

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

**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, 2014**

SCHOOL BOARD

<u>NAME</u>	<u>TERM ON BOARD EXPIRATION</u>	<u>BOARD POSITION</u>
Koukhasha Lee	June 30, 2015	Board Chair
Neng C. Yang	June 30, 2016	Vice Chair
Xouada Thaoyang	June 30, 2015	Treasurer
Beth Horihan	June 30, 2015	Secretary
Cindy Vang	June 30, 2016	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, 2014, and the related notes to the financial statements, which collectively comprise the entity'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, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Prior Year Information

We have previously audited Noble Academy's 2013 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the Noble Academy's basic financial statements. The individual fund statements and the Uniform Financial Accounting and Reporting Standards (UFARS) compliance table are presented for purposes of additional analysis and are 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 21, 2014, 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 21, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

This section of Noble Academy – Charter School No. 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, 2014. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal years include the following:

- Net position was \$6,045,273 as of June 30, 2014 compared to \$5,529,916 as of June 30, 2013.
- Total General Fund revenues were \$5,110,606 as compared to \$4,657,747 of expenditures.
- The fund balance of the General Fund increased \$452,859 from the prior year for an ending total fund balance of \$5,776,019.

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, 2014**

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, 2014**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's *combined* net position was \$6,045,273 on June 30, 2014 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2014	2013	
Current and Other Assets	\$ 6,077,114	\$ 5,679,128	7.01 %
Capital and Non-Current Assets	175,293	206,756	(15.22)
Total Assets	<u>6,252,407</u>	<u>5,885,884</u>	6.23
Current Liabilities	<u>207,134</u>	<u>355,968</u>	(41.81)
Net Position:			
Invested in Capital Assets	175,293	206,756	(15.22)
Restricted	93,961	-	N/A
Unrestricted	<u>5,776,019</u>	<u>5,323,160</u>	8.51
Total Net Position	<u><u>\$ 6,045,273</u></u>	<u><u>\$ 5,529,916</u></u>	9.32

The School's increase in net position is the product of several factors. There was a surplus of \$515,357 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, 2014**

Changes in Net Position

The School's total entity-wide revenues were \$5,453,923 for the year ended June 30, 2014 (see Table A-2). Unrestricted state formula aid accounted for 74.5% of total revenue for the year. The remaining 25.5% 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
	2014	2013	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 7,727	\$ 14,387	(46.29)%
Operating Grants and Contributions	1,343,068	1,378,952	(2.60)
<u>General Revenues</u>			
Unrestricted State Aid	4,062,942	5,117,056	(20.60)
Investment Earnings	514	260	-
Other	39,672	22,387	77.21
Total Revenues	<u>5,453,923</u>	<u>6,533,042</u>	(16.52)
Expenses			
Administration	451,023	355,585	26.84
District Support Services	647,162	579,465	11.68
Regular Instruction	1,575,526	1,677,279	(6.07)
Special Education Instruction	189,628	222,010	-
Instructional Support Services	67,184	108,881	(38.30)
Pupil Support Services	452,828	385,651	17.42
Sites and Buildings	1,286,103	1,095,059	17.45
Fiscal and Other Fixed Cost Programs	18,546	15,835	17.12
Food Service	250,566	377,323	(33.59)
Total Expenses	<u>4,938,566</u>	<u>4,817,088</u>	2.52
Increase in Net Position	515,357	1,715,954	
Beginning Net Position	5,529,916	3,813,962	
Ending Net Position	<u>\$ 6,045,273</u>	<u>\$ 5,529,916</u>	

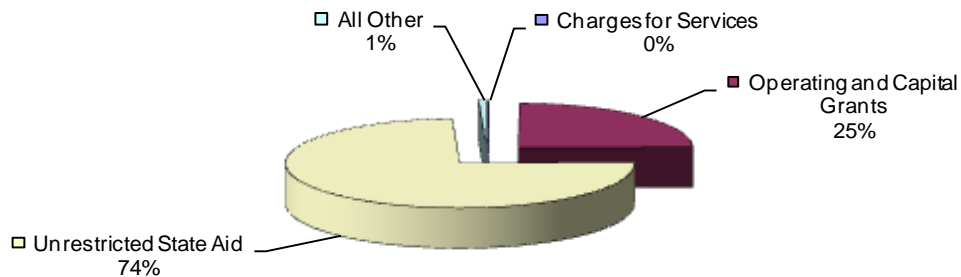
The total cost of all programs and services was \$4,938,566. Total revenues exceeded expenditures, increasing net assets \$515,357 from the prior year.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

