

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

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CHARTER SCHOOL NO. 4171
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CHARTER SCHOOL NO. 4171
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INTRODUCTORY SECTION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2012**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRATION</u>	<u>BOARD POSITION</u>
Ge Yang	June 30, 2012	Board Chair
Su Yang	June 30, 2013	Vice Chair
Neng Yang	June 30, 2013	Treasurer
KoukhaSha Lee	June 30, 2012	Secretary
Jose' Quiroz-Ziebart	June 30, 2012	Member

ADMINISTRATION

Neal Thao
Mai Yia Chang

Chief Executives Officer
Executive Director of
Teaching/Learning

School Office

Charter School No. 4171
Noble Academy
4021 Thomas Avenue North
Minneapolis, MN 55412
(763) 592-7707

:

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Noble Academy as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Major Food Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Noble Academy
Charter School No. 4171

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements as a whole. The individual fund information, Uniform Financial Accounting and Reporting Standards Compliance Table and the Schedule of Expenditures of Federal Awards as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund information, Uniform Financial Accounting and Reporting Standards Compliance Table and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

This section of Noble Academy – Charter School 4171's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal years include the following:

- Net assets were \$3,813,962 as of June 30, 2012 compared to \$2,621,488 as of June 30, 2011.
- Total General Fund revenues were \$5,449,545 as compared to \$4,226,716 of expenditures.
- The fund balance of the General Fund increased \$1,197,061 from the prior year for an ending total fund balance of \$3,553,080.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary 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.

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

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 assets 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 assets* and how they have changed. Net assets – 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities.

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

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education and administration. State 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. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School may establish other funds to control and manage money for a blended component unit such as the Math and Science Academy Building Company.

The School has the following fund type:

- *Governmental Funds* – Most of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's *combined* net assets were \$3,813,962 on June 30, 2012 (see Table A-1).

**Table A-1
The School's Net Assets**

	Governmental Activities as of June 30,		Percentage Change
	2012	2011	
Current and Other Assets	\$ 3,820,670	\$ 2,617,859	45.95 %
Capital and Non-Current Assets	260,882	265,469	(1.73)
Total Assets	4,081,552	2,883,328	41.56
Current Liabilities	267,590	261,840	2.20
Net Assets:			
Invested in Capital Assets	260,882	265,469	(1.73)
Unrestricted	3,553,080	2,356,019	50.81
Total Net Assets	\$ 3,813,962	\$ 2,621,488	45.49

The School's increase in net assets is the product of several factors. There was a surplus of \$1,192,474 of revenues over expenses on an entity-wide basis. This increase was partially offset by the net impact of depreciation expense and capital outlays that were capitalized.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Changes in Net Assets

The School's total entity-wide revenues were \$5,776,776 for the year ended June 30, 2012 (see Table A-2). Unrestricted state formula aid accounted for 73.7% of total revenue for the year. The remaining 26.3% came from other general and program revenues.

**Table A-2
Change in Net Assets**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2012	2011	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 13,409	\$ 25,680	(47.78)%
Operating Grants and Contributions	1,447,279	1,417,819	2.08
<u>General Revenues</u>			
Unrestricted State Aid	4,254,604	4,101,166	3.74
Other	61,484	51,228	20.02
Total Revenues	<u>5,776,776</u>	<u>5,595,893</u>	3.23
Expenses			
Administration	318,990	314,268	1.50
District Support Services	540,111	490,453	10.12
Regular Instruction	1,550,454	1,497,834	3.51
Special Education Instruction	239,792	276,534	-
Instructional Support Services	125,953	157,285	(19.92)
Pupil Support Services	385,066	597,438	(35.55)
Sites and Buildings	1,061,304	951,271	11.57
Fiscal and Other Fixed Cost Programs	9,633	39,040	(75.33)
Food Service	352,999	-	N/A
Total Expenses	<u>4,584,302</u>	<u>4,324,123</u>	6.02
Increase in Net Assets	1,192,474	1,271,770	
Beginning Net Assets	<u>2,621,488</u>	<u>1,349,718</u>	
Ending Net Assets	<u>\$ 3,813,962</u>	<u>\$ 2,621,488</u>	

