

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

**NOBLE ACADEMY
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, 2013**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRATION</u>	<u>BOARD POSITION</u>
Ethan Yang	June 30, 2013	Board Chair
Koukhasha Lee	June 30, 2015	Vice Chair
Xouada Thaoyang	June 30, 2015	Treasurer
Jose Ziebart	June 30, 2015	Secretary
Neng C. Yang	June 30, 2013	Member

ADMINISTRATION

Neal Thao
Mai Yia Chang

Chief Executives Officer
Chief Academic Officer

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Noble Academy as of June 30, 2013, and the respective changes in financial position and budgetary comparison for General Fund and Food Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Noble Academy's 2012 financial statements of the governmental activities and each major fund, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 2, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Noble Academy's basic financial statements. The individual fund statements and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of Noble Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Noble Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 11, 2013

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal years include the following:

- Net position was \$5,529,916 as of June 30, 2013 compared to \$3,813,962 as of June 30, 2012.
- Total General Fund revenues were \$6,232,798 as compared to \$4,384,447 of expenditures.
- The fund balance of the General Fund increased \$1,770,080 from the prior year for an ending total fund balance of \$5,323,160.

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, 2013**

School-Wide Statements

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

The two School-wide statements report the School's *net position* and how it has changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health.

- Over time, increases or decreases in the School's net position is an indicator of whether its financial condition 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.

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, 2013**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's *combined* net position was \$5,529,916 on June 30, 2013 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2013	2012	
Current and Other Assets	\$ 5,679,128	\$ 3,820,670	48.64 %
Capital and Non-Current Assets	206,756	260,882	(20.75)
Total Assets	<u>5,885,884</u>	<u>4,081,552</u>	44.21
Current Liabilities	<u>355,968</u>	<u>267,590</u>	33.03
Net Position:			
Invested in Capital Assets	206,756	260,882	(20.75)
Unrestricted	<u>5,323,160</u>	<u>3,553,080</u>	49.82
Total Net Position	<u>\$ 5,529,916</u>	<u>\$ 3,813,962</u>	44.99

The School's increase in net position is the product of several factors. There was a surplus of \$1,715,594 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, 2013**

Changes in Net Position

The School's total entity-wide revenues were \$6,533,042 for the year ended June 30, 2013 (see Table A-2). Unrestricted state formula aid accounted for 78.3% of total revenue for the year. The remaining 21.7% came from other general and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2013	2012	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 14,387	\$ 13,409	7.29 %
Operating Grants and Contributions	1,378,952	1,447,279	(4.72)
<u>General Revenues</u>			
Unrestricted State Aid	5,117,056	4,254,604	20.27
Investment Earnings	260	-	-
Other	22,387	61,484	(63.59)
Total Revenues	<u>6,533,042</u>	<u>5,776,776</u>	13.09
Expenses			
Administration	355,585	318,990	11.47
District Support Services	579,465	540,111	7.29
Regular Instruction	1,677,279	1,550,454	8.18
Special Education Instruction	222,010	239,792	-
Instructional Support Services	108,881	125,953	(13.55)
Pupil Support Services	385,651	385,066	0.15
Sites and Buildings	1,095,059	1,061,304	3.18
Fiscal and Other Fixed Cost Programs	15,835	9,633	64.38
Food Service	377,323	352,999	6.89
Total Expenses	<u>4,817,088</u>	<u>4,584,302</u>	5.08
Increase in Net Position	1,715,954	1,192,474	
Beginning Net Position	3,813,962	2,621,488	
Ending Net Position	<u>\$ 5,529,916</u>	<u>\$ 3,813,962</u>	

