
Capital assets:				
Building and improvements	4,312,985	15,376,774	-	19,689,759
Land	-	186,023	-	186,023
Land improvements	-	125,523	-	125,523
Leasehold improvements	323,858	-	-	323,858
Computer equipment	562,165	-	-	562,165
Furniture	67,961	-	-	67,961
Less: accumulated depreciation	<u>(1,131,018)</u>	<u>(2,165,962)</u>	<u>-</u>	<u>(3,296,980)</u>
Total assets	<u>10,961,048</u>	<u>13,522,358</u>	<u>(4,016,695)</u>	<u>20,466,711</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	<u>1,970,774</u>	<u>-</u>	<u>-</u>	<u>1,970,774</u>
LIABILITIES				
Accounts payable	63,892	-	-	63,892
Accrued salary and benefits	770,201	-	-	770,201
Accrued interest	-	31,886	-	31,886
Due to related party	-	4,016,695	(4,016,695)	-
Long-term obligations:				
Due within one year:				
Notes payable	-	511,462	-	511,462
Due beyond one year:				
Notes payable	-	8,716,394	-	8,716,394
Pension liability	<u>15,247,000</u>	<u>-</u>	<u>-</u>	<u>15,247,000</u>
Total liabilities	<u>16,081,093</u>	<u>13,276,437</u>	<u>(4,016,695)</u>	<u>25,340,835</u>
Commitments and contingencies (Notes: 6, 7, 9, 10 and 11)				
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	<u>399,000</u>	<u>-</u>	<u>-</u>	<u>399,000</u>
NET POSITION				
Net investment in capital assets	4,135,951	4,294,502	-	8,430,453
Unrestricted	<u>(7,684,222)</u>	<u>(4,048,581)</u>	<u>-</u>	<u>(11,732,803)</u>
Total net position	<u>\$ (3,548,271)</u>	<u>\$ 245,921</u>	<u>\$ -</u>	<u>\$ (3,302,350)</u>

See independent auditor's report.

**NORTHWOOD ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>School</u>	<u>NW CDC, LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues:				
Local educational agencies	8,022,194	\$ -	\$ -	\$ 8,022,194
Other sources	111,432	897,927	(897,927)	111,432
State sources	64,712	-	-	64,712
Federal sources	<u>662,964</u>	<u>-</u>	<u>-</u>	<u>662,964</u>
Total revenues	<u>8,861,302</u>	<u>897,927</u>	<u>(897,927)</u>	<u>8,861,302</u>
Expenditures:				
Other instructional programs	6,126,575	-	-	6,126,575
Administrative services	1,089,169	-	-	1,089,169
Pupil health	81,134	-	-	81,134
Business services	219,796	-	-	219,796
Operation and maintenance of plant services	1,539,305	-	(897,927)	641,378
Other support services	350,340	-	-	350,340
Student transportation	20,740	-	-	20,740
Student activities	217,276	-	-	217,276
Interest expense	-	421,321	-	421,321
Depreciation expense	<u>195,745</u>	<u>391,756</u>	<u>-</u>	<u>587,501</u>
Total expenditures	<u>9,840,080</u>	<u>813,077</u>	<u>(897,927)</u>	<u>9,755,230</u>
Income (loss) before interfund transfers	(978,778)	84,850	-	(893,928)
Interfund transfers out	<u>(2,008)</u>	<u>-</u>	<u>-</u>	<u>(2,008)</u>
Change in net position	(980,786)	84,850	-	(895,936)
Net position - beginning	<u>(2,567,485)</u>	<u>161,071</u>	<u>-</u>	<u>(2,406,414)</u>
NET POSITION - ENDING	<u>\$ (3,548,271)</u>	<u>\$ 245,921</u>	<u>\$ -</u>	<u>\$ (3,302,350)</u>

See independent auditor's report.