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**I-LEAD CHARTER SCHOOL - READING  
DBA I-LEAD CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

JUNE 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

December 13, 2016

To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School  
Reading, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the I-LEAD Charter School – Reading, dba I-LEAD Charter School (“the School”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### 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’s Responsibility

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 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 auditor’s 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 School’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 School’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.

To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the I-LEAD Charter School – Reading, dba I-LEAD Charter School as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Report on Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### Other Matters

##### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 December 13, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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* in considering the School's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

**I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015**

	Totals	
	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 871,625	\$ 691,059
Accounts receivable	686,119	586,518
Inventory	13,668	11,764
Prepaid expenses	87,812	33,481
Total Current Assets	1,659,224	1,322,822
NONCURRENT ASSETS:		
Property and equipment	86,194	81,579
Less: Accumulated depreciation	(67,279)	(62,178)
Property and Equipment, Net	18,915	19,401
 TOTAL ASSETS	 \$ 1,678,139	 \$ 1,342,223
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 348,739	\$ 146,996
Accrued salaries and benefits	205,896	474,939
Current portion capital lease payable	5,360	5,045
Total Current Liabilities	559,995	626,980
LONG-TERM LIABILITIES:		
Capital lease obligation	6,244	12,038
Total Liabilities	566,239	639,018
NET ASSETS:		
Unrestricted	1,111,900	703,205
Total Net Assets	1,111,900	703,205
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,678,139	 \$ 1,342,223

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

**I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Totals	
	2016	2015
<b>PUBLIC SUPPORT AND REVENUE</b>		
Public support:		
Receipts from other Local Educational Agencies	\$ 5,138,961	\$ 4,772,874
Federal revenues	932,659	759,097
State revenues	167,166	171,800
Other income	128,633	214,364
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>6,367,419</b>	<b>5,918,135</b>
 <b>EXPENSES</b>		
Program services	4,676,639	4,837,640
Support services:		
Management and general	1,269,562	707,737
Fundraising	12,523	5,628
<b>TOTAL EXPENSES</b>	<b>5,958,724</b>	<b>5,551,005</b>
 <b>CHANGE IN NET ASSETS, UNRESTRICTED</b>	<b>408,695</b>	<b>367,130</b>
 <b>NET ASSETS, BEGINNING OF YEAR, UNRESTRICTED</b>	<b>703,205</b>	<b>336,075</b>
 <b>NET ASSETS, END OF YEAR, UNRESTRICTED</b>	<b>\$ 1,111,900</b>	<b>\$ 703,205</b>

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

**I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016  
(With Summarized Comparative Totals for 2015)**

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2016	2015
Salaries	\$ 2,131,418	\$ 581,222	\$ 8,435	\$ 2,721,075	\$ 2,845,677
Benefits and payroll taxes	1,062,599	252,002	4,088	1,318,689	1,204,876
Total Salaries and Related Expenses	3,194,017	833,224	12,523	4,039,764	4,050,553
Advertising expenses	53	25,018	-	25,071	7,194
Depreciation	4,843	538	-	5,381	12,024
Insurance	16,481	1,696	-	18,177	18,012
Interest expense	9,334	1,037	-	10,371	3,361
Legal services	580	151,116	-	151,696	39,508
Miscellaneous	6,049	14,114	-	20,163	23,570
Occupancy	439,789	48,865	-	488,654	432,073
Postage	372	4,091	-	4,463	2,436
Printing	17,772	2,012	-	19,784	16,160
Professional services	786,721	139,214	-	925,935	650,901
Rental expense	113,285	11,204	-	124,489	138,132
Repairs and maintenance	8,843	983	-	9,826	9,618
Supplies	67,675	16,404	-	84,079	120,212
Telephone and Internet	4,024	16,738	-	20,762	14,666
Travel and entertainment	6,801	3,308	-	10,109	12,585
<b>TOTAL EXPENSES</b>	<b>\$ 4,676,639</b>	<b>\$ 1,269,562</b>	<b>\$ 12,523</b>	<b>\$ 5,958,724</b>	<b>\$ 5,551,005</b>