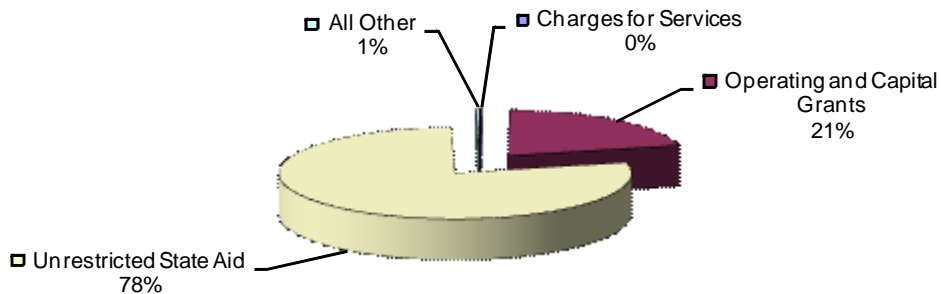
The total cost of all programs and services was \$4,817,088. Total revenues exceeded expenditures, increasing net assets \$1,715,954 from the prior year.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

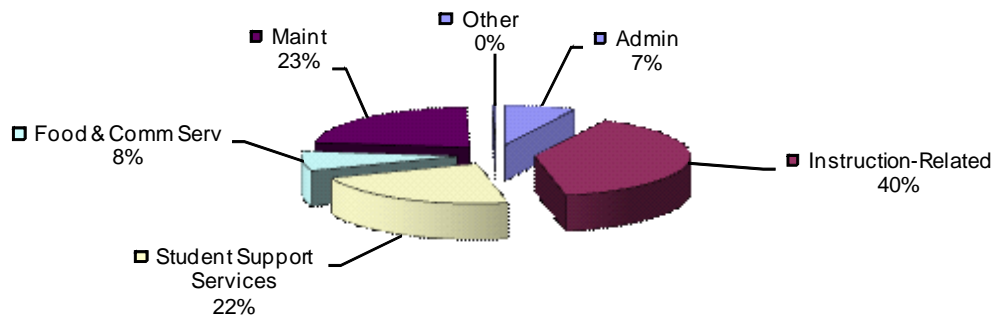
The cost of all *governmental* activities this year was \$4,817,088.

- Some of the cost was paid by the users of the School's programs (\$14,387).
- The federal government and private grant funds subsidized certain programs with grants and contributions (\$1,378,952).
- Most of the School's costs were paid for by unrestricted state aid.

**Figure A-1
Sources of School's Revenues for Fiscal 2013**



**Figure A-2
School Expenses for Fiscal 2013**



**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012		2013	2012	
Administration	\$ 355,585	\$ 318,990	11.47 %	\$ 355,585	\$ 318,990	11.47 %
District Support Services	579,465	540,111	7.29	579,465	540,111	7.29
Regular Instruction	1,677,279	1,550,454	8.18	1,399,229	1,293,673	8.16
Special Education Instruction	222,010	239,792	(7.42)	(803)	(30,296)	(97.35)
Instructional Support Services	108,881	125,953	(13.55)	108,881	125,953	(13.55)
Pupil Support Services	385,651	385,066	0.15	385,651	385,066	0.15
Sites and Buildings	1,095,059	1,061,304	3.18	502,827	454,716	10.58
Fiscal and Other Fixed Cost Programs	15,835	9,633	64.38	15,835	9,633	64.38
Food Service	377,323	352,999	6.89	77,079	25,768	1.99
Total	<u>\$ 4,817,088</u>	<u>\$ 4,584,302</u>	5.08	<u>\$ 3,423,749</u>	<u>\$ 3,123,614</u>	9.61