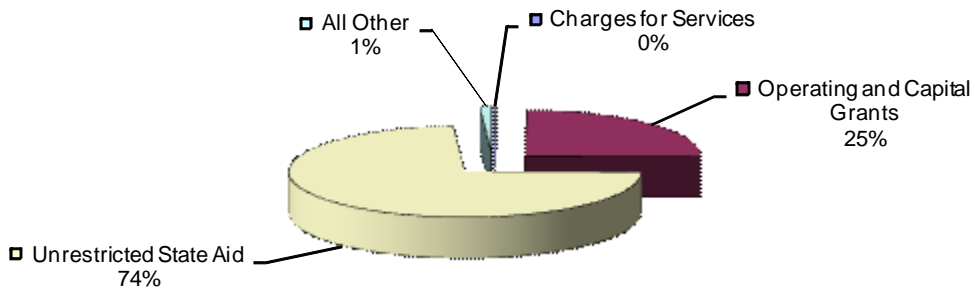
The total cost of all programs and services was \$4,584,302. Total revenues exceeded expenditures, increasing net assets \$1,192,474 from the prior year.

**NOBLE ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

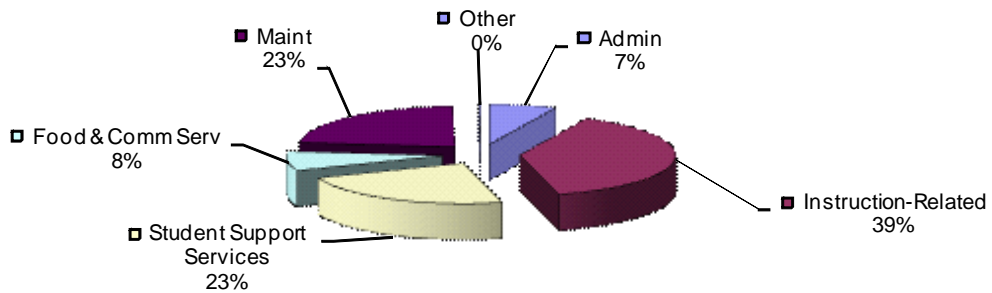
The cost of all *governmental* activities this year was \$4,584,302.

- Some of the cost was paid by the users of the School's programs (\$13,409).
- The federal government and private grant funds subsidized certain programs with grants and contributions (\$1,447,279).
- Most of the School's costs were paid for by unrestricted state aid.

**Figure A-1
Sources of School's Revenues for Fiscal 2012**



**Figure A-2
School Expenses for Fiscal 2012**



**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011		2012	2011	
Administration	\$ 318,990	\$ 314,268	1.50 %	\$ 318,990	\$ 314,268	1.50 %
District Support Services	540,111	490,453	10.12	540,111	490,453	10.12
Regular Instruction	1,550,454	1,497,834	3.51	1,293,673	1,086,366	19.08
Special Education Instruction	239,792	276,534	(13.29)	(30,296)	(1,627)	1762.08
Instructional Support Services	125,953	157,285	(19.92)	125,953	157,285	(19.92)
Pupil Support Services	385,066	597,438	(35.55)	385,066	344,571	11.75
Sites and Buildings	1,061,304	951,271	11.57	454,716	450,268	0.99
Fiscal and Other Fixed Cost Programs	9,633	39,040	(75.33)	9,633	39,040	(75.33)
Food Service	352,999	-	N/A	25,768	-	N/A
Total	\$ 4,584,302	\$ 4,324,123	6.02	\$ 3,123,614	\$ 2,880,624	8.44

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were \$5,776,776 while total expenditures were \$4,579,715. This contributed to a *combined* fund balance of \$3,553,080, which is \$1,197,061 more than last year's ending fund balance of \$2,356,019.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 8 including transportation activities and capital outlay projects.