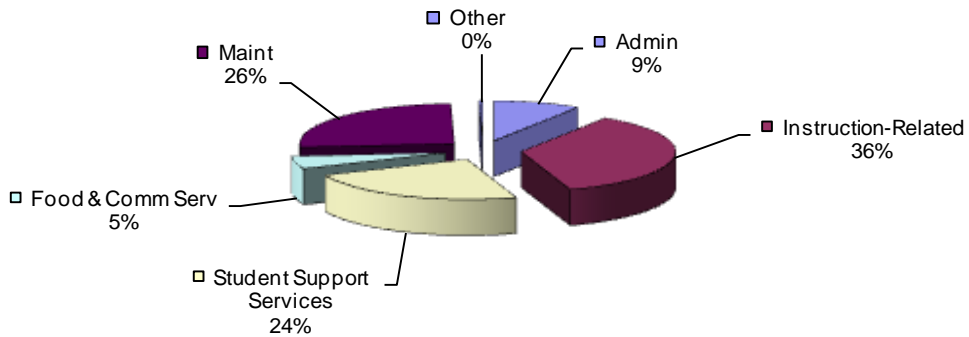
The cost of all *governmental* activities this year was \$4,938,566.

- Some of the cost was paid by the users of the School's programs (\$7,727).
- The federal government and private grant funds subsidized certain programs with grants and contributions (\$1,343,068).
- Most of the School's costs were paid for by unrestricted state aid.

**Figure A-1
Sources of School's Revenues for Fiscal 2014**



**Figure A-2
School Expenses for Fiscal 2014**



**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013		2014	2013	
Administration	\$ 451,023	\$ 318,990	41.39 %	\$ 451,023	\$ 355,585	26.84 %
District Support Services	647,162	540,111	19.82	647,162	579,465	11.68
Regular Instruction	1,575,526	1,550,454	1.62	1,325,844	1,399,229	(5.24)
Special Education Instruction	189,628	239,792	(20.92)	3,861	(803)	(580.82)
Instructional Support Services	67,184	125,953	(46.66)	67,184	108,881	(38.30)
Pupil Support Services	452,828	385,066	17.60	452,828	385,651	17.42
Sites and Buildings	1,286,103	1,061,304	21.18	714,074	502,827	42.01
Fiscal and Other Fixed Cost Programs	18,546	9,633	92.53	18,546	15,835	17.12
Food Service	250,566	352,999	(29.02)	(92,751)	77,079	(2.20)
Total	<u>\$ 4,938,566</u>	<u>\$ 4,584,302</u>	7.73	<u>\$ 3,587,771</u>	<u>\$ 3,423,749</u>	4.79