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

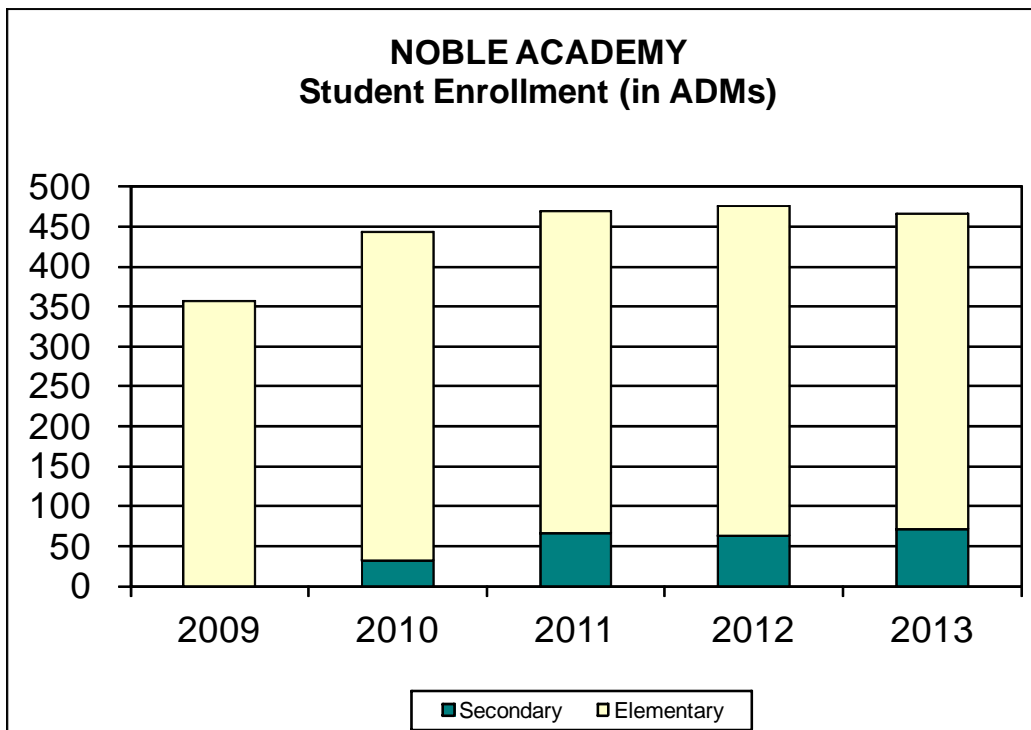
The financial performance of the School as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were \$6,533,042 while total expenditures were \$4,762,962. This contributed to a *combined* fund balance of \$5,323,160, which is \$1,770,080 more than last year's ending fund balance of \$3,553,080.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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 been consistent over the last four years.

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



The School experienced significant growth during the first years of operations. Enrollment numbers have stabilized the last four years.

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, 2013**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 260	\$ -	\$ 260	-
Other	35,998	73,791	(37,793)	(51.2)
State Sources	5,827,729	5,010,327	817,402	16.3
Federal Sources	368,811	365,427	3,384	0.9
Total General Fund Revenue	<u>\$ 6,232,798</u>	<u>\$ 5,449,545</u>	<u>\$ 783,253</u>	14.4

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 \$783,253 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 the per pupil unit funding. The School also realized additional lease aid. State special education aid also increased over the prior year.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013	June 30, 2012		
Salaries	\$ 1,856,744	\$ 1,893,738	\$ (36,994)	(2.0)%
Employee Benefits	427,794	395,397	32,397	8.2
Purchased Services	1,494,399	1,619,485	(125,086)	(7.7)
Supplies and Materials	231,699	131,477	100,222	76.2
Capital Expenditures	303,514	123,266	180,248	146.2
Other Expenditures	70,297	63,353	6,944	11.0
Total Expenditures	<u>\$ 4,384,447</u>	<u>\$ 4,226,716</u>	<u>\$ 157,731</u>	

Total General Fund Expenditures increased \$157,731 from the previous year. The majority of the increase is due to increased supplies and capital expenditures for technology equipment.

In fiscal 2013, General Fund revenues were greater than expenditures and transfers out by \$1,770,080. Therefore, total fund balance increased to \$5,323,160 at June 30, 2013.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance was \$1,596,948 at June 30, 2013. The total fund balance (which includes \$328,181 of prepaid items and \$3,398,031 of assigned items) of \$5,323,160 represents 121.4% 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 \$383,939 less than budgeted. This is largely due to actual enrollment being less than what was expected.

Actual expenditures were lower than budgeted with a total variance of \$869,885.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

While the School's final budget for the General Fund anticipated that revenues would be more than expenditures and transfers out by \$1,291,373 the actual results for the year show revenues exceeding expenditures and transfers out by \$1,770,080.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$78,271, requiring a transfer of \$78,271 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 2012-2013 fiscal year, the School had invested \$427,115, 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 \$70,728.

