

**YORK ACADEMY REGIONAL
CHARTER SCHOOL**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

YORK ACADEMY REGIONAL CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
York Academy Regional Charter School
York, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of York Academy Regional Charter School 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.

Auditor 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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.

To the Board of Directors
York Academy Regional Charter School
York, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the York Academy Regional Charter School as of June 30, 2013, and the respective changes in financial position, and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise York Academy Regional Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2013, on our consideration of York Academy Regional Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Kochenour, Ernest, Smysler & Burg

Certified Public Accountants

York, Pennsylvania
September 19, 2013

YORK ACADEMY REGIONAL CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

Our discussion and analysis of York Academy Regional Charter School's (the Charter School) financial performance provides an overview of the Charter School's financial activities as of and for the year ended June 30, 2013. Please read this information in conjunction with the Charter School's Financial Statements and Notes to the Financial Statements, which are presented on Pages 6 through 15.

The Charter School

The Charter School is a three-district charter school, which offers an International Baccalaureate curriculum, a new school venture unique in Pennsylvania. After 2 1/2 years of study involving twenty-five to thirty community volunteers, including the school superintendents from the City of York and the four first-ring suburbs, the organizing committee presented the charter application to three York County School Districts on November 13, 2009: The School District of the City of York, The York Suburban School District and The Central York School District. By the end of February of 2010, each of these three districts had approved the charter application, two of them unanimously.

Since February 2010, the Charter School has been in the development stages, Curriculum has been selected, staff has been hired and the facility is currently being remodeled. The Charter School opened in the historic, pre-Civil War Smyser-Royer building on August 22, 2011.

Using This Annual Report

The Charter School reports its financial activities in accordance with the Government Accounting Standards Board Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*" (GASB No.34). This standard requires reporting under both Government-Wide and Governmental Fund financial reporting. The Government-Wide Financial Statements are presented on the full accrual basis of accounting. The Governmental Fund Financial Statements are presented on the modified accrual basis of accounting. Because the Government-Wide Financial Statements are on a different basis than the Governmental Fund Financial Statements, reconciliations between these different presentations appear on Page 10 - Reconciliation of Balance Sheet - Governmental Fund To Statement of Financial Position - Government-Wide and Page 11 - Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund to Statement of Activities - Government-Wide.

The annual report consists of a series of financial statements.

Government-Wide Financial Statements (Pages 6 and 7) provide information about the activities of the Charter School taken as a whole and present an all inclusive view of the Charter School's financial balances and activities.

Governmental Fund Financial Statements (Pages 8 and 9) provide information about the governmental activities, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Governmental Fund Financial Statements report the Charter School's operations in a different format than the Government-Wide Financial Statements by providing information about the Charter School's general operating fund, which is currently the only fund associated with the Charter School.

YORK ACADEMY REGIONAL CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

Overview of the Financial Statements

This annual report consists of four parts - Independent Auditors' Report, Management's Discussion and Analysis (this section), the basic financial statements and Notes to Financial Statements. The basic financial statements include two kinds of financial statements that present different views of the Charter School:

- * The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the Charter School's overall financial status.
- * The Governmental Fund Financial Statements focus on the individual parts of the Charter School, reporting the Charter School's General Fund operations on the modified cash basis. The Governmental Fund Financial Statements tell how general school services were financed in the short-term, as well as what remains for future spending.
- * The notes to financial statements explain the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The Government-wide Financial Statements report information about the Charter School as a whole using accounting methods similar to those used by the private sector. The Statement of Financial Position includes all of the Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for on the Statement of Activities, regardless of when cash is received and paid.

The government-Wide Financial Statements report the Charter School's unrestricted net assets and how they have changed. Unrestricted net assets, the difference between the Charter School's assets and liabilities, are one way to measure the Charter School's financial position. Over time, any increase or decrease in the Charter School's unrestricted net assets is an indicator of whether its financial position is improving or deteriorating. To assess the overall financial position of the Charter School, one needs to consider additional non-financial factors such as the early stages under which this Charter School is operating.

