

SAMPLE OF AUDIT REPORT

NON-PROFIT SCHOOL

ABC SCHOOL FOR STUDENTS WITH DISABILITIES

REPORT OF AUDIT

FOR THE FISCAL YEAR ENDED

JUNE 30, _____

ABC SCHOOL FOR STUDENTS WITH DISABILITIES
TABLE OF CONTENTS

| | <u>PAGE NO.</u> |
|--|------------------------|
| Independent Auditor's Report | NP-3 & 4 |
| Auditor's Report on Internal Control | NP-5 & 6 |
| Balance Sheet | NP-7 & 8 |
| Statement of Support and Revenue, Expenses, Capital Additions and Changes in Fund Balances | NP-9 - 12 |
| Statement of Accrued Expenses and Accounts Payable | NP - 13 |
| Statement of Total Expenditures | NP - 14 |
| Statement of Expenditures by Line Item | NP - 15-22 |
| Statement of Percentages for Cost Category Assignments | NP-23-29 |
| Statement of Enrollment | NP - 30 |
| Statement of Tuition Rate Computation - Part I | NP - 31 |
| Statement of Tuition Rate Computation - Part II | NP - 32 |
| Statement of Tuition Rate Computation - Working Capital Fund | NP-33 |
| Statement of Extraordinary Services - Expenditures by Line Item | NP-34 |
| Statements of Extraordinary Services - Tuition Rate Computation & Working Capital | NP-35 |
| Statement of Billing Adjustment | NP-36 & 37 |
| Statement of Non-allowable costs | NP - 38 |
| Statement of Interest/Dividends Earned on Tuition Funds | NP - 39 |
| Statement of Food Service | NP - 40 |
| Statement of Early Intervention Program | NP-41 |
| Statement of Budget Versus Actual | NP-42 |
| Notes to Financial Statements | NP-43 to 45 |
| Recommendations - Current Year | NP - 46 |
| Recommendations - Current Year Status of Prior Years' Comments and Recommendations | NP-46 |
| Management's Determination of the Final Tuition Rate Charged | NP - 47 |

The following sample report was available on the AICPA website at <http://www.aicpa.org> at the time this Audit Program was issued. Auditors are encouraged to check for the most recent sample reports.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ABC School for Students with Disabilities

We have audited the accompanying financial statements of the ABC School for Students with Disabilities, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, which collectively comprise the ABC School for Students with Disabilities basic financial statements as listed in the table of contents. These financial statements are the responsibility of the school's management. Our responsibility is to express an opinion 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 audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 3, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Finance, Department of Education, State of New Jersey which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the assets, liabilities and retained earnings of ABC School for Students with Disabilities, in the County of _____, State of New Jersey, as of June 30, 20__, and its revenue, expenses, and changes in fund balances for the fiscal year then ended on the statutory basis of accounting described in Note 3, and also presently fairly allowable costs, certified actual cost per student, and the final tuition rate charged in accordance with N.J.A.C. 6A:23-4.1 through 4.16.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the ABC School for Students with Disabilities basic financial statements. The accompanying supplementary information listed in the foregoing table of contents is presented for the purposes of additional analysis as required by the Division of Finance, Department of Education, State of New Jersey and in accordance with N.J.A.C. 6A:23-4.1 through 4.16 regarding allowable costs, certified actual costs per student and the final tuition rate charged and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management of the ABC School for Students with Disabilities, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities for the purpose of determining the certified actual cost per student and the final tuition rate charged public school districts for services to disabled students and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name

Date

Note to Auditor - A current copy of the Public School Accountant's license shall be made part of this audit.

The following sample report was available on the AICPA website at <http://www.aicpa.org> at the time this Audit Program was issued. Auditors are encouraged to check for the most recent sample reports.

AUDITOR'S REPORT ON INTERNAL CONTROLS

To the Board of Directors
ABC School for Students with Disabilities

We have audited the financial statements of the ABC School for Students with Disabilities in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, and have issued our report hereon dated _____, 20__. As described in Note 2, these financial statements were prepared in conformity with accounting principles and practices prescribed by the Division of Finance, Department of Education, State of New Jersey which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ABC School for Students with Disabilities internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the ABC School for Students with Disabilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ABC School for Students with Disabilities' internal control over financial reporting.