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

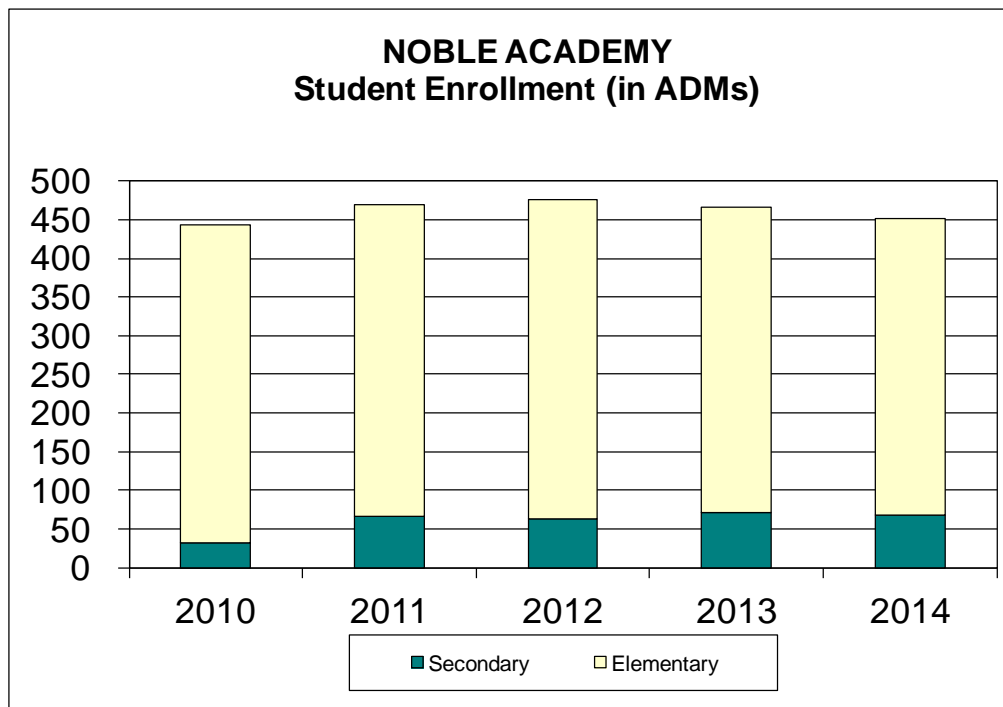
The financial performance of the School as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were \$5,453,923 while total expenditures were \$4,907,103. This contributed to a *combined* fund balance of \$5,869,980, which is \$546,820 more than last year's ending fund balance of \$5,323,160.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 514	\$ 260	\$ 254	- %
Other	45,978	35,998	9,980	27.7
State Sources	4,757,875	5,827,729	(1,069,854)	(18.4)
Federal Sources	306,239	368,811	(62,572)	(17.0)
Total General Fund Revenue	<u>\$ 5,110,606</u>	<u>\$ 6,232,798</u>	<u>\$ (1,122,192)</u>	(18.0)

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 decreased by \$1,122,192 from the previous year. The majority of this change is related to the elimination of the extended time funding for fiscal 2014 and the impact of a significant payment received in fiscal 2013 from the Minnesota Department of Education that related to a prior year but had been appealed by the School.

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, 2014	June 30, 2013		
Salaries	\$ 1,964,735	\$ 1,856,744	\$ 107,991	5.8 %
Employee Benefits	538,998	427,794	111,204	26.0
Purchased Services	1,796,224	1,494,399	301,825	20.2
Supplies and Materials	214,872	231,699	(16,827)	(7.3)
Capital Expenditures	84,291	303,514	(219,223)	(72.2)
Other Expenditures	58,627	70,297	(11,670)	(16.6)
Total Expenditures	<u>\$ 4,657,747</u>	<u>\$ 4,384,447</u>	<u>\$ 273,300</u>	6.2

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Total General Fund Expenditures increased \$273,300 from the previous year. The majority of the increase is due to increased purchased services.

In fiscal 2014, General Fund revenues were greater than expenditures by \$452,859. Therefore, total fund balance increased to \$5,756,019 at June 30, 2014.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance was \$2,009,199 at June 30, 2014, which represents 43.1% of General Fund expenditures. The total fund balance of \$5,776,019 includes \$368,789 of nonspendable fund balance for prepaid items and \$3,398,031 of assigned items.

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 \$392,151 (or 7.1%) less than budgeted. This is largely due to actual enrollment being less than what was expected.

Actual expenditures were lower than the amount budgeted \$221,459 (or 4.5%).

While the School's final budget for the General Fund anticipated that revenues would be more than expenditures by \$623,551 the actual results for the year show revenues exceeding expenditures by \$452,859.

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$93,961.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2013-2014 fiscal year, the School had invested \$367,307, 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 4 to the financial statements.) Total depreciation expense for the year was \$68,632.

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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Noble Academy			
Equipment	\$ 330,138	\$ 400,379	(17.5)%
Vehicles	37,169	26,736	39.0
Less: Accumulated Depreciation	<u>(192,014)</u>	<u>(220,359)</u>	(12.9)
Total	<u><u>\$ 175,293</u></u>	<u><u>\$ 206,756</u></u>	(15.2)

The School had no long-term obligations at June 30, 2014.

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. Fortunately, the School has sufficient fund balance which will allow it to maintain normal operations.

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.