Financial Highlights - Government-Wide

- * The Charter School's Statement of Financial Position - Government-Wide at June 30, 2013, shows a positive equity position of \$273,921.
- * The Charter School's Statements of Activities - Government-Wide for the year ended June 30, 2013 shows the changes in unrestricted net assets of \$412,021.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements report information about the activity of the Charter School's general fund on a current financial basis, not on a long-term basis. A fund is a self-balancing set of accounts, which the Charter School uses to keep track of sources of funding and spending.

The Charter School's basic services are included in the Governmental Fund, which focuses on (1) how cash and other financial assets, which can readily be converted to cash flow in and out and (2) the balances left at year-end, which are available for spending.

YORK ACADEMY REGIONAL CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2013

Overview of the Financial Statements (Continued)

Financial Highlights - Governmental Fund

- * The Charter School's Balance Sheet - Governmental Fund at June 30, 2013, shows an equity position of a positive amount of \$885,811.

Reconciliation between the equity positions of these two financial statements appears on Page 10.
- * The Charter School's Statement of Revenue, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2013, shows a change in fund balance of \$460,982. This amount includes \$200,000 proceeds from the Line of Credit.

Capital Assets

To begin operations, the Charter School has invested and continues to invest in capital assets. The Charter School's location is being outfitted by the property owner and will then be leased to the Charter School under a fifteen-year lease. However, certain other necessary equipment has been or will be purchased for the Charter School.

Capital assets consist of the following at June 30, 2013:

Computer Equipment and Software	\$ 493,874
Furniture and Equipment	155,513
Playground	50,842
Total Capital Assets	<u>\$ 700,229</u>

Contacting the Charter School's Financial Management

The financial report is designed to provide interested parties with a general overview of the Charter School's finances and to demonstrate the accountability for the money the Charter School received. Should additional information be required, please contact the Charter School's administrative offices at 32 West North Street, York, Pennsylvania 17401 or by telephone at (717)-801-3900.

YORK ACADEMY REGIONAL CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION - GOVERNMENT-WIDE June 30, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 882,047
State Subsidy Receivable	26,030
Federal Subsidy Receivable	19,982
Tuition Receivable	187,612
Prepaid Expenses	48,434
TOTAL CURRENT ASSETS	1,164,105

CAPITAL ASSETS - (Net of Accumulated Depreciation)

459,813

TOTAL ASSETS

\$ 1,623,918

LIABILITIES AND UNRESTRICTED NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Line of Credit	\$ 950,000
Current Portion of Note Payable	121,703
Accounts Payable	92,112
Accrued Salaries and Benefits	157,873
Payroll Deductions and Withholdings	28,309
TOTAL CURRENT LIABILITIES	1,349,997

NONCURRENT LIABILITIES

Note Payable	0
TOTAL NONCURRENT LIABILITIES	0

TOTAL LIABILITIES

1,349,997

UNRESTRICTED NET ASSETS (DEFICIT)

Invested in Capital Assets - Net of Related Debt	338,111
Unrestricted	(64,190)
TOTAL UNRESTRICTED NET ASSETS (DEFICIT)	273,921

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS (DEFICIT)

\$ 1,623,918

YORK ACADEMY REGIONAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE
YEAR ENDED JUNE 30, 2013

	<u>Expenditures</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>				
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>				
Functions/Programs									
Governmental Activities									
Regular Instruction	\$ 1,367,301	\$ 3,246,040	\$ 235,762	\$ 0	\$ 2,114,501				
Special Instruction	202,175	0	0	0	(202,175)				
Instructional and Student Support	428,835	0	0	0	(428,835)				
Operation & Maintenance	682,791	0	0	0	(682,791)				
Administration Support Services	267,130	0	0	0	(267,130)				
Business Services	111,628	0	0	0	(111,628)				
Interest on Debt	30,136	0	0	0	(30,136)				
Total Governmental Activities	\$ 3,089,996	\$ 3,246,040	\$ 235,762	\$ 0	\$ 391,806				
General Revenue									
Interest Income					165				
Miscellaneous Program Revenue					20,050				
Total General Revenue					20,215				
Changes in Unrestricted Net Assets									
					412,021				
Unrestricted Net Assets (Deficit) - Beginning					(138,100)				
Unrestricted Net Assets (Deficit) - Ending					\$ 273,921				