A control deficiency exists when the design or operation of 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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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 statements that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ABC School for Students with Disabilities financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the ABC School for Students with Disabilities, the New Jersey State Department of Education and other state 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.

Licensed Public School Accountant

No. _____

Firm Name

Date

NOTE TO PREPARER: Please be advised, matters involving the internal control structure and its operation communicated to management in a separate letter must also be included in the comments and recommendations sections of the report.

ABC SCHOOL FOR STUDENTS WITH DISABILITIES
NOTES TO THE FINANCIAL STATEMENTS`
FOR THE FISCAL YEAR ENDED JUNE 30,

NOTE 1

A summary of plant assets follows:

| | |
|-------------------------|------------------|
| Land | \$ 55,000 |
| Building | 320,000 |
| Equipment and Furniture | 100,000 |
| Leasehold Furniture | <u>100,000</u> |
| | \$575,000 |
| Accumulated | <u>215,000</u> |
| | <u>\$360,000</u> |

NOTE 2

A summary of items contrary to N.J.A.C. 6A:23-4.1 et seq.

- a. Quarterly financial statements were not prepared and filed with the governing body.
- b. The mandated New Jersey State Department of Education contracts were not in effect, but a tuition contract was executed.
- c. Uncertified staff held positions that required New Jersey school certification.
- d. The school incurred costs for a keyman life insurance policy.
- e. The school incurred costs for repairs to a personal vehicle.
- f. The school incurred costs for contributions in excess of the \$1,500 limitation.
- g. The school incurred costs for public relations above 0.5% of the total allowable costs.
- h. The school incurred costs for pupil transportation to/from the school.
- i. The school incurred costs in a related party transaction in excess of the cost of ownership plus a 2.5% return.
- j. The school incurred costs for the personal use of a school-owned vehicle.
- k. The school incurred costs for the personal use of school-leased vehicle.
- l. The director was paid a salary in excess of the maximum salary for the position.

NOTE 3

Private schools for students with disabilities in New Jersey shall prepare financial statements in accordance with to N.J.A.C. 6A:23-4.1 through 4.16. The purpose of the financial statements is to verify the Certified Actual Cost Per Student and the Final Tuition Rate Charged for each private school for students with disabilities. The Final Tuition Rate Charged shall be used to generate tuition adjustments, if any, between the private schools and New Jersey public school sending districts.

The statements may or may not reflect the results of operations and should not be used for any purpose other than the determination of a tuition rate. The expenses used to verify the certified

actual cost per pupil and the actual tuition rate charged are based on allowable expenses determined by the Department of Education.

The Department of Education requires a balance sheet; a statement of support and revenue, expenses, capital additions and changes in fund balances; a statement of total expenditures by account series, a statement of expenditures by line item, a statement of the average daily enrollment; statements of tuition rate computation, a statement of billing adjustments; a statement of non-allowable costs; a statement of food service-income and expenses, a statement of net interest earned/paid; and a statement of accruals and accounts payable.

NOTE 4

The ABC School for Students with Disabilities leases a school building in a related party transaction from the School Building Owners, Inc. The ABC School for Students with Disabilities and School Building Owners, Inc. are nonprofit corporations and share the same board of directors. The building was leased from School Building Owners, Inc. for \$24,775 and the entire amount was reflected as an allowable cost in the financial records.

For purposes of the certified actual cost per pupil calculation and the actual tuition rate charged, the lease expense is limited to the actual cost of ownership of \$11,000 plus a return of \$275 which is based on 2.5 percent of the actual cost of ownership. The \$13,500 difference between the \$24,775 lease and the \$11,275 included in the certified actual cost per pupil calculation is considered a non-allowable cost. The actual cost of ownership to School Building Owners, Inc. was \$11,000, which was based on financial information supplied by School Building Owners, Inc.

NOTE 5

The ABC School for Students with Disabilities is an approved New Jersey State Department of Education private school for students with disabilities. The school is approved to serve pupils classified as emotionally disturbed, neurologically impaired, multiply disabled and educable mentally retarded.

NOTE 6

The Board of Directors authorized the transfer of \$2,750 from the unrestricted funds to the state Early Intervention Program to cover the excess of program expenses over program revenue. The Board also authorized the transfer of \$750 of interest earned on the Early Intervention Program to accounts payable. This money is due to the New Jersey State Department of Education. The transfer of \$29,500 from the public school restricted fund was in order to cover deficits in the public school restricted plant fund balance.