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Governmental Activities	
	2014	2013
ASSETS		
Cash and Investments	\$ 5,414,354	\$ 4,675,741
Receivables:		
Other Governments	257,233	669,534
Other	36,738	5,672
Prepaid Items	368,789	328,181
Capital Assets, Net of Depreciation	175,293	206,756
Total Assets	6,252,407	5,885,884
LIABILITIES		
Salaries Payable	188,783	173,789
Accounts and Contracts Payable	18,351	182,179
Total Liabilities	207,134	355,968
NET POSITION		
Invested in Capital Assets	175,293	206,756
Food Service	93,961	-
Unrestricted	5,776,019	5,323,160
Total Net Position	\$ 6,045,273	\$ 5,529,916

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

Functions	2014			2013	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total	Total
				Governmental Activities	Governmental Activities
Governmental Activities					
Administration	\$ 451,023	\$ -	\$ -	\$ (451,023)	\$ (355,585)
District Support Services	647,162	-	-	(647,162)	(579,465)
Regular Instruction	1,575,526	6,306	243,376	(1,325,844)	(1,399,229)
Special Education Instruction	189,628	-	185,767	(3,861)	803
Instructional Support Services	67,184	-	-	(67,184)	(108,881)
Pupil Support Services	452,828	-	-	(452,828)	(385,651)
Sites and Buildings	1,286,103	-	572,029	(714,074)	(502,827)
Fiscal and Other Fixed Cost Programs	18,546	-	-	(18,546)	(15,835)
Food Service	250,566	1,421	341,896	92,751	(77,079)
Total School District	<u>\$ 4,938,566</u>	<u>\$ 7,727</u>	<u>\$ 1,343,068</u>	(3,587,771)	(3,423,749)
General Revenues					
				4,062,942	5,117,056
				514	260
				39,672	22,387
				<u>4,103,128</u>	<u>5,139,703</u>
				515,357	1,715,954
				<u>5,529,916</u>	<u>3,813,962</u>
				<u>\$ 6,045,273</u>	<u>\$ 5,529,916</u>

See accompanying Notes to Basic Financial Statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2014	2013
ASSETS				
Cash and Investments	\$ 5,331,628	\$ 82,726	\$ 5,414,354	\$ 4,675,741
Receivables:				
Due from Minnesota Department of Education	99,335	1,635	100,970	581,234
Due from Federal through Minnesota Department of Education	146,663	9,600	156,263	88,300
Other Receivables	36,738	-	36,738	5,672
Due from Other Funds	-	-	-	10,524
Prepaid Items	368,789	-	368,789	328,181
	<u>\$ 5,983,153</u>	<u>\$ 93,961</u>	<u>\$ 6,077,114</u>	<u>\$ 5,689,652</u>
Total Assets				
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries Payable	\$ 157,266	\$ -	\$ 157,266	\$ 145,485
Payroll Deductions and Employer Contributions Payable	31,517	-	31,517	28,304
Accounts and Contracts Payable	18,351	-	18,351	182,179
Due to Other Funds	-	-	-	10,524
	<u>207,134</u>	<u>-</u>	<u>207,134</u>	<u>366,492</u>
Total Liabilities				
Fund Balance:				
Nonspendable:				
Prepaid Items	368,789	-	368,789	328,181
Restricted	-	93,961	93,961	-
Assigned	3,398,031	-	3,398,031	3,398,031
Unassigned	2,009,199	-	2,009,199	1,596,948
	<u>5,776,019</u>	<u>93,961</u>	<u>5,869,980</u>	<u>5,323,160</u>
Total Fund Balance				
Total Liabilities and Fund Balance	<u>\$ 5,983,153</u>	<u>\$ 93,961</u>	<u>\$ 6,077,114</u>	<u>\$ 5,689,652</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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)

	2014	2013
Total Fund Balance for Governmental Funds	\$ 5,869,980	\$ 5,323,160
<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	175,293	206,756
Total Net Position of Governmental Activities	\$ 6,045,273	\$ 5,529,916