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

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Noble Academy			
Equipment	\$ 400,379	\$ 463,201	(13.6)%
Vehicles	26,736	26,736	-
Less: Accumulated Depreciation	<u>(220,359)</u>	<u>(229,055)</u>	(3.8)
Total	<u>\$ 206,756</u>	<u>\$ 260,882</u>	(20.7)

The School had no long-term obligations at June 30, 2013.

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 for most Minnesota schools. In 2013-2014, 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. 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, 2013**

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 POSITION
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Governmental Activities	
	2013	2012
ASSETS		
Cash and Investments	\$ 4,675,741	\$ 1,733,722
Receivables:		
Other Governments	669,534	1,802,385
Other	5,672	27,064
Prepaid Items	328,181	254,445
Inventories	-	3,054
Capital Assets, Net of Depreciation	206,756	260,882
Total Assets	<u>5,885,884</u>	<u>4,081,552</u>
LIABILITIES		
Salaries Payable	173,789	206,088
Accounts and Contracts Payable	182,179	61,502
Total Liabilities	<u>355,968</u>	<u>267,590</u>
NET POSITION		
Invested in Capital Assets	206,756	260,882
Unrestricted	5,323,160	3,553,080
Total Net Position	<u>\$ 5,529,916</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2013	2012
ASSETS				
Cash and Investments	\$ 4,675,741	\$ -	\$ 4,675,741	\$ 1,733,722
Receivables:				
Due from Minnesota Department of Education	579,749	1,485	581,234	1,680,019
Due from Federal through Minnesota Department of Education	68,224	20,076	88,300	122,366
Other Receivables	5,672	-	5,672	27,064
Due from Other Funds	10,524	-	10,524	75,342
Prepaid Items	328,181	-	328,181	254,445
Inventory	-	-	-	3,054
	<u>5,668,091</u>	<u>21,561</u>	<u>5,689,652</u>	<u>3,896,012</u>
Total Assets	<u>\$ 5,668,091</u>	<u>\$ 21,561</u>	<u>\$ 5,689,652</u>	<u>\$ 3,896,012</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries Payable	\$ 143,985	\$ 1,500	\$ 145,485	\$ 179,022
Payroll Deductions and Employer Contributions Payable	28,080	224	28,304	27,066
Accounts and Contracts Payable	172,866	9,313	182,179	61,502
Due to Other Funds	-	10,524	10,524	75,342
	<u>344,931</u>	<u>21,561</u>	<u>366,492</u>	<u>342,932</u>
Total Liabilities	344,931	21,561	366,492	342,932
Fund Balance:				
Nonspendable:				
Prepaid Items	328,181	-	328,181	254,445
Assigned	3,398,031	-	3,398,031	-
Unassigned	1,596,948	-	1,596,948	3,298,635
	<u>5,323,160</u>	<u>-</u>	<u>5,323,160</u>	<u>3,553,080</u>
Total Fund Balance	5,323,160	-	5,323,160	3,553,080
Total Liabilities and Fund Balance	<u>\$ 5,668,091</u>	<u>\$ 21,561</u>	<u>\$ 5,689,652</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 POSITION
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)

	2013	2012
Total Fund Balance for Governmental Funds	\$ 5,323,160	\$ 3,553,080
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Equipment, Net of Accumulated Depreciation	206,756	260,882
Total Net Position of Governmental Activities	\$ 5,529,916	\$ 3,813,962