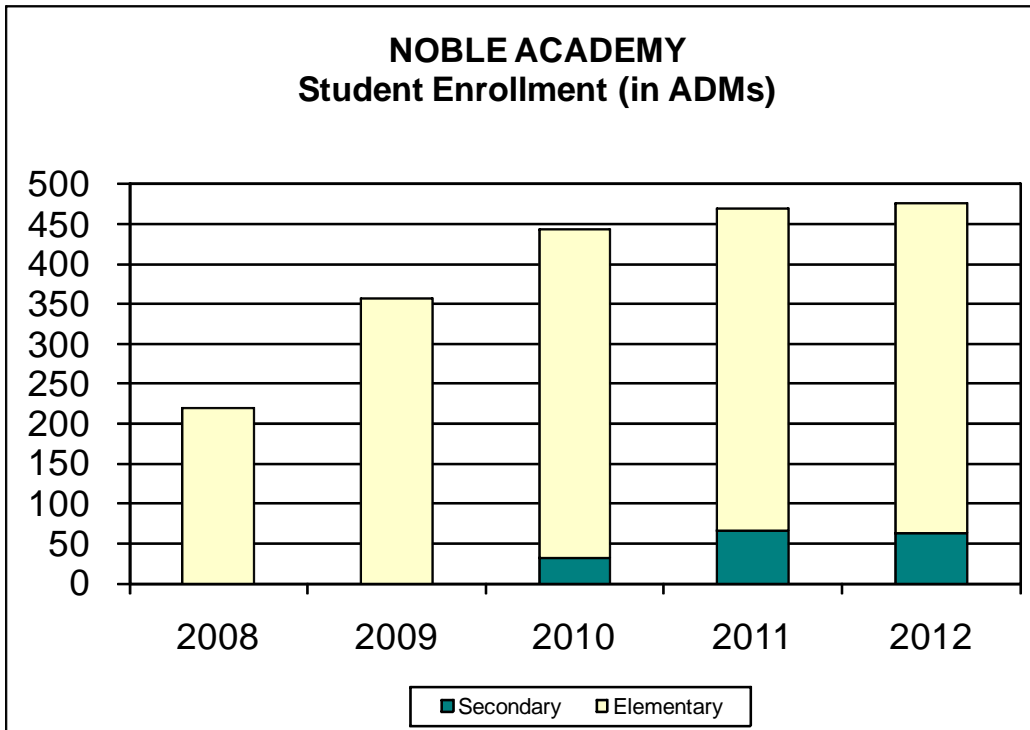
A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

ENROLLMENT

Enrollment is a critical factor in determining revenue with a very high percentage of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased significantly over the last five years.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**



Since its opening the School has experienced excellent growth in average daily membership. The average enrollment during 2011-2012 was 477 students which is an increase of approximately 7 students over the prior year.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2012	June 30, 2011	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ -	\$ 1	\$ (1)	(100.0)%
Other	73,791	64,517	9,274	14.4
State Sources	5,010,327	4,717,157	293,170	6.2
Federal Sources	365,427	561,351	(195,924)	(34.9)
Total General Fund Revenue	<u>\$ 5,449,545</u>	<u>\$ 5,343,026</u>	<u>\$ 106,519</u>	2.0

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

Total General Fund Revenue increased by \$106,519 from the previous year. The majority of this change is related to increases in state revenue. A majority of the increase can be attributed to the increase in enrollment as well as the increase in the per pupil unit funding. The School also realized additional lease aid. State special education aid also increased over the prior year.

Federal revenue decreased by \$195,924. This is the result of the one-time stimulus and federal education job funds that were available in fiscal 2011. As far as we are aware, there are no additional or new federal funds available in 2011-2012.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2012	June 30, 2011		
Salaries	\$ 1,893,738	\$ 1,786,294	\$ 107,444	6.0 %
Employee Benefits	395,397	366,752	28,645	7.8
Purchased Services	1,619,485	1,618,098	1,387	0.1
Supplies and Materials	131,477	179,616	(48,139)	(26.8)
Capital Expenditures	123,266	32,061	91,205	284.5
Other Expenditures	63,353	59,076	4,277	7.2
Total Expenditures	<u>\$ 4,226,716</u>	<u>\$ 4,041,897</u>	<u>\$ 184,819</u>	

Total General Fund Expenditures increased \$184,819 from the previous year. The majority of the increase is due to an increase in salary and benefit costs. There was also an increase in capital expenditures.

In fiscal 2012, General Fund revenues were greater than expenditures by \$1,197,061. Therefore, total fund balance increased to \$3,553,080 at June 30, 2012.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance was \$3,298,635 at June 30, 2012. The total fund balance (which includes \$254,445 of prepaid items) of \$3,553,080 represents 84.1% of annual expenditures.

General Fund Budgetary Highlights

The budget is approved prior to the beginning of the fiscal year. The School revised the annual operating budget in the Fall and then again mid-year. These budget amendments fall into two main categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$39,978 more than budgeted. This is largely due to the additional federal program expenditures incurred above the amount budgeted.

Actual expenditures were lower than budgeted with a total variance of \$584,368.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

While the School's final budget for the General Fund anticipated that revenues would be more than expenditures and transfers out by \$586,742, the actual results for the year show revenues exceeding expenditures and transfers out by \$1,197,061.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$25,768, requiring a transfer of \$25,768 from the General Fund at year-end to eliminate the fund balance deficit.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2011-2012 fiscal year, the School had invested \$489,937, in a broad range of capital assets, including vehicles, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$76,558.