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2014	2013
REVENUES				
Local Sources:				
Earnings on Investments	\$ 514	\$ -	\$ 514	\$ 260
Other	45,978	1,421	47,399	36,774
State Sources	4,757,875	18,735	4,776,610	5,841,988
Federal Sources	306,239	323,161	629,400	654,020
Total Revenues	5,110,606	343,317	5,453,923	6,533,042
EXPENDITURES				
Current:				
Administration	488,192	-	488,192	355,585
District Support Services	616,459	-	616,459	550,711
Regular Instruction	1,573,404	-	1,573,404	1,447,043
Special Education Instruction	188,792	-	188,792	221,174
Instructional Support Services	66,437	-	66,437	108,134
Pupil Support Services	414,933	-	414,933	385,651
Sites and Buildings	1,206,693	-	1,206,693	996,800
Fiscal and Other Fixed Cost Programs	18,546	-	18,546	15,835
Food Service	-	249,356	249,356	376,227
Capital Outlay	84,291	-	84,291	305,802
Total Expenditures	4,657,747	249,356	4,907,103	4,762,962
Excess of Revenues Over Expenditures	452,859	93,961	546,820	1,770,080
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	78,271
Transfers Out	-	-	-	(78,271)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	452,859	93,961	546,820	1,770,080
Fund Balances - Beginning	5,323,160	-	5,323,160	3,553,080
Fund Balances - Ending	\$ 5,776,019	\$ 93,961	\$ 5,869,980	\$ 5,323,160

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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)

	2014	2013
Net Change in Fund Balance-Total Governmental Funds	\$ 546,820	\$ 1,770,080
<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	37,169	16,602
Depreciation Expense	(68,632)	(70,728)
Change in Net Position of Governmental Activities	\$ 515,357	\$ 1,715,954

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 276	\$ 387	\$ 514	\$ 127
Other	24,724	34,613	45,978	11,365
State Sources	5,525,627	5,146,129	4,757,875	(388,254)
Federal Sources	379,252	321,628	306,239	(15,389)
Total Revenues	<u>5,929,879</u>	<u>5,502,757</u>	5,110,606	(392,151)
EXPENDITURES				
Current:				
Administration	706,245	505,220	488,192	(17,028)
District Support Services	767,737	638,608	616,459	(22,149)
Elementary and Secondary Regular Instruction	2,190,431	1,595,671	1,573,404	(22,267)
Special Education Instruction	194,818	219,081	188,792	(30,289)
Instructional Support Services	80,490	69,446	66,437	(3,009)
Pupil Support Services	466,569	445,347	414,933	(30,414)
Sites and Buildings	1,179,168	1,286,514	1,206,693	(79,821)
Fiscal and Other Fixed Cost Programs	14,411	19,319	18,546	(773)
Capital Outlay	<u>225,000</u>	<u>100,000</u>	<u>84,291</u>	<u>(15,709)</u>
Total Expenditures	<u>5,824,869</u>	<u>4,879,206</u>	<u>4,657,747</u>	<u>(221,459)</u>
Net Change in Fund Balance	<u>\$ 105,010</u>	<u>\$ 623,551</u>	452,859	<u>\$ (170,692)</u>
FUND BALANCE				
Beginning of Year			<u>5,323,160</u>	
End of Year			<u>\$ 5,776,019</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, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 1,084	\$ 945	\$ 1,421	\$ 476
State Sources	20,961	18,278	18,735	457
Federal Sources	360,219	314,102	323,161	9,059
Total Revenues	382,264	333,325	343,317	9,992
EXPENDITURES				
Current:				
Food Service	382,264	305,671	249,356	(56,315)
Net Change in Fund Balance	\$ -	\$ 27,654	93,961	\$ 66,307
FUND BALANCE				
Beginning of Year			-	
End of Year			\$ 93,961	

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, 2014**

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 an authorizer agreement that extends 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, 2014.

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, 2014**

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, 2014**

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, 2014**

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 Food Service 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:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 5,929,879	\$ (427,122)	\$ 5,502,757
Special Revenue Fund:			
Food Service Fund	382,264	(48,939)	333,325
<u>Expenditures</u>			
General Fund	\$ 5,824,869	\$ (945,663)	\$ 4,879,206
Special Revenue Fund:			
Food Service Fund	382,264	(76,593)	305,671

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

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, 2014, 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, 2014**

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, 2013, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

For the year ended June 30, 2014, there were no funds for which actual expenditures exceeded budgeted expenditures.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 were \$5,414,354 and \$4,675,741, 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, 2014**