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2013	2012
REVENUES				
Local Sources:				
Earnings on Investments	\$ 260	\$ -	\$ 260	\$ -
Other	35,998	776	36,774	74,893
State Sources	5,827,729	14,259	5,841,988	5,026,842
Federal Sources	368,811	285,209	654,020	675,041
Total Revenues	<u>6,232,798</u>	<u>300,244</u>	<u>6,533,042</u>	<u>5,776,776</u>
EXPENDITURES				
Current:				
Administration	355,585	-	355,585	286,906
District Support Services	550,711	-	550,711	534,464
Regular Instruction	1,447,043	-	1,447,043	1,549,437
Special Education Instruction	221,174	-	221,174	238,956
Instructional Support Services	108,134	-	108,134	105,820
Pupil Support Services	385,651	-	385,651	385,066
Sites and Buildings	996,800	-	996,800	994,148
Fiscal and Other Fixed Cost Programs	15,835	-	15,835	8,653
Food Service	-	376,227	376,227	352,999
Capital Outlay	303,514	2,288	305,802	123,266
Total Expenditures	<u>4,384,447</u>	<u>378,515</u>	<u>4,762,962</u>	<u>4,579,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,848,351	(78,271)	1,770,080	1,197,061
OTHER FINANCING SOURCES (USES)				
Transfers In	-	78,271	78,271	25,768
Transfers Out	(78,271)	-	(78,271)	(25,768)
Total Other Financing Sources (Uses)	<u>(78,271)</u>	<u>78,271</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,770,080	-	1,770,080	1,197,061
Fund Balances - Beginning	<u>3,553,080</u>	<u>-</u>	<u>3,553,080</u>	<u>2,356,019</u>
Fund Balances - Ending	<u>\$ 5,323,160</u>	<u>\$ -</u>	<u>\$ 5,323,160</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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)

	2013	2012
Net Change in Fund Balance-Total Governmental Funds	\$ 1,770,080	\$ 1,197,061
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlays	16,602	71,971
Depreciation Expense	(70,728)	(76,558)
Change in Net Position of Governmental Activities	\$ 1,715,954	\$ 1,192,474

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
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 260	\$ 260	\$ 260	\$ -
Other	24,740	24,740	35,998	11,258
State Sources	5,820,696	6,363,256	5,827,729	(535,527)
Federal Sources	254,236	228,481	368,811	140,330
Total Revenues	<u>6,099,932</u>	<u>6,616,737</u>	<u>6,232,798</u>	<u>(383,939)</u>
EXPENDITURES				
Current:				
Administration	566,084	479,260	355,585	(123,675)
District Support Services	809,553	706,723	550,711	(156,012)
Elementary and Secondary Regular Instruction	2,201,110	1,898,610	1,447,043	(451,567)
Special Education Instruction	359,051	297,043	221,174	(75,869)
Instructional Support Services	142,180	126,972	108,134	(18,838)
Pupil Support Services	427,682	417,558	385,651	(31,907)
Sites and Buildings	1,149,858	1,128,166	996,800	(131,366)
Fiscal and Other Fixed Cost Programs	13,623	20,000	15,835	(4,165)
Capital Outlay	225,000	180,000	303,514	123,514
Total Expenditures	<u>5,894,141</u>	<u>5,254,332</u>	<u>4,384,447</u>	<u>(869,885)</u>
Excess of Revenues Over Expenditures	205,791	1,362,405	1,848,351	485,946
OTHER FINANCING USES				
Transfers Out	-	(71,032)	(78,271)	(7,239)
Net Change in Fund Balance	<u>\$ 205,791</u>	<u>\$ 1,291,373</u>	1,770,080	<u>\$ 478,707</u>
FUND BALANCE				
Beginning of Year			<u>3,553,080</u>	
End of Year			<u>\$ 5,323,160</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 1,200	\$ 1,200	\$ 776	\$ (424)
State Sources	15,000	15,000	14,259	(741)
Federal Sources	263,585	263,585	285,209	21,624
Total Revenues	<u>279,785</u>	<u>279,785</u>	<u>300,244</u>	<u>20,459</u>
EXPENDITURES				
Current:				
Food Service	315,451	349,317	376,227	26,910
Capital Outlay	366	1,500	2,288	788
Total Expenditures	<u>315,817</u>	<u>350,817</u>	<u>378,515</u>	<u>27,698</u>
Deficiency of Revenues Under Expenditures	(36,032)	(71,032)	(78,271)	(7,239)
OTHER FINANCING SOURCES				
Transfer in	<u>-</u>	<u>71,032</u>	<u>78,271</u>	<u>7,239</u>
Net Change in Fund Balance	<u>\$ (36,032)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE				
Beginning of Year			<u>-</u>	
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, 2013**

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 dependent 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, 2013.

