Sample of Audit Report

Profit School

ABC School for Students with Disabilities

Report of Audit

for the Fiscal Year Ended

June 30, 20XX
# ABC School for Students with Disabilities

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>P – 3 &amp; 4</td>
</tr>
<tr>
<td>Auditor’s Report on Internal Control</td>
<td>P – 5 &amp; 6</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>P – 7 (A)</td>
</tr>
<tr>
<td>Statement of Revenue and Expenses and Reconciliation of Retained Earnings</td>
<td>P – 8 (A)</td>
</tr>
<tr>
<td>Statement of Accrued Expenses and Accounts Payable</td>
<td>P – 9 (A)</td>
</tr>
<tr>
<td>Statement of Total Expenditures</td>
<td>P – 10 (A) (B)</td>
</tr>
<tr>
<td>Statement of Expenditures by Line Item</td>
<td>P – 11 to 28 (A) (B)</td>
</tr>
<tr>
<td>Statement of Percentages for Cost Category Assignments</td>
<td>P – 29 to 45 (A) (B)</td>
</tr>
<tr>
<td>Statement of Enrollment</td>
<td>P – 46 (A)</td>
</tr>
<tr>
<td>Statement of Tuition Rate Computation - Part I</td>
<td>P – 47 (A)</td>
</tr>
<tr>
<td>Statement of Tuition Rate Computation - Part II</td>
<td>P – 48 (A)</td>
</tr>
<tr>
<td>Statement of Tuition Rate Computation – Surcharge Computation</td>
<td>P – 49 (A)</td>
</tr>
<tr>
<td>Statement of Extraordinary Services - Expenditures by Line Item</td>
<td>P – 50 (A)</td>
</tr>
<tr>
<td>Statements of Extraordinary Services - Tuition Rate Computation &amp; Surcharge Computation</td>
<td>P – 51 (A)</td>
</tr>
<tr>
<td>Statement of Billing Adjustment</td>
<td>P – 52 &amp; 53 (A)</td>
</tr>
<tr>
<td>Statement of Non-allowable Costs</td>
<td>P – 54 (A)</td>
</tr>
<tr>
<td>Statement of Food Service</td>
<td>P – 55 (A)</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>P – 56 to 58</td>
</tr>
<tr>
<td>Recommendations - Current Year</td>
<td>P – 59</td>
</tr>
<tr>
<td>Recommendations - Current Year Status of Prior Years’ Comments and Recommendations</td>
<td>P – 59</td>
</tr>
<tr>
<td>Management’s Determination of the Final Tuition Rate Charged</td>
<td>P – 60</td>
</tr>
</tbody>
</table>

(A) Pages P-7 through 55 are located in the Profit School - Statements.

(B) An excel version of this form is located in Profit School Template.
The sample report was adopted and modified from (4-2), in collaboration with Cullari, Carrico, Soojian, Burke, LLC and J. F. Anderson, is available on the AICPA website. Auditors are encouraged to review this link for other sample reports.

{Audit Firm’s Letterhead}

Independent Auditors’ Report

To the Board of Trustees
ABC School for Students with Disabilities

We have audited the accompanying financial statement of the ABC School for Students with Disabilities (a for profit organization), in the County of [County], State of New Jersey, which comprise the statement of assets, liabilities and stockholder’s equity - statutory basis as of June 30, 202X, and the related statements of support and revenue expenses and reconciliation of retained earnings - statutory basis 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 the financial reporting provisions of the Division of Finance, Department of Education, State of New Jersey. Management is also responsible for 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 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 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 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of assets, liabilities and stockholder’s equity - statutory basis of ABC School for Students with Disabilities [County], State of New Jersey as of June 30, 202X, and its support and revenue, expenses and reconciliation of retained earnings for the year then ended in accordance with the financial reporting provisions of the Division of Finance, Department of Education, State of New Jersey, described in Note X.

Basis of Accounting
We draw attention to Note X of the financial statements, which describes the basis of accounting. As described in Note X, these financial statements were prepared in conformity with the financial reporting provisions of the Division of Finance, Department of Education, State of New Jersey, which is a basis of accounting other that accounting principles generally accepted in the United States of America, to meet the requirements of N.J.A.C. 6A:23A-18.1 through 18.23. Our opinion is not modified with respect to the matter.
Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 the requirements of N.J.A.C. 6A:23A-18.1 through 18.23 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 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 and the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of ABC School for Students with Disabilities and the New Jersey State Department of Education for the purpose of determining the certified actual cost per student and the final tuition rate charged to public school districts for students with disabilities and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by the Department of Education, State of New Jersey

In accordance with the Department of Education, State of New Jersey, we have also issued our report dated [insert date of report] on our consideration of ABC School for Students with Disabilities’ internal control over financial reporting and on our tests of its compliance with certain provisions of N.J.A.C. 6A:23A-18.1 through 18.23. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the Department of Education, State of New Jersey in considering ABC School for Students with Disabilities’ internal control over financial reporting and compliance.