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 rated “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, 2014**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 400,379	\$ -	\$ (70,241)	\$ 330,138
Vehicles	26,736	37,169	(26,736)	37,169
Total Capital Assets, Being Depreciated	<u>427,115</u>	<u>37,169</u>	<u>(96,977)</u>	<u>367,307</u>
Accumulated Depreciation for:				
Furniture and Equipment	(199,352)	(59,503)	70,241	(188,614)
Vehicles	(21,007)	(9,129)	26,736	(3,400)
Total Accumulated Depreciation	<u>(220,359)</u>	<u>(68,632)</u>	<u>96,977</u>	<u>(192,014)</u>
Governmental Activities Capital Assets, Net	<u>\$ 206,756</u>	<u>\$ (31,463)</u>	<u>\$ -</u>	<u>\$ 175,293</u>

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

Governmental Activities	
District Support Services	\$ 25,343
Regular Instruction	2,122
Special Education Instruction	836
Instructional Support Services	747
Sites and Buildings	38,374
Food Service	1,210
Total Depreciation Expense, Governmental Activities	<u>\$ 68,632</u>

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 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 7.0% and 10.50%, 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: 7.0% for Coordinated Plan members and 11.00% 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, 2014, 2013 and 2012 were \$90,798, \$86,192 and \$90,797, 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, 2014**

NOTE 5 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, 2014, 2013 and 2012 were \$28,021, \$35,648 and \$28,019, 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, 2014**

NOTE 6 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 (which was exercised) that upon written notice and an early termination fee, the lease period would end June 30, 2015.

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 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, 2014 was \$632,286. Future minimum lease payments, based on the minimum of 400 pupil units, are as follows:

<u>Year</u>	<u>Amount</u>
2015	<u>\$ 533,200</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.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 SUBSEQUENT EVENT

In August 2014, the City of Hugo, Minnesota issued its (i) Charter School Lease Revenue Bonds (Noble Academy Project), Series 2014A (the "Series 2014A Bonds"), in the original aggregate principal amount of \$20,530,000, and (ii) Taxable Charter School Lease Revenue Bonds Series 2014B, in the original aggregate principal amount of \$455,000. The Issuer will loan the proceeds of the Series 2014 Bonds to CS Property Noble, LLC, a Minnesota nonprofit limited liability company (the "Company"), the sole member of which is Hmong American Partnership, a nonprofit corporation duly formed and existing under the laws of the State of Minnesota pursuant to a Loan Agreement dated as of September 1, 2014, between the Issuer and the Company. The Company was formed for the purpose of owning and leasing the Project to Noble Academy but is considered an "unaffiliated building company". Noble Academy will lease the Project from the Company.

Proceeds of the Series 2014 Bonds will be loaned to the Company in order for the Company to: (i) finance the costs of the acquisition, construction, and furnishing of an approximately 95,000 square foot facility to be located at the intersection of Jefferson Highway North and Decatur Drive North in the City of Brooklyn Park, Minnesota and leased to the Charter School; (ii) fund a deposit to the Reserve Fund for the Series 2014 Bonds; (iii) fund capitalized interest on the Series 2014 Bonds; and (iv) pay the costs of issuance of the Series 2014 Bonds. Noble Academy will also use certain of its funds for the cost of certain equipment and supplies for the Project.

As additional security on the Series 2014 Bonds, the Charter School will pledge certain of its revenues to the Trustee for payments on the Series 2014 Bonds as necessary, pursuant to a Pledge and Covenant Agreement, dated as of September 1, 2014 from the Charter School to the Trustee. The Pledge Agreement also provides that in the event building lease aid is insufficient to make lease payments under the Lease, general education funding from the State, and other State and federal pass-through education funding sources is to be applied to the payment of such insufficiency.

Subject to the requirements of the Loan Agreement, the Company may sell, transfer or convey, for consideration of \$1.00 and the assumption of all of the Company's obligations with respect to the Project and the other transferred assets, the Project and all related accounts and reserves and assign its interest in and obligations under the Loan Agreement (including the Company's obligations with respect to payment of the Series 2014 Bonds), the Mortgage, the Lease, the Continuing Disclosure Agreement and the Tax Regulatory Agreement to an Affiliated Building Company or an Exempt Organization designated by the Charter School, which assignee will assume such obligations.