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.

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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Position 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 is 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 position is 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, 2013**

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 revenues (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 is 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, 2013**

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.

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

<u>Revenues</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 6,099,932	\$ 516,805	\$ 6,616,737
<u>Expenditures</u>			
General Fund	\$ 5,894,141	\$ (639,809)	\$ 5,254,332
Special Revenue Funds:			
Food Service Fund	315,817	35,000	350,817

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgeting (Continued)

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, bankers 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.

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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid items, 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. The School currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Administrative Director to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts in the General Fund. At June 30, 2013 the School has assigned fund balance of \$3,398,031 which is intended to be used for technology updates, future enrollment expansion and teacher performance incentives.

In accordance with the School's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the School's policy to strive to maintain a minimum unassigned General Fund balance of 30% of the annual expenditures in the General Fund.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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.

M. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulation depreciation. Net position is 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.

N. Summarized Comparative Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2013.

	Budget	Expenditures	Excess
Food Service Fund	\$ 350,817	\$ 378,515	\$ 27,698

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

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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 position 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's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

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

Authorized collateral 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, 2013 were \$4,675,741 and \$4,826,293, 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, 2013**

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, 2013**

NOTE 4 INTERFUND BALANCES

At June 30, 2013, the following were the interfund balances:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 10,524	\$ -
Food Service Fund	-	10,524
Total	<u>\$ 10,524</u>	<u>\$ 10,524</u>

During the year, the General Fund 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 463,201	\$ 16,602	\$ (79,424)	\$ 400,379
Vehicles	26,736	-	-	26,736
Total Capital Assets, Being Depreciated	<u>489,937</u>	<u>16,602</u>	<u>(79,424)</u>	<u>427,115</u>
Accumulated Depreciation for:				
Furniture and Equipment	(211,869)	(66,907)	79,424	(199,352)
Vehicles	(17,186)	(3,821)	-	(21,007)
Total Accumulated Depreciation	<u>(229,055)</u>	<u>(70,728)</u>	<u>79,424</u>	<u>(220,359)</u>
Governmental Activities Capital Assets, Net	<u>\$ 260,882</u>	<u>\$ (54,126)</u>	<u>\$ -</u>	<u>\$ 206,756</u>

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

Governmental Activities	
District Support Services	\$ 27,552
Regular Instruction	2,122
Special Education Instruction	836
Instructional Support Services	747
Sites and Buildings	38,375
Food Service	1,096
Total Depreciation Expense, Governmental Activities	<u>\$ 70,728</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 PENSION PLANS

Substantially all employees of the School are required by State Law to belong to a pension plan administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

1. Plan Description

All teachers employed by the School are covered by 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 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 service credit. 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.

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 6.00% and 9.50%, respectively, of their annual covered salary while the School is required to contribute at an actuarially determined rate.

The School is required to contribute the following percentages of annual covered payroll: 6.50% for Coordinated Plan members and 10.00% for Basic Plan members. 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, 2013, 2012 and 2011 were \$86,192, \$90,797 and \$73,953, respectively, equal to the required contributions for each year as set by state statute.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 PENSION PLANS (CONTINUED)

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. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org. 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 School makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary.

The School is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The School's contributions for the years ended June 30, 2013, 2012 and 2011 were \$35,648, \$28,019 and \$31,009, respectively. The School's contributions were equal to the contractually required contributions for each year as set by state statute.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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.