YORK ACADEMY REGIONAL CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2013

ASSETS

ASSETS

Cash and Cash Equivalents	\$ 882,047
State Subsidy Receivable	26,030
Federal Subsidy Receivable	19,982
Tuition Receivable	187,612
Prepaid Expenses	48,434
TOTAL ASSETS	<u>\$1,164,105</u>

LIABILITIES AND FUND BALANCE (DEFICIT)

LIABILITIES

Accounts Payable	\$ 92,112
Accrued Salaries and Benefits	157,873
Payroll Deductions and Withholdings	28,309
TOTAL LIABILITIES	<u>\$ 278,294</u>

FUND BALANCES

Unassigned Fund Balance	885,811
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,164,105</u>

YORK ACADEMY REGIONAL CHARTER SCHOOL

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND YEAR ENDED JUNE 30, 2013

REVENUES

Tuition Revenue	\$ 3,246,040
Contributions	1,982
Miscellaneous Revenue	20,050
State Revenue	130,103
Federal Revenue	103,678
TOTAL REVENUE	3,501,853

EXPENDITURES

Regular Instruction	1,239,360
Special Instruction	202,175
Instructional and Student Support	656,974
Operation & Maintenance	733,633
Administration Support Services	267,130
Business Services	111,628
Debt Service	30,136
TOTAL EXPENDITURES	3,241,036

DEFICIENCY OF REVENUE OVER EXPENDITURES	260,817
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OTHER FINANCING SOURCES (USES)

Interest Income	165
Proceeds from Line of Credit	200,000
TOTAL OTHER FINANCING SOURCES	200,165

CHANGES IN FUND BALANCE	460,982
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FUND BALANCE (DEFICIT) - BEGINNING	424,829
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FUND BALANCE (DEFICIT) - ENDING	\$ 885,811
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YORK ACADEMY REGIONAL CHARTER SCHOOL

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO STATEMENT OF FINANCIAL POSITION - GOVERNMENT-WIDE YEAR ENDED JUNE 30, 2013

Total Fund Balance (Deficit) - Governmental Fund	\$ 885,811
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Amounts Reported on the Balance Sheet - Governmental Fund to the Statement of Financial Position - Government-Wide are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$700,229 and the accumulated depreciation is \$240,416	459,813
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Line of Credit Current Liability is not recorded as a liability in the governmental funds but is recorded as a liability on the Government-Wide Financial Statements	(950,000)
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Computer System Loan is not recorded as a liability in the governmental funds but is recorded as a liability on the Government-Wide Financial Statements	(121,703)
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Total Unrestricted Net Assets (Deficit) - Government-Wide	<u>\$ 273,921</u>
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YORK ACADEMY REGIONAL CHARTER SCHOOL

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES - GOVERNMENT-WIDE YEAR ENDED JUNE 30, 2013

Changes in Fund Balance - Governmental Fund	\$ 460,982
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Amounts Reported on the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund to the Statements of Activities - Government-Wide are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period. Depreciation expense \$(127,943)

Capital Outlays	124,776	(3,167)
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Principal payments on Computer System Loan is an expenditure on governmental funds, but is a decrease in Liabilities on the Statement of Net Assets. 154,206

Proceeds from Line of Credit is a revenue on governmental funds, but is an increase in Liabilities on the Statement of Net Assets. (200,000)

Changes in Unrestricted Net Assets Government-Wide	<u>\$ 412,021</u>
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YORK ACADEMY REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation

York Academy Regional Charter School (the Charter School), a nonprofit organization, was chartered during February 2010 by three York County School Districts: The School District of the City of York, The York Suburban School District and The Central York School District, under Act 22 of 1997, the Charter School Law. The charter is for a five-year period, at which time the districts will evaluate the Charter School's operations and determine whether or not to renew the charter. The governing body of the Charter School is a board of directors, which consists of eleven members. The Charter School began instructional operations in August 2011, offering curriculum to students in Kindergarten, First and Second grades. The Charter School added Third grade for the 12/13 school year.