SUPPLEMENTARY INFORMATION

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
BALANCE SHEET
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
ASSETS		
Cash and Investments	\$ 5,331,628	\$ 4,675,741
Receivables:		
Accounts and Interest Receivable	36,738	5,672
Due from Other Funds	-	10,524
Due from Minnesota Department of Education	99,335	579,749
Due from Federal through the Minnesota Department of Education	146,663	68,224
Prepaid Items	368,789	328,181
Total Assets	\$ 5,983,153	\$ 5,668,091
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries Payable	\$ 157,266	\$ 143,985
Payroll Deductions and Employer Contributions Payable	31,517	28,080
Accounts and Contracts Payable	18,351	172,866
Total Liabilities	207,134	344,931
Fund Balance:		
Nonspendable:		
Prepaid Items	368,789	328,181
Assigned	3,398,031	3,398,031
Unassigned	2,009,199	1,596,948
Total Fund Balance	5,776,019	5,323,160
Total Liabilities and Fund Balance	\$ 5,983,153	\$ 5,668,091

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 387	\$ 514	\$ 127	\$ 260
Other	34,613	45,978	11,365	35,998
State Sources	5,146,129	4,757,875	(388,254)	5,827,729
Federal Sources	321,628	306,239	(15,389)	368,811
Total Revenues	5,502,757	5,110,606	(392,151)	6,232,798
EXPENDITURES				
Current:				
Administration:				
Salaries	369,925	363,169	(6,756)	290,349
Employee Benefits	99,590	92,167	(7,423)	49,470
Purchased Services	19,986	19,365	(621)	12,380
Supplies and Materials	402	402	-	1,306
Other Expenditures	15,317	13,089	(2,228)	2,080
Total Administration	505,220	488,192	(17,028)	355,585
District Support Services:				
Salaries	211,880	208,011	(3,869)	197,002
Employee Benefits	171,046	158,305	(12,741)	117,613
Purchased Services	202,857	201,268	(1,589)	181,487
Supplies and Materials	25,660	25,660	-	32,888
Capital Expenditures	5,739	5,360	(379)	3,097
Other Expenditures	27,165	23,215	(3,950)	21,721
Total District Support Services	644,347	621,819	(22,528)	553,808
Elementary and Secondary Regular Instruction:				
Salaries	1,168,413	1,147,104	(21,309)	1,062,216
Employee Benefits	244,591	226,378	(18,213)	194,685
Purchased Services	34,812	33,941	(871)	37,067
Supplies and Materials	128,028	149,038	21,010	124,001
Capital Expenditures	-	-	-	236,242
Other Expenditures	19,827	16,943	(2,884)	29,074
Total Elementary and Secondary Regular Instruction	1,595,671	1,573,404	(22,267)	1,683,285

**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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	\$ 67,831	\$ 66,593	\$ (1,238)	\$ 128,456
Employee Benefits	15,024	13,905	(1,119)	31,837
Purchased Services	132,843	105,005	(27,838)	59,151
Supplies and Materials	3,383	3,289	(94)	1,730
Total Special Education Instruction	219,081	188,792	(30,289)	221,174
Instructional Support Services:				
Salaries	37,119	36,442	(677)	51,209
Employee Benefits	9,951	9,210	(741)	10,683
Purchased Services	10,836	10,147	(689)	3,695
Supplies and Materials	5,961	5,870	(91)	39,277
Capital Expenditures	-	-	-	-
Other Expenditures	5,579	4,768	(811)	3,270
Total Instructional Support Services	69,446	66,437	(3,009)	108,134
Pupil Support Services:				
Salaries	39,543	38,821	(722)	33,453
Employee Benefits	13,836	12,806	(1,030)	7,103
Purchased Services	387,094	358,455	(28,639)	341,995
Supplies and Materials	4,715	4,715	-	2,964
Capital Expenditures	40,574	37,895	(2,679)	-
Other Expenditures	159	136	(23)	136
Total Pupil Support Services	485,921	452,828	(33,093)	385,651