B. Lease Commitments and Terms – School Site

On September 1, 2009, Noble Academy entered into a building lease with MCA Holdings, Inc. commencing on September 1, 2009 and terminating 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, 2013 was \$634,508. Future minimum lease payments, based on the minimum of 400 pupil units, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 533,200
2015	533,200
2016	533,200
2017	88,867
Total	<u>\$ 1,688,467</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
BALANCE SHEET
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Cash and Investments	\$ 4,675,741	\$ 1,733,722
Receivables:		
Accounts and Interest Receivable	5,672	1,333
Due from Other Funds	10,524	75,342
Due from Minnesota Department of Education	579,749	1,677,780
Due from Federal through the Minnesota Department of Education	68,224	78,048
Prepaid Items	328,181	254,445
Total Assets	\$ 5,668,091	\$ 3,820,670
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 143,985	\$ 179,022
Payroll Deductions and Employer Contributions Payable	28,080	27,066
Accounts and Contracts Payable	172,866	61,502
Total Liabilities	344,931	267,590
Fund Balance:		
Nonspendable:		
Prepaid Items	328,181	254,445
Assigned	3,398,031	-
Unassigned	1,596,948	3,298,635
Total Fund Balance	5,323,160	3,553,080
Total Liabilities and Fund Balance	\$ 5,668,091	\$ 3,820,670

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 260	\$ 260	\$ -	\$ -
Other	24,740	35,998	11,258	73,791
State Sources	6,363,256	5,827,729	(535,527)	5,010,327
Federal Sources	228,481	368,811	140,330	365,427
Total Revenues	6,616,737	6,232,798	(383,939)	5,449,545
EXPENDITURES				
Current:				
Administration:				
Salaries	391,970	290,349	(101,621)	238,290
Employee Benefits	72,227	49,470	(22,757)	39,779
Purchased Services	11,677	12,380	703	7,655
Supplies and Materials	1,306	1,306	-	495
Other Expenditures	2,080	2,080	-	687
Total Administration	479,260	355,585	(123,675)	286,906
District Support Services:				
Salaries	265,952	197,002	(68,950)	173,772
Employee Benefits	171,716	117,613	(54,103)	84,001
Purchased Services	211,751	181,487	(30,264)	207,581
Supplies and Materials	33,583	32,888	(695)	29,144
Capital Expenditures	5,000	3,097	(1,903)	5,647
Other Expenditures	23,721	21,721	(2,000)	39,966
Total District Support Services	711,723	553,808	(157,915)	540,111
Elementary and Secondary Regular Instruction:				
Salaries	1,427,136	1,062,216	(364,920)	1,148,968
Employee Benefits	284,597	194,685	(89,912)	208,770
Purchased Services	37,196	37,067	(129)	95,357
Supplies and Materials	118,607	124,001	5,394	76,104
Capital Expenditures	125,000	236,242	111,242	-
Other Expenditures	31,074	29,074	(2,000)	20,238
Total Elementary and Secondary Regular Instruction	2,023,610	1,683,285	(340,325)	1,549,437

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 173,417	\$ 128,456	\$ (44,961)	\$ 152,662
Employee Benefits	46,482	31,837	(14,645)	28,360
Purchased Services	75,414	59,151	(16,263)	56,022
Supplies and Materials	1,730	1,730	-	1,417
Total Special Education Instruction	297,043	221,174	(75,869)	238,956
Instructional Support Services:				
Salaries	69,132	51,209	(17,923)	82,481
Employee Benefits	15,598	10,683	(4,915)	16,006
Purchased Services	3,695	3,695	-	3,821
Supplies and Materials	35,277	39,277	4,000	2,683
Capital Expenditures	-	-	-	19,386
Other Expenditures	3,270	3,270	-	829
Total Instructional Support Services	126,972	108,134	(18,838)	125,206
Pupil Support Services:				
Salaries	45,162	33,453	(11,709)	19,036
Employee Benefits	10,370	7,103	(3,267)	3,660
Purchased Services	358,926	341,995	(16,931)	359,626
Supplies and Materials	2,964	2,964	-	2,557
Other Expenditures	136	136	-	187
Total Pupil Support Services	417,558	385,651	(31,907)	385,066