Presentation of Financial Statements

The Charter School presents its financial statements in accordance with Governmental Accounting Standards Board (GASB). The financial statements include the Management's Discussion and Analysis, which provides an analysis of the Charter School's overall financial performance in accordance with accounting principles generally accepted in the United States of America.

Measurement Focus, Basis of Accounting and Presentation

The financial information of the Charter School is presented in accordance with GASB No. 34, which presents financial information on a Government-Wide basis on the Statement of Financial Position and Statement of Activities in accordance with the accrual basis of accounting and on a Governmental Fund basis on the Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance in accordance with the modified accrual basis of accounting for the Governmental Fund (General Fund).

The *Government-Wide Financial Statements* (i.e. Statement of Financial Position and Statement of Activities) reports financial information using the economic resources measurement focus on a full accrual basis of accounting. Revenue is recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of cash flows. The Statement of Activities of the Government-Wide activities report expenditures identifiable with a specific function or segment. Program revenue, including charges for services and grants, which specifically apply to each segment, appears as an offset to these expenditures. Other revenue, which is not directly related to the expense segments, appears as miscellaneous program revenue and is used to offset any deficit or to increase the unrestricted net assets of the Charter School.

The *Governmental Fund Financial Statements* (i.e. the Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance) report the financial position of the governmental fund (the General Fund), in this case, the only fund of the Charter School. The financial activity on the governmental basis uses the current financial resources measurement focus and on the modified accrual basis of accounting. Revenue is recognized as soon as it is either measurable or available.

When such funds are received, they may be recorded as deferred revenue until earned. Generally, expenditures are recorded when a liability is incurred, as under the accrual basis of accounting. Proceeds from the acquisition of long-term debt are reported as other financial sources when the cash is received and debt service expenditures, including principal and interest, are recorded when the debt is paid. Expenditures related to capital assets are recorded as expenditures when paid, therefore, no assets are capitalized and no depreciation is recorded under this basis.

YORK ACADEMY REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in one financial institution. At June 30, 2013, the bank balance was \$977,311 and the book balance was \$882,047.

Receivables and Payables

Accounts receivable represent amounts which are available to pay liabilities in the current period. The amounts reported as accounts payable represent expenditures incurred in the current year, but not paid prior to year-end. In the case of the Charter School at June 30, 2013, amounts recorded as accounts payable are the same under both the accrual basis (Governmental-Wide) and the modified accrual basis (Government Fund) of accounting.

Prepaid Expenses

In both the Government-Wide and Governmental Fund Financial Statement, prepaid expenses are recorded as assets from which future benefits will be derived in the short-term.

Capital Assets

Capital assets, which include property and equipment, are reported in the Government-wide Financial Statements. Capital assets are defined as assets with initial costs of more than \$5,000 and estimated useful lives in excess of one year. All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. The costs of normal maintenance and repairs which do not add to the value of the assets or materially extend the assets estimated useful lives, are not capitalized.

Revolving Line of Credit

The revolving line of credit is reported as a current liability in the Government-Wide Financial Statements and is reduced as principal payments are paid and interest payments are expensed. Debt service payments, including principal and interest, are expensed when paid in the Governmental Fund Financial Statements and there is no long-term debt liability recorded in accordance with the modified accrual basis of accounting.

Net Assets and Fund Balance

Net assets (Government-Wide) and Fund Balance (Governmental Fund) represent the difference between assets and liabilities. In the Government-Wide Financial Statements, net assets are reported as unrestricted net assets and net assets invested in capital assets, net of related debt and consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets.

Subsequent Events

Management of the Charter School has evaluated subsequent events through September 19, 2013, which is the date the financial statements were available to be issued. There were no subsequent events during this period.

YORK ACADEMY REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

2. CONCENTRATION OF CREDIT RISK

Custodial Credit Risk - Deposits

Cash deposits of the Charter School are held in one financial institution and are insured by the Federal Deposit Insurance Corporation, up to \$250,000. Custodial credit risk is the risk that in the event of failure of the financial institution, the Charter School would not be able to recover deposits in excess of the insured amount. The uninsured portion of these deposits is exposed to custodial credit risk because the collateral for the deposits is held by the financial institution, its trust department or agent, but is not specifically held in the name of the Charter School. Cash deposits at June 30, 2013 were fully insured. The Organization has not experienced any losses and believes it has limited exposure to significant credit risk.

3. CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>Useful Lives</u>	<u>2013</u>
Computer Equipment and Software	3 - 5 Years	\$ 493,874
Furniture and Equipment	5 Years	155,513
Playground	15 Years	50,842
Total Capital Assets		<u><u>\$ 700,229</u></u>

4. LINE OF CREDIT

During June 2010, the Charter School entered into a revolving line of credit agreement with a local lending institution, up to the maximum amount of \$950,000. Interest only on any outstanding borrowings is payable for the first eighteen months, thereafter, principal and interest shall be payable monthly through the date of maturity. Interest on the outstanding principal balance is variable, based on the National Prime Rate published in the Wall Street Journal, with a floor of 4.00 percent. At June 30, 2013 the interest rate was 4.00 percent. The agreement matures after forty-two months.

5. CONTINGENCIES

The Charter School is, from time-to-time, subject to routine litigation incidental to the Charter School's activities. While the final resolution of any matter may have an impact on the Charter School's financial results for a particular period, the Charter School believes the ultimate disposition of any such litigation would not have a materially adverse effect upon the financial position of the Charter School. The Charter School is not subject to any routine litigation.

YORK ACADEMY REGIONAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

6. COMMITMENTS

The Charter School entered into a long-term agreement for implementation, installation and support of information technology, which includes networking, wireless, telephone systems, computers, servers and back-up systems. The contract was signed on June 1, 2011, when the first installment of \$50,000 was paid and the installation of the system was underway. The balance outstanding on the system is \$375,693 and will be financed under a term note that was also signed on June 1, 2011, which provides for payments to begin on October 15, 2011 and continue for thirty-six months. The interest rate is fixed at 4.00 percent over the term of the note and monthly principal and interest payments are \$11,082.

The balance of the loan on June 30, 2013 is \$121,703.

Future maturities of the loan are as follows:

June 30, 2014	\$ 121,703
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7. REVOLVING LINE OF CREDIT

The Charter School has a revolving line of credit for \$125,000 with Peoples Bank for working capital needs of the school during the 2013 - 2014 school year. The loan is an on demand status rather than a hard maturity date and will be reviewed annually to reaffirm the line of credit. The balance of the line of credit at 6/30/13 is \$0.

YORK ACADEMY REGIONAL CHARTER SCHOOL

SUPPLEMENTAL

INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
York Academy Regional Charter School
York, Pennsylvania

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 16 through 21 is presented for purposes of additional analysis and is not a required part of the basic general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kochenour, Ernest, Smysor, & Burg

Certified Public Accountants

York, Pennsylvania
September 19, 2013

YORK ACADEMY REGIONAL CHARTER SCHOOL
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Local Sources:				
Tuition Revenue	\$ 3,331,441	\$ 3,331,441	\$ 3,246,040	\$ (85,401)
Contributions	0	0	1,982	1,982
Miscellaneous Revenue	17,790	17,790	20,050	2,260
State Sources	85,220	85,220	130,103	44,883
Federal Sources	<u>80,500</u>	<u>80,500</u>	<u>103,678</u>	<u>23,178</u>
Total Revenues	<u>3,514,951</u>	<u>3,514,951</u>	<u>3,501,853</u>	<u>(13,098)</u>
EXPENDITURES				
Regular Instruction	1,483,954	1,483,954	1,239,360	244,594
Special Instruction	173,563	173,563	202,175	(28,612)
Instructional and Student Support	744,727	744,727	656,974	87,753
Operation & Maintenance	721,030	721,030	733,633	(12,603)
Administration Support Services	255,783	255,783	267,130	(11,347)
Business Services	106,044	106,044	111,628	(5,584)
Debt Service	30,000	30,000	30,136	(136)
Total Expenditures	<u>3,515,101</u>	<u>3,515,101</u>	<u>3,241,036</u>	<u>274,065</u>
Excess (Deficiency) of Revenues Over Expenditures	(150)	(150)	260,817	260,967
OTHER FINANCING SOURCES (USES)				
Interest Income	150	150	165	15
Proceeds from Line of Credit	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>200,000</u>
Total Other Financing Uses	<u>150</u>	<u>150</u>	<u>200,165</u>	<u>200,015</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>460,982</u>	<u>460,982</u>
FUND BALANCE - BEGINNING			424,829	
FUND BALANCE - ENDING			<u>\$ 885,811</u>	

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

KOCHENOUR, EARNEST, SMYSER & BURG

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
York Academy Regional Charter School
York, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of York Academy Regional Charter School, as of and for the year ended, June 30, 2013, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 19, 2013. 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.