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

**I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 408,695	\$ 367,130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,381	12,024
(Increase) Decrease in:		
Accounts receivable	(99,601)	22,882
Due from related party	-	5,541
Inventory	(1,904)	(1,225)
Prepaid expenses	(54,331)	8,083
Increase (Decrease) in:		
Accounts payable	201,743	35,412
Accrued salaries and benefits	(269,043)	144,519
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>190,940</u>	<u>594,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of capital assets	(4,895)	(1,657)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(4,895)</u>	<u>(1,657)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	1,050,000	-
Repayments on notes payable	(1,050,000)	-
Repayment of capital lease obligation	(5,479)	(14,567)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(5,479)</u>	<u>(14,567)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	180,566	578,142
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>691,059</u>	<u>112,917</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 871,625</u>	<u>\$ 691,059</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ 10,371</u>	<u>\$ 3,361</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Equipment purchased under capital leases	<u>\$ -</u>	<u>\$ 21,167</u>

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



I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 NATURE OF THE ORGANIZATION

I-LEAD Charter School – Reading, dba I-LEAD Charter School (“the School”), is a nonprofit organization, incorporated under the laws of Pennsylvania in 2010, that operates a charter school located in Reading, Pennsylvania. The School serves youth disconnected from school with the opportunity to re-engage in their education and transition successfully into adulthood. Currently, the School serves students enrolled in grades nine through twelve.

The School’s primary source of revenue is from local educational agencies (“LEAs”) for education provided to students from the paying LEAs. The School and Reading School District are parties to a Charter Agreement through 2019.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting.

Financial Statement Presentation

In accordance with the portion of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) regarding financial statements of not-for-profit organizations, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the School is required to present a statement of cash flows.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code. The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Cash and Cash Equivalents

The School considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of June 30, 2016, management has determined that all amounts will be collected and, accordingly, an allowance for uncollectible accounts has not been recorded.

Property and Equipment

The School capitalizes all expenditures for property in excess of \$1,000 and a useful life greater than a year. Property and equipment are stated at cost at date of acquisition or fair market value at date of donation. Property and equipment are depreciated on the straight-line method over the estimated service lives of the respective assets. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. Depreciation expense for the year ended June 30, 2016 was \$5,381.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Expense

The School is required to accept students from throughout the Commonwealth of Pennsylvania. Accordingly, the School advertises to ensure citizens of the Commonwealth are informed of the School's mission. The School expenses the production cost of advertising when incurred.

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School maintains bank accounts at VIST Bank and Santander Bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2016, the carrying amount of the School's deposits totaled \$871,559 (excluding petty cash of \$66), and the bank balance was \$982,949. Of the bank balance, \$259,120 was covered by federal depository insurance and \$723,829 was collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

Due from school districts	\$	459,436
Federal receivables		83,309
State receivables		143,068
Other		<u>306</u>
TOTAL	\$	<u>686,119</u>

NOTE 5 CAPITAL LEASE OBLIGATION

The School has one capital lease agreement used to obtain technology items and related accessories. The leased item is amortized over the lease term. Amortization of the item under the capital lease is included in depreciation expense. Equipment under the capital lease is reported in the statement of financial position at a capitalized cost of \$21,167 as of June 30, 2016. Accumulated amortization related to this equipment amounted to \$7,408, as of June 30, 2016.

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 CAPITAL LEASE OBLIGATION (cont'd)

Future minimum lease payments under the capital lease obligation as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>		
2017	\$	5,944
2018		5,944
2019		991
Less interest		<u>(1,275)</u>
Present value of future minimum lease payments	\$	<u><u>11,604</u></u>

NOTE 6 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislative-mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Eligible active members contribute at 7.5 percent of their qualifying compensation. Contributions required of employers are based upon an actuarial valuation. For the year ended June 30, 2016, the rate of the employer contribution was 25.84 percent of covered payroll, which was comprised of 25 percent for pension contributions and 0.84 percent for healthcare contributions. The School's contribution to PSERS for the years ended June 30, 2016, 2015, and 2014 was \$664,110, \$587,738, and \$467,097, respectively, equal to the required contribution.