NOTE 7

The loan payable consists of a 180 day note payable to XYZ Savings and Loan Association due December 15, _____ with interest at 1/2% over prime per annum. The loan was taken for cash flow purposes.

| | |
|-----------------------|---------------|
| | \$50,000 |
| Less: Current Portion | <u>50,000</u> |
| Loans Long Term | <u>\$ -0-</u> |

NOTE 8

The mortgage payable consist of a 10%, 30 year fixed rate secured by a mortgage on land and buildings of the school. The note is payable to XYZ Savings and Loan Association in monthly installments of \$3,393 and matures on June 1, _____.

| | |
|------------------------------|------------------|
| | \$360,000 |
| Less: Current Portion | <u>30,000</u> |
| Mortgage Payable - Long Term | <u>\$330,000</u> |

NOTE 9

The ABC School has established a non-contributory defined contribution retirement plan effective July 1, 1990. For tax purposes, the plan is considered a qualified plan. An employee becomes eligible for the plan after completing a year of service of at least 1,000 hours and has attained the age of 21. Contributions under the plan are made at the rate of 5% of each employee's compensation.

The school's retirement plan is in conformance with the Employee Retirement Income Security Act of 1974 and its successor legislation. In addition, the school's retirement plan meets the standards in N.J.A.C. 6A:23-4.5(a)31 as an allowable cost for a retirement plan and meets the standards of N.J.A.C. 6A:23-4.5(a)23 as an allowable cost as a fringe benefit. The school made contributions to the plan of \$51,531.

NOTE 10

For the June 30, _____ school year the ABC School incurred costs of \$2,040 by the parent organization. The accounting and bookkeeping operations are handled at the parent organization and include the salaries and fringe benefits of an accountant and bookkeeper who provide services for both the private school and the parent organization. The charge to the private school was based on the number of employees in the private school to the total number of employees in the parent organization and private school.

ABC SCHOOL FOR STUDENTS WITH DISABILITIES
RECOMMENDATIONS
CURRENT YEAR

It is recommended that:

1. The quarterly financial statements be prepared according to the format prescribed by the Department of Education and filed with the governing body.
2. The mandated Department of Education tuition contract be executed for all students whose tuition is paid by a New Jersey public school.
3. The school complies with N.J.A.C. 6A:23-4.5(a)1 through 68 regarding incurring non-allowable costs.

CURRENT YEAR STATUS OF PRIOR YEARS'
COMMENTS AND RECOMMENDATIONS

A review was performed on all prior years recommendations and corrective action was taken with the exception of the following which is included in this years recommendations and has been a recommendation since the 2005-2006 school year:

1. The mandated Department of Education tuition contract be executed for all students whose tuition is paid by a New Jersey public school.

**MANAGEMENT'S DETERMINATION OF
THE ACTUAL TUITION RATE CHARGED
FOR THE FISCAL YEAR ENDED JUNE 30,**

Prior to this audit being finalized, representatives of the ABC School for Students with Disabilities, Inc. and the accounting firm of Smith and Doe met to discuss the results of the auditor's determination of the Certified Actual Cost Per Student in order for the board of directors to determine the Final Tuition Rate Charged. In accordance with N.J.A.C. 6A:23-4.1 et. seq., the Final Tuition Rate Charged shall be an amount equal to or less than the Certified Actual Cost Per Student regardless of the original tentative tuition rates charged to local school districts.

The school originally charged a Tentative Tuition Rate – Per Diem Rate of \$142.86 and a Tentative Tuition Rate – Total School Year Rate of \$30,000. Based on the Certified Actual Cost Per Student - Per Diem Rate of \$145.38 and Certified Actual Cost Per Student – Total School Year Rate of \$30,530 determined by the auditor in accordance with N.J.A.C. 6A:23-4.1 et seq., the management of ABC School for Students with Disabilities has determined that the Final Tuition Rate Charged - Per Diem Rate of \$145.38 and Final Tuition Rate Charged – Total School Year Rate of \$30,530 will be charged for the _____ - _____ school year. This letter will serve as documentation that management met and discussed the Certified Actual Cost Per Student with the auditor and the determination of the Final Tuition Rate Charged was a board of directors' decision.

Signature Of School Representative

Signature Of Accounting
Firm Representative