**Table A-7
The School's Capital Assets**

	2012	2011	Percentage Change
Noble Academy			
Equipment	\$ 463,201	\$ 391,230	18.4 %
Vehicles	26,736	26,736	0.0%
Less: Accumulated Depreciation	(229,055)	(152,497)	50.2
Total	<u>\$ 260,882</u>	<u>\$ 265,469</u>	(1.7)

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. In 2012-2013, Minnesota charter schools will face even greater fiscal challenges as there is only a minimal increase in the general education formula and the State continues to utilize a significant state aid holdback (for 2012-2013 it is currently scheduled to be a holdback of 35.7%). This will put a great strain on every charter school's cash flow. Fortunately, the School has sufficient fund balance which will allow it to maintain normal operations despite the burden that the holdback places on cash flow.

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders 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, Noble Academy 4021 Thomas Avenue North, Minneapolis, MN 55412.

BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,733,722
Receivables:	
Other Governments	1,802,385
Other	27,064
Prepaid Items	254,445
Inventories	3,054
Capital Assets, Net of Depreciation	<u>260,882</u>
Total Assets	4,081,552
LIABILITIES	
Salaries Payable	206,088
Accounts and Contracts Payable	<u>61,502</u>
Total Liabilities	<u>267,590</u>
NET ASSETS	
Invested in Capital Assets	260,882
Unrestricted	<u>3,553,080</u>
Total Net Assets	<u><u>\$ 3,813,962</u></u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Administration	\$ 318,990	\$ -	\$ -	\$ (318,990)
District Support Services	540,111	-	-	(540,111)
Regular Instruction	1,550,454	12,307	244,474	(1,293,673)
Special Education Instruction	239,792	-	270,088	30,296
Instructional Support Services	125,953	-	-	(125,953)
Pupil Support Services	385,066	-	-	(385,066)
Sites and Buildings	1,061,304	-	606,588	(454,716)
Fiscal and Other Fixed Cost Programs	9,633	-	-	(9,633)
Food Service	352,999	1,102	326,129	(25,768)
Total School District	<u>\$ 4,584,302</u>	<u>\$ 13,409</u>	<u>\$ 1,447,279</u>	(3,123,614)
General Revenues				
				4,254,604
				61,484
				<u>4,316,088</u>
				1,192,474
				<u>2,621,488</u>
				<u>\$ 3,813,962</u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Major Funds		Total Governmental Funds
	General	Food Service	2012
ASSETS			
Cash and Investments	\$ 1,733,722	\$ -	\$ 1,733,722
Receivables:			
Due from Minnesota Department of Education	1,677,780	2,239	1,680,019
Due from Federal through Minnesota Department of Education	78,048	44,318	122,366
Other Receivables	1,333	25,731	27,064
Due from Other Funds	75,342	-	75,342
Prepaid Items	254,445	-	254,445
Inventory	-	3,054	3,054
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,820,670</u>	<u>\$ 75,342</u>	<u>\$ 3,896,012</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Salaries Payable	\$ 179,022	\$ -	\$ 179,022
Payroll Deductions and Employer Contributions Payable	27,066	-	27,066
Accounts and Contracts Payable	61,502	-	61,502
Due to Other Funds	-	75,342	75,342
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	267,590	75,342	342,932
Fund Balance:			
Nonspendable:			
Prepaid Items	254,445	-	254,445
Unassigned	3,298,635	-	3,298,635
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	3,553,080	-	3,553,080
Total Liabilities and Fund Balance	<u>\$ 3,820,670</u>	<u>\$ 75,342</u>	<u>\$ 3,896,012</u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance for Governmental Funds \$ 3,553,080

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

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

Equipment, Net of Accumulated Depreciation	260,882
Total Net Assets of Governmental Activities	\$ 3,813,962