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 COMMITMENTS AND CONTINGENCIES

The School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the normal course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of the School if disposed of unfavorably.

Litigation

During the year ended June 30, 2016, the School was informed that the Reading School District initiated proceedings to revoke the charter it granted the School in 2010 upon the grounds of poor academic performance and violations of Charter School Law. The School has taken the necessary actions to contest the charter revocation with the State Charter School Appeal Board. Likelihood of success on the merits is unknown.

Grants

The School receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the School. Management believes such disallowance, if any, would be immaterial.

NOTE 8 CONCENTRATIONS

The School's primary source of revenue is from local educational agencies ("LEAs") for education provided to students from the paying LEAs. Revenue received from other local educational agencies totaled \$5,138,961 for the year ended June 30, 2016. Of this amount, \$4,824,665 was received from Reading School District for the year ended June 30, 2016. In addition, as of June 30, 2016 \$442,736 was due from the Reading School District.

NOTE 9 RELATED PARTY TRANSACTIONS

Per the School's by-laws, the Institute for Leadership Education, Advancement and Development, Inc. ("I-LEAD"), a Pennsylvania non-profit corporation, shall appoint a majority of the School's board members. During 2016, the School and I-LEAD's board did not have any common members.

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 9 RELATED PARTY TRANSACTIONS (cont'd)

In 2014, the School entered a lease agreement with I-LEAD for classroom and administrative office space at 401 Penn Street, Reading, Pennsylvania. Lease terms stated that the monthly rent was \$40,225 for a total expense of \$482,700 for the year ended June 30, 2016, which is included in the occupancy expense line item in the financial statements. Also, pursuant to the lease, rental payments are capped by I-LEAD's actual expenses for building management and maintenance and does not permit any profit to incur to the benefit of I-LEAD. I-LEAD incurred expenses in excess of rent of \$24,779 for the year ended June 30, 2016. The lease expired on June 30, 2016 and was renewed for an additional year at monthly rental payments of \$44,248 for a total commitment of \$530,976 for fiscal year 2017.

In addition, I-LEAD leases furniture and equipment to the School at no cost. The donated leased furniture and equipment is valued at \$79,836 and is recognized as in-kind revenue and rental expense in the financial statements.

See Note 10 for the School's line of credit with I-LEAD.

NOTE 10 LINES OF CREDIT

The School opened and maintained a secured line of credit with I-LEAD in the amount of \$2,000,000. The line of credit is secured by the assets of the School. Outstanding amounts against this line are interest-free. As of June 30, 2016, the outstanding balance was \$0.

The School maintains a secured line of credit with Santander Bank, in the amount of \$250,000. The line of credit is secured by the assets of the School. As of June 30, 2016, the outstanding balance was \$0.

NOTE 11 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through December 13, 2016, the date the financial statements were available to be issued.

**SINGLE AUDIT INFORMATION**

INDEPENDENT AUDITOR'S  
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

December 13, 2016

To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School  
Reading, Pennsylvania

We have audited, 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, the financial statements of the I-LEAD Charter School – Reading, dba I-LEAD Charter School, Reading, Pennsylvania (“the School”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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.



To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

December 13, 2016

To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School

Report on Compliance for the Major Federal Program

We have audited the I-LEAD Charter School – Reading, dba I-LEAD Charter School's ("the School"), a nonprofit organization, compliance with the types of compliance requirements described in *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2016. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the School's major federal program. However, our audit does not provide a legal determination of the School's compliance.