Compliance

As part of obtaining reasonable assurance about whether York Academy Regional Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered York Academy Regional Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of York Academy Regional Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of York Academy Regional Charter School's internal control over financial reporting.

To the Board of Directors
York Academy Regional Charter School
York, Pennsylvania

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects York Academy Regional Charter School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of York Academy Regional Charter School's financial statements that is more than inconsequential will not be prevented or detected by York Academy Regional Charter School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by York Academy Regional Charter School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board , management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kochenour, Ernest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
September 19, 2013

YORK ACADEMY REGIONAL CHARTER SCHOOL
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013

GRANTOR PROGRAM TITLE U.S. DEPARTMENT OF EDUCATION PASSED THROUGH PA. DEPT. OF EDUCATION	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period		Program Amount	Total Received for Year	Accrued or (Deferred) Revenue at July 1, 2012		Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
				Beginning Date	Ending Date			Revenue at July 1, 2012	Revenue at June 30, 2013			
Title I Improv Basic Programs	I	84.010	013-121097	7/1/2011	9/30/2012	\$ 68,636	\$ 49,026	\$ 49,026	\$ 0	\$ 0	\$ 0	\$ 0
Title I Improv Basic Programs	I	84.010	013-131097	7/1/2012	9/30/2013	109,149	62,588	-	75,670	75,670	75,670	13,082
Title II Improv Teacher Qual	I	84.367	020-121097	7/1/2011	9/30/2012	9,812	1,402	7009	1,402	1,402	1,402	5,607
Title II Improv Teacher Qual	I	84.367	020-131097	7/1/2012	9/30/2013	10,416	4,975	0	6,268	6,268	6,268	1,293
TOTAL DEPT. OF ED.							117,991	56,035	83,340	83,340	83,340	19,982
IDEA - Part B	I	84.027A		7/1/2012	6/30/2013	13,857		0	13,857	13,857	13,857	0
IDEA-SECTION 619	I	84.392		7/1/2012	6/30/2013	1,234		0	1,234	1,234	1,234	0
TOTAL FEDERAL ASSISTANCE							\$ 117,991	\$ 56,035	\$ 98,431	\$ 98,431	\$ 98,431	\$ 19,982

YORK ACADEMY REGIONAL CHARTER SCHOOL
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
JUNE 30, 2013

NOTE 1 - ORGANIZATION AND SCOPE

York Academy Regional Charter School provides education for kindergarten through 3rd grade students for the 2012-2013 school year.

The school received federal funds to operate the programs for the benefit of all students as detailed on the Schedule of Federal Financial Assistance, which covers the period from July 1, 2012 to June 30, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School reports federal programs in its general purpose financial statements and on the Schedule of Federal Financial Assistance on the accrual basis.

NOTE 3 - REPORTING ENTITY

The York Academy Regional Charter School Board is the basic level of government which has oversight responsibility and control over all activities related to the education at the school.

The Charter School receives funding from local, state and federal government sources and must comply with their accompanying requirements.

The reporting entity for York Academy Regional Charter School consists only of those funds, functions, and activities controlled by the Board and required or allowed by State laws and regulations.

The financial statement of the Charter School includes all funds and activities that are controlled by or dependent on the Charter School . Control or dependence is determined on the basis of budget adoption, taxing authority and funding and appointment of advisors.

NOTE 4 - FEDERAL AWARDS

Total Expenditures	\$ 98,431
Less: State Expenditures	<hr/> 0
Total Federal Expenditures	\$ <hr/> <u>98,431</u>

Total Federal Expenditures less than \$500,000, Single Audit not required.