**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, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 126,980	\$ 94,059	\$ (32,921)	\$ 78,529
Employee Benefits	23,947	16,403	(7,544)	14,821
Purchased Services	930,987	842,789	(88,198)	880,770
Supplies and Materials	31,533	29,533	(2,000)	19,077
Capital Expenditures	50,000	64,175	14,175	98,233
Other Expenditures	14,719	14,016	(703)	951
Total Sites and Buildings	1,178,166	1,060,975	(117,191)	1,092,381
Fiscal and Other Fixed Cost Programs:				
Purchased Services	20,000	15,835	(4,165)	8,653
Total Expenditures	5,254,332	4,384,447	(869,885)	4,226,716
Excess of Revenues Over Expenditures	1,362,405	1,848,351	485,946	1,222,829
OTHER FINANCING USES				
Transfers Out	(71,032)	(78,271)	(7,239)	(25,768)
Net Change in Fund Balance	\$ 1,291,373	1,770,080	\$ 478,707	1,197,061
FUND BALANCE				
Beginning of Year		3,553,080		2,356,019
End of Year		\$ 5,323,160		\$ 3,553,080

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 FOOD SERVICE SPECIAL REVENUE FUND
 BALANCE SHEET
 JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Receivables:		
Accounts and Interest Receivable	\$ -	\$ 25,731
Due from Minnesota Department of Education	1,485	2,239
Due from Federal through the Minnesota Department of Education	20,076	44,318
Inventory	-	3,054
Total Assets	\$ 21,561	\$ 75,342
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 1,500	\$ -
Payroll Deductions and Employer Contributions Payable	224	-
Accounts and Contracts Payable	9,313	-
Due to Other Funds	10,524	75,342
Total Liabilities	21,561	75,342
Fund Balance:		
Restricted	-	-
Total Liabilities and Fund Equity	\$ 21,561	\$ 75,342

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 1,200	\$ 776	\$ (424)	\$ 1,102
State Sources	15,000	14,259	(741)	16,515
Federal Sources	263,585	285,209	21,624	309,614
Total Revenues	279,785	300,244	20,459	327,231
EXPENDITURES				
Current:				
Administration	5,288	9,288	4,000	-
Salaries	21,093	25,420	4,327	11,022
Employee Benefits	2,000	3,788	1,788	1,642
Supplies and Materials	320,936	337,731	16,795	340,335
Capital Outlay	1,500	2,288	788	-
Total Expenditures	350,817	378,515	27,698	352,999
Deficiency of Revenues Under Expenditures	(71,032)	(78,271)	(7,239)	(25,768)
OTHER FINANCING SOURCES				
Transfer in	71,032	78,271	7,239	25,768
Net Change in Fund Balance	\$ -	-	\$ -	-
FUND BALANCE				
Beginning of Year		-		-
End of Year		\$ -		\$ -

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2013**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 6,232,798	\$ 6,232,799	\$ (1)
Total Expenditures	4,384,447	4,384,448	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	328,181	328,181	-
<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 Assigned Fund Balance	3,398,031	3,398,031	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	1,596,948	1,596,948	-
02 FOOD SERVICE			
Total Revenue	300,244	300,244	-
Total Expenditures	378,515	378,515	-
<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

**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Noble Academy, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Noble Academy's basic financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 11, 2013

**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

Report on Compliance for Each Major Federal Program

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, 2013. Noble Academy's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Noble Academy complied, in all material respects, with the types of 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, 2013.


Report on Internal Control Over Compliance

Management of Noble Academy 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 Noble Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Noble Academy'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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 11, 2013

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Noble Academy as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 11, 2013.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the School's compliance. Accordingly, this communication is not suitable for any other purpose.


CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 11, 2013

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

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	\$ 9,288
Cash Assistance:			
National School Lunch Program	10.555	* 1-422-000	197,070
School Breakfast Program	10.553	* 1-422-000	78,851
Cash Assistance Subtotal			<u>275,921</u>
Total U.S. Department of Agriculture			285,209
U.S. Department of Education			
Pass-Through Minnesota Department of Education:			
Title I Grants to Local Educational Agencies	84.010		180,993
Special Education Grants to States	84.027	**	83,198
Facilities Incentive Grant	84.282D		21,175
Title II, Part A	84.367		20,671
Title III	84.365		62,776
Total U.S. Department of Education			<u>368,813</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDED			<u><u>\$ 654,022</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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

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.