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Major Funds		Total Governmental Funds
	General	Food Service	2012
REVENUES			
Local Sources:			
Other	\$ 73,791	\$ 1,102	\$ 74,893
State Sources	5,010,327	16,515	5,026,842
Federal Sources	365,427	309,614	675,041
Total Revenues	<u>5,449,545</u>	<u>327,231</u>	<u>5,776,776</u>
EXPENDITURES			
Current:			
Administration	286,906	-	286,906
District Support Services	534,464	-	534,464
Regular Instruction	1,549,437	-	1,549,437
Special Education Instruction	238,956	-	238,956
Instructional Support Services	105,820	-	105,820
Pupil Support Services	385,066	-	385,066
Sites and Buildings	994,148	-	994,148
Fiscal and Other Fixed Cost Programs	8,653	-	8,653
Food Service	-	352,999	352,999
Capital Outlay	123,266	-	123,266
Total Expenditures	<u>4,226,716</u>	<u>352,999</u>	<u>4,579,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,222,829	(25,768)	1,197,061
OTHER FINANCING SOURCES (USES)			
Transfers In	-	25,768	25,768
Transfers Out	(25,768)	-	(25,768)
Total Other Financing Sources (Uses)	<u>(25,768)</u>	<u>25,768</u>	<u>-</u>
Net Change in Fund Balances	1,197,061	-	1,197,061
Fund Balances - Beginning	<u>2,356,019</u>	<u>-</u>	<u>2,356,019</u>
Fund Balances - Ending	<u>\$ 3,553,080</u>	<u>\$ -</u>	<u>\$ 3,553,080</u>

See accompanying Notes to Basic Financial Statements.

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance-Total Governmental Funds \$ 1,197,061

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

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. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	71,971
Depreciation Expense	<u>(76,558)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,192,474</u></u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other	\$ 25,000	\$ 75,000	\$ 73,791	\$ (1,209)
State Sources	5,411,223	5,028,462	5,010,327	(18,135)
Federal Sources	<u>225,277</u>	<u>306,105</u>	<u>365,427</u>	<u>59,322</u>
Total Revenues	5,661,500	5,409,567	5,449,545	39,978
EXPENDITURES				
Current:				
Administration	367,080	367,080	286,906	(80,174)
District Support Services	555,066	571,309	534,464	(36,845)
Elementary and Secondary Regular Instruction	2,142,275	1,813,059	1,549,437	(263,622)
Special Education Instruction	284,932	283,932	238,956	(44,976)
Instructional Support Services	137,391	127,391	105,820	(21,571)
Pupil Support Services	454,334	454,334	385,066	(69,268)
Sites and Buildings	1,162,819	1,058,779	994,148	(64,631)
Fiscal and Other Fixed Cost Programs	10,200	10,200	8,653	(1,547)
Capital Outlay	<u>200,000</u>	<u>125,000</u>	<u>123,266</u>	<u>(1,734)</u>
Total Expenditures	<u>5,314,097</u>	<u>4,811,084</u>	<u>4,226,716</u>	<u>(584,368)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,403	598,483	1,222,829	624,346
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(11,741)</u>	<u>(25,768)</u>	<u>(14,027)</u>
Net Change in Fund Balance	<u>\$ 347,403</u>	<u>\$ 586,742</u>	1,197,061	<u>\$ 610,319</u>
FUND BALANCE				
Beginning of Year			<u>2,356,019</u>	
End of Year			<u>\$ 3,553,080</u>	

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 7,000	\$ 1,200	\$ 1,102	\$ (98)
State Sources	3,000	14,318	16,515	2,197
Federal Sources	320,328	320,328	309,614	(10,714)
Total Revenues	330,328	335,846	327,231	(8,615)
EXPENDITURES				
Current:				
Food Service	325,538	347,587	352,999	5,412
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,790	(11,741)	(25,768)	(14,027)
OTHER FINANCING SOURCES				
Transfer in	-	11,741	25,768	14,027
Net Change in Fund Balance	<u>\$ 4,790</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4171 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Charter School No. 4171, also known as Noble Academy (the School), is a nonprofit corporation that was formed on July 20, 2005, in accordance with Minnesota statutes. The Noble Academy is authorized by the Audubon Center of the North Woods through June 30, 2015.

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

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there is one organization that is considered to be a component unit of the School. Educational Properties, Inc (the Building Company) is a Minnesota non-profit corporation holding IRS classification as a 501(c)(3) tax exempt organization. The Building Company is governed by a sole director, Neal Thao. The Building Company has not yet had any financial activity and didn't have any balance sheet items as of June 30, 2012.