To the Board of Directors  
I-LEAD Charter School – Reading  
dba I-LEAD Charter School

### Opinion on the Major Program

In our opinion, the I-LEAD Charter School – Reading, dba I-LEAD Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

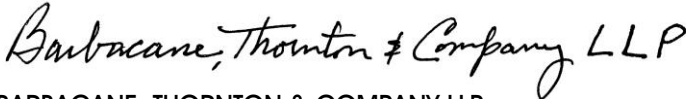
Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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, as defined above. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

**I-LEAD CHARTER SCHOOL - READING  
DBA I-LEAD CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2015	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2016	PASSED THROUGH TO SUB-RECEIPTS
<b>U.S. DEPARTMENT OF EDUCATION</b>											
Passed through Berks County I.U.											
IDEA	I	84.027	N/A	07/01/13 - 09/30/14	\$ 62,984	\$ 27,648	\$ 27,648	\$ -	\$ -	\$ -	\$ -
IDEA	I	84.027	N/A	07/01/14 - 09/30/15	92,465	45,303	8,469	83,996	83,996	47,162	-
IDEA	I	84.027	N/A	07/01/15 - 09/30/16	103,971	65,328	-	68,879	68,879	3,551	-
Total CFDA #84.027						138,279	36,117	152,875	152,875	50,713	-
Passed through PA Department of Education											
Title I - Grants to Local Educational Agencies	I	84.010	013-15-1103	07/01/14 - 09/30/15	394,459	67,264	(43,106)	110,370	110,370	-	-
Title I - Grants to Local Educational Agencies	I	84.010	042-14-1103	07/30/14 - 09/30/15	56,699	23,880	23,880	-	-	-	-
Title I - Grants to Local Educational Agencies	I	84.010	042-15-1103	07/30/15 - 09/30/16	66,653	41,658	-	66,653	66,653	24,995	-
Title I - Grants to Local Educational Agencies	I	84.010	013-16-1103	07/01/15 - 09/30/16	400,594	338,297	-	312,522	312,522	(25,775)	-
Total CFDA #84.010						471,099	(19,226)	489,545	489,545	(780)	-
Title II - Improving Teacher Quality	I	84.367	020-15-1103	07/01/14 - 09/30/15	17,234	11,238	1,318	9,920	9,920	-	-
Title II - Improving Teacher Quality	I	84.367	020-16-1103	07/01/15 - 09/30/16	19,742	10,909	-	2,523	2,523	(8,389)	-
Total CFDA #84.367						22,147	1,318	12,443	12,443	(8,389)	-
Title III - Language Instruction for Limited English Proficient Students	I	84.365	010-16-1103	07/01/15 - 09/30/16	37,747	24,266	-	7,149	7,149	(17,117)	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						655,791	18,209	662,012	662,012	24,427	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
Passed through PA Department of Education											
National School Lunch Program	I	10.555	N/A	09/01/14 - 06/30/15	N/A	57,256	57,256	-	-	-	-
National School Lunch Program	I	10.555	N/A	09/01/15 - 06/30/16	N/A	216,858	-	224,459	224,459	7,601	-
Total CFDA #10.555						274,114	57,256	224,459	224,459	7,601	-
Breakfast Program	I	10.553	N/A	09/01/14 - 06/30/15	N/A	33,355	33,355	-	-	-	-
Breakfast Program	I	10.553	N/A	09/01/15 - 06/30/16	N/A	46,188	-	46,188	46,188	-	-
Total CFDA #10.553						79,543	33,355	46,188	46,188	-	-
Total Child Nutrition Cluster						353,657	90,611	270,647	270,647	7,601	-
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>						353,657	90,611	270,647	270,647	7,601	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>						\$ 1,009,448	\$ 108,820	\$ 932,659	\$ 932,659	\$ 32,028	\$ -

**SOURCE CODE:**

I - Indirect Funding

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2016

NOTE A REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the I-LEAD Charter School – Reading, dba I-LEAD Charter School. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C INDIRECT COST RATE

The School did not use the federal de minimis indirect cost rate of 10 percent on their federal grants for the year ended June 30, 2016.

**SCHEDULE OF  
FINDINGS AND RECOMMENDATIONS**

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 2016

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with of the Uniform Guidance?

Yes  No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.010

Title 1 - Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

I-LEAD CHARTER SCHOOL – READING  
DBA I-LEAD CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

JUNE 30, 2016

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.