**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, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 106,540	\$ 104,595	\$ (1,945)	\$ 94,059
Employee Benefits	28,338	26,227	(2,111)	16,403
Purchased Services	1,125,181	1,049,497	(75,684)	842,789
Supplies and Materials	25,898	25,898	-	29,533
Capital Expenditures	53,687	41,036	(12,651)	64,175
Other Expenditures	557	476	(81)	14,016
Total Sites and Buildings	<u>1,340,201</u>	<u>1,247,729</u>	<u>(92,472)</u>	<u>1,060,975</u>
Fiscal and Other Fixed Cost Programs:				
Purchased Services	<u>19,319</u>	<u>18,546</u>	<u>(773)</u>	<u>15,835</u>
Total Expenditures	<u>4,879,206</u>	<u>4,657,747</u>	<u>(221,459)</u>	<u>4,384,447</u>
Excess of Revenues Over Expenditures	623,551	452,859	(170,692)	1,848,351
OTHER FINANCING USES				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,271)</u>
Net Change in Fund Balance	<u>\$ 623,551</u>	452,859	<u>\$ (170,692)</u>	1,770,080
FUND BALANCE				
Beginning of Year		<u>5,323,160</u>		<u>3,553,080</u>
End of Year		<u>\$ 5,776,019</u>		<u>\$ 5,323,160</u>

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 FOOD SERVICE SPECIAL REVENUE FUND
 BALANCE SHEET
 JUNE 30, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
ASSETS		
Cash and Temporary Investments	\$ 82,726	\$ -
Receivables:		
Due from Minnesota Department of Education	1,635	1,485
Due from Federal through the Minnesota Department of Education	9,600	20,076
Total Assets	\$ 93,961	\$ 21,561
 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
Total Liabilities	-	21,561
Fund Balance:		
Restricted for Food Service	93,961	-
Total Liabilities and Fund Equity	\$ 93,961	\$ 21,561

**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, 2014
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 945	\$ 1,421	\$ 476	\$ 776
State Sources	18,278	18,735	457	14,259
Federal Sources	314,102	323,161	9,059	285,209
Total Revenues	333,325	343,317	9,992	300,244
EXPENDITURES				
Current:				
Administration	-	-	-	9,288
Salaries	-	-	-	25,420
Employee Benefits	-	-	-	3,788
Supplies and Materials	305,671	249,356	(56,315)	337,731
Capital Outlay	-	-	-	2,288
Total Expenditures	305,671	249,356	(56,315)	378,515
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,654	93,961	66,307	(78,271)
OTHER FINANCING SOURCES				
Transfer in	-	-	-	78,271
Net Change in Fund Balance	\$ 27,654	93,961	\$ 66,307	-
FUND BALANCE				
Beginning of Year		-		-
End of Year		\$ 93,961		\$ -

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2014**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 5,110,606	\$ 5,110,606	\$ -
Total Expenditures	4,657,747	4,657,747	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	368,789	368,789	-
<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	2,009,199	2,009,199	-
02 FOOD SERVICE			
Total Revenue	343,317	343,315	2
Total Expenditures	249,356	249,354	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	93,961	93,961	-
<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, 2014, 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 21, 2014.

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 Noble Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noble Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 21, 2014

**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, 2014. 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, 2014.

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 21, 2014

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, 2014, 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 21, 2014.

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 21, 2014

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Grantor/Program	CFDA Number		Agency or Pass-Through Number	Expenditures
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education:				
National School Lunch Program	10.555	*	1-422-000	\$ 192,766
School Breakfast Program	10.553	*	1-422-000	106,837
Fresh Fruit and Vegetable Program	10.582	*	1-422-000	23,529
Total U.S. Department of Agriculture				<u>323,132</u>
U.S. Department of Education				
Pass-Through Minnesota Department of Education:				
Title I Grants to Local Educational Agencies	84.010			187,410
Special Education Grants to States	84.027	**		67,431
Title II, Part A	84.367			23,174
Title III	84.365			28,224
Total U.S. Department of Education				<u>306,239</u>
TOTAL FEDERAL FINANCIAL AWARDS EXPENDED				<u><u>\$ 629,371</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, 2014**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified 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 unmodified opinion.
6. No audit findings relative to the major federal award programs for Noble Academy were disclosed during the audit.
7. The audit disclosed no findings which were required to be reported under Section 510(a) of OMB Curricular A-133.
8. The programs tested as major programs included:
 - U.S. Department of Education
 - MN Child Nutrition Cluster
 - CFDA #10.555, 10.555 & 10.582
9. The threshold for distinguishing Types A and B programs was \$300,000.
10. Noble Academy was determined to be a low-risk auditee.