Aside from its authorizer role, Audubon Center of the North Woods has no authority, control, power, or administrative responsibilities over Noble Academy. Therefore, the School is not considered a component unit of Audubon Center of the North Woods.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 when all eligibility requirements imposed by the provider have been met.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

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 for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. A description of the funds included in this report are as follows:

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Food Service Fund

The Food Service Fund is used to account for food service revenues and expenditures. Primary revenue sources in the Food Service Fund are meal sales and state and federal aids.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and for the Special Revenue Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Administrative Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	\$ 5,661,500	\$ (251,933)	\$ 5,409,567
Special Revenue Funds:			
Food Service Fund	330,328	5,518	335,846
Expenditures			
General Fund	\$ 5,314,097	\$ (503,013)	\$ 4,811,084
Special Revenue Funds:			
Food Service Fund	325,538	22,049	347,587

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

G. Cash and Investments

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

H. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. 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 \$1,500 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. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 20 years for vehicles, furniture and equipment.

The School does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

K. Accrued Employee Benefits

Unpaid Sick and Personal Leave

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance

At June 30, 2011, the School adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. Unassigned fund balances are considered the remaining amounts in the General Fund.

Although the School has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

M. 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; workers' compensation 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.

N. Net Assets

Net assets represent the difference between assets and liabilities in the School-wide financial statements. Net assets invested in capital assets, net of related debt 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, if any. Net assets 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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2012.

	Budget	Expenditures	Excess
Food Service Fund	<u>\$ 347,587</u>	<u>\$ 352,999</u>	<u>\$ 5,412</u>

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3 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 assets and balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District 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 includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The School's carrying and bank balances of deposits at June 30, 2012 were \$1,733,722 and \$1,766,987, respectively. All deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

Interest Rate Risk and Credit Risk

The School does not have a formal investment policy to address these risks.

Concentration of Credit Risk

The School places no limit on the amount that the School may invest in any one issuer.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 INTERFUND BALANCES

At June 30, 2012, the following were the interfund balances:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 75,342	\$ -
Food Service Fund	-	75,342
Total	<u>\$ 75,342</u>	<u>\$ 75,342</u>

During the year, the General Fund made loaned cash to the Food Service Fund to cover the negative cash balance in the Food Service Fund.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 391,230	\$ 71,971	\$ -	\$ 463,201
Vehicles	26,736	-	-	26,736
Total Capital Assets, Being Depreciated	<u>417,966</u>	<u>71,971</u>	<u>-</u>	<u>489,937</u>
Accumulated Depreciation for:				
Furniture and Equipment	(139,130)	(72,739)	-	(211,869)
Vehicles	(13,367)	(3,819)	-	(17,186)
Total Accumulated Depreciation	<u>(152,497)</u>	<u>(76,558)</u>	<u>-</u>	<u>(229,055)</u>
Governmental Activities Capital Assets, Net	<u>\$ 265,469</u>	<u>\$ (4,587)</u>	<u>\$ -</u>	<u>\$ 260,882</u>

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
Administration	\$ 35,913
Regular Instruction	1,017
Special Education Instruction	836
Instructional Support Services	747
Sites and Buildings	37,065
Fiscal and Other Fixed Cost Programs	980
Total Depreciation Expense, Governmental Activities	<u>\$ 76,558</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 RETIREMENT PLANS

Substantially all employees of the School are required by state law to belong to a pension plan administered by Teachers' Retirement Association (TRA) which is administered on a statewide basis. Disclosures relating to this plan follows:

A. Teacher's Retirement Association (TRA)

1. Plan Description

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated 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 plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and 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 five consecutive years of allowable service, age, and a formula multiplier 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 website at www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive Suite 400
St. Paul, MN 55103-1855
(651) 296-6449
800-657-3853

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 RETIREMENT PLANS (CONTINUED)

A. Teacher's Retirement Association (TRA) (Continued)

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0% and 9.5%, respectively, of their annual covered salary during fiscal year 2012 as employee contributions.

The School is required to contribute the following percentages of annual covered payroll: 6.0% for Coordinated Plan members and 10.0% for Basic Plan members during fiscal year 2012. The contribution requirements of plan members and the School are established and may be amended by state statute. The School contributions for the years ended June 30, 2012, 2011 and 2010 were \$90,797, \$73,953 and \$73,120 respectively, 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% each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5%.

B. Public Employees' Retirement Association (PERA)

1. 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. 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.

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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 RETIREMENT PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA) (Continued)

1. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the Internet at www.mnpera.org. Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association
60 Empire Drive Suite 200
St. Paul MN 55103-2088
651-296-7460
800-652-9026

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012.

The School is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan members.

The School's contributions for the years ended June 30, 2012, 2011 and 2010 were \$28,019, \$31,009 and \$51,290, respectively, equal to the contractually required contributions for each year as set by state statute.

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 fund. 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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitments and Terms – School Site

On September 1, 2009, Noble Academy entered into a building lease with MCA Holdings, Inc. the commenced on September 1, 2009 and terminated on August 31, 2012. During September 2010, Noble Academy entered into an amendment that extended the lease from August 31, 2012 to August 31, 2017. This amendment provided for a one-time early termination option that would take place on July 31, 2015 if the School provides the landlord with a written notice, an early termination fee equal to three month's gross rent, and a fully executed purchase agreement or letter of intent to purchase.

The amendment signed in September 2010, stated that the School's minimum lease payments will be the greater of \$533,200 or \$1,333 per pupil unit as defined by Minnesota Statutes 126.C05. The amendment also stated that that the School is responsible to pay a monthly share of the amortization of Structural Alterations amortized over the alterations useful life at an interest rate of 10% as an operating expense. But, for each month that the School's rent is determined on 440 pupil units or more, these additional operating expense payments are waived.

The actual cost for the building lease for the year ended June 30, 2012 was \$673,987. Future minimum lease payments, based on the minimum of 400 pupil units time \$1,333, are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 533,200
2014	533,200
2015	533,200
2016	533,200
2017	88,867
Total	<u>\$ 2,221,667</u>

The School's ability to make payments under this Lease agreement 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.

SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual Amounts	Over (Under) Final Budget
REVENUES			
Local Sources:			
Earnings on Investments	\$ -	\$ -	\$ -
Other	75,000	73,791	(1,209)
State Sources	5,028,462	5,010,327	(18,135)
Federal Sources	306,105	365,427	59,322
Total Revenues	5,409,567	5,449,545	39,978
EXPENDITURES			
Current:			
Administration:			
Salaries	309,124	238,290	(70,834)
Employee Benefits	49,306	39,779	(9,527)
Purchased Services	7,512	7,655	143
Supplies and Materials	451	495	44
Other Expenditures	687	687	-
Total Administration	367,080	286,906	(80,174)
District Support Services:			
Salaries	183,674	173,772	(9,902)
Employee Benefits	102,107	84,001	(18,106)
Purchased Services	207,833	207,581	(252)
Supplies and Materials	32,826	29,144	(3,682)
Capital Expenditures	6,000	5,647	(353)
Other Expenditures	44,869	39,966	(4,903)
Total District Support Services	577,309	540,111	(37,198)
Elementary and Secondary Regular Instruction:			
Salaries	1,344,444	1,148,968	(195,476)
Employee Benefits	249,764	208,770	(40,994)
Purchased Services	99,614	95,357	(4,257)
Supplies and Materials	93,999	76,104	(17,895)
Other Expenditures	25,238	20,238	(5,000)
Total Elementary and Secondary Regular Instruction	1,813,059	1,549,437	(263,622)

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
EXPENDITURES (Continued)			
Current (Continued):			
Special Education Instruction:			
Salaries	\$ 165,367	\$ 152,662	\$ (12,705)
Employee Benefits	24,759	28,360	3,601
Purchased Services	91,895	56,022	(35,873)
Supplies and Materials	1,416	1,417	1
Capital Expenditures	-	-	-
Other Expenditures	495	495	-
Total Special Education Instruction	283,932	238,956	(44,976)
Instructional Support Services:			
Salaries	102,481	82,481	(20,000)
Employee Benefits	16,143	16,006	(137)
Purchased Services	5,255	3,821	(1,434)
Supplies and Materials	2,683	2,683	-
Capital Expenditures	-	19,386	19,386
Other Expenditures	829	829	-
Total Instructional Support Services	127,391	125,206	(2,185)
Pupil Support Services:			
Salaries	29,036	19,036	(10,000)
Employee Benefits	3,660	3,660	-
Purchased Services	417,941	359,626	(58,315)
Supplies and Materials	3,510	2,557	(953)
Other Expenditures	187	187	-
Total Pupil Support Services	454,334	385,066	(69,268)

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
EXPENDITURES (Continued)			
Current (Continued)			
Sites and Buildings:			
Salaries	\$ 97,874	\$ 78,529	\$ (19,345)
Employee Benefits	17,752	14,821	(2,931)
Purchased Services	914,051	880,770	(33,281)
Supplies and Materials	26,407	19,077	(7,330)
Capital Expenditures	119,000	98,233	(20,767)
Other Expenditures	2,695	951	(1,744)
Total Sites and Buildings	<u>1,177,779</u>	<u>1,092,381</u>	<u>(85,398)</u>
Fiscal and Other Fixed Cost Programs:			
Purchased Services	10,200	8,653	(1,547)
Debt Service:			
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,811,084</u>	<u>4,226,716</u>	<u>(584,368)</u>
Excess of Revenues Over Expenditures	598,483	1,222,829	624,346
OTHER FINANCING USES			
Transfers Out	<u>(11,741)</u>	<u>(25,768)</u>	<u>(14,027)</u>
Net Change in Fund Balance	<u>\$ 586,742</u>	1,197,061	<u>\$ 610,319</u>
FUND BALANCE			
Beginning of Year		<u>2,356,019</u>	
End of Year		<u>\$ 3,553,080</u>	

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2012**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 5,449,545	\$ 5,449,544	\$ 1
Total Expenditures	\$ 4,226,716	\$ 4,226,716	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 254,445	\$ 254,445	\$ -
<i>Restricted/Reserved:</i>			
403 Staff Development	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -
406 Health & Safety	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -
411 Severance Pay	\$ -	\$ -	\$ -
413 Project Funded by COP	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -
417 Taconite Building Maint	\$ -	\$ -	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -
424 Operating Capital	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -
436 State Approved Alt. Program	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -
441 Basic Skills Programs	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -
449 Safe Schools Crime	\$ -	\$ -	\$ -
450 Prekindergarten	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Committed:</i>			
418 Committed for Separation	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -
<i>Assigned:</i>			
462 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
422 Unassigned Fund Balance	\$ 3,298,635	\$ 3,298,635	\$ -
02 FOOD SERVICE			
Total Revenue	\$ 327,231	\$ 327,231	\$ -
Total Expenditures	\$ 352,999	\$ 352,999	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -
431 Community Education	\$ -	\$ -	\$ -
432 E.C.F.E.	\$ -	\$ -	\$ -
444 School Readiness	\$ -	\$ -	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unreserved:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

SINGLE AUDIT AND OTHER REQUIRED REPORTS



**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**

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Noble Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Noble Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Education
Noble Academy
Charter School No. 4171

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of Noble Academy in a separate letter dated December 2, 2012.

This report is intended solely for the information and use of the Board of Education, management of the School, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

Compliance

We have audited Noble Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Noble Academy's major federal programs for the year ended June 30, 2012. Noble Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, Noble Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.


Internal Control Over Compliance

Management of Noble Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the School Board and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2012

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Grantor/Program	CFDA Number		Agency or Pass-Through Number	Expenditures
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	*	1-422-000	\$ 31,859
Cash Assistance:				
National School Lunch Program	10.555	*	1-422-000	198,677
School Breakfast Program	10.553	*	1-422-000	79,079
Cash Assistance Subtotal				<u>277,756</u>
Total U.S. Department of Agriculture				309,615
U.S. Department of Education				
Pass-Through Minnesota Department of Education:				
ARRA - Education Jobs Fund	84.410			5,266
Title I Grants to Local Educational Agencies	84.010			177,167
Special Education Grants to States	84.027	**		119,990
ARRA - Special Education Grants to States	84.391	**		963
Title II, Part A	84.367			21,554
Title III	84.365			40,486
Total U.S. Department of Education				<u>365,426</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDED				<u><u>\$ 675,041</u></u>

* School Nutrition Cluster

** Special Education Cluster

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Noble Academy Charter School No. 4171.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the School.

REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Directors
Noble Academy
Charter School No. 4171
Minneapolis, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 2, 2012.

We conducted our audit 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 provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers two main categories of compliance to be tested: uniform financial accounting and reporting standards, and charter schools. Our study included both of the listed categories.

The results of our tests indicate that, with respect to the items tested, the School complied, in all material respects, with the provisions referred to in the preceding paragraph.

This report is intended solely for the information and use of the Board of Education, management of the School, the Minnesota Department of Education, and the office of the Minnesota State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2012

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Noble Academy.
2. No material weaknesses were disclosed during the audit of the financial statements of Noble Academy.
3. No instances of noncompliance material to the financial statements of Noble Academy were disclosed during the audit.
4. No material weaknesses in internal controls over major programs were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Noble Academy expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for Noble Academy was disclosed during the audit.
7. The programs tested as major programs included:
 - U.S. Department of Education
 - MN Child Nutrition Cluster
 - CFDA #10.555 & 10.553
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Noble Academy was determined to be a low-risk auditee.