Note to Auditor - A current copy of the Public School Accountant’s license shall be made part of this audit.
{Audit Firm’s Letterhead}

Auditor’s Report on Internal Controls

To the Board of Trustees of
ABC School for Students with Disabilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the financial statements of ABC School for Students with Disabilities in the County of [County], State of New Jersey, which comprise the statement of assets, liabilities and stockholder’s equity – statutory basis as of June 30, 201X, and the related statements of support and revenue, expenses, and reconciliation of retained earnings – statutory basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date of Auditors Report].

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ABC School for Students with Disabilities’ 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 ABC School for Students with Disabilities’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABC School for Students with Disabilities’ 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 the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

**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 organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

---

**Note to Auditor:** 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.
Note 1
A summary of plant assets follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 55,000</td>
</tr>
<tr>
<td>Building</td>
<td>320,000</td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td>100,000</td>
</tr>
<tr>
<td>Leasehold Furniture</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$575,000</strong></td>
</tr>
<tr>
<td>Accumulated</td>
<td>215,000</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>$360,000</strong></td>
</tr>
</tbody>
</table>

Note 2
A summary of items contrary to N.J.A.C. 6A:23A-18.1 *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 $750 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 N.J.A.C. 6A:23A-18.1 through 18.23. 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 Student and the Final 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 revenue and expenses and reconciliation of retained earnings; 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 Private School, Inc. leases a school building in a related party transaction from the XYZ School Buildings Unlimited, Inc. The ABC Private School, Inc. and XYZ School Buildings Unlimited, Inc. are profit-making corporations owned by Joseph and Adele Administrator.

The building was leased from XYZ School Buildings Unlisted, Inc. and the entire amount was reflected as an allowable cost in the financial records. For purpose 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 $60,000 plus a return of $1,500 which is based on 2.5 percent of the actual cost of ownership. The $13,500 difference between the $75,000 lease and the $61,500 included in the certified actual cost per pupil calculation is considered a non-allowable cost. The actual cost of ownership to XYZ School Buildings Unlimited, Inc. was $60,000, which was based on financial information supplied by XYZ School Buildings Unlimited, Inc.

Note 5
The ABC School for Students with Disabilities is a private school for students with disabilities approved by the Department of Education. The school is approved to serve pupils classified as emotionally disturbed, neurologically impaired, multiply disabled and educable mentally retarded.

Note 6
The loan payable consists of a 180 day note payable to XYZ Savings and Loan Association due December 15, 20XX with interest at 1/2% over prime per annum. The loan was taken for cash flow purposes and is guaranteed by the stockholders.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan amount</td>
<td>$50,000</td>
</tr>
<tr>
<td>Less: Current Portion</td>
<td>50,000</td>
</tr>
<tr>
<td>Loans Long Term</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note 7
The mortgage payable consists of a 10%, 30 year fixed rate note 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, 20XX.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Payable</td>
<td>$360,000</td>
</tr>
<tr>
<td>Less: Current Portion</td>
<td>30,000</td>
</tr>
<tr>
<td>Mortgage Payable - Long Term</td>
<td>$330,000</td>
</tr>
</tbody>
</table>

Note 8
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:23A-18.5(a)31 as an allowable cost for a retirement plan and meets the standards of N.J.A.C. 6A:23A-18.5(a)23 as an allowable cost as a fringe benefit. The school made contributions to the plan of $51,531.

Note 9
For the June 30, 20XX 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.

Each of the following illustrations (10(a) through 10(c)) may not be applicable to the audit. Please select the appropriate footnote disclosure(s) for the PSSD under audit:

**Note 10(a) - Child Nutrition Program**
The Statement of Food Service reflects the net expenditures included in the calculation of the certified actual cost per student. ABC School met the nutritional requirements of the Child Nutrition Program as administered by the New Jersey Department of Agriculture pursuant to N.J.A.C. 6A:23A-18.23(a)2. The Statement of Food Service reflects revenue from sales of meals as ABC School charged for students’ paid and reduced meals in accordance with the income eligibility criteria established by the Child Nutrition Program as administered by the New Jersey Department of Agriculture pursuant to N.J.A.C. 6A:23A-18.23(a)2. The actual number of students participating in the Child Nutrition Program varied as a result of fluctuating enrollment. Accordingly, as of June 30, 20XX, XX students received free meals, XX students received reduced rate meals, and XX students received paid rate meals.

**Note 10(b) - Child Nutrition Program –parent/guardian/sending district provide meals**
The Statement of Food Service does not reflect expenditures associated with providing meals to students because students bring lunch to school provided by the parents/guardian/sending district.

**Note 10(c) - Child Nutrition Program –nonparticipation**
The Statement of Food Service does not reflect expenditures associated with providing meals to students because ABC School has elected to fund the cost of providing meals to students through an unrestricted fund. As such, there are no costs in included in the calculation of the certified actual cost per student. Accordingly, ABC School did not meet the provisions of N.J.A.C. 6A:23A-18.23(a)2.

**Note 11 – Payroll Protection Program Disclosure for Profit Schools**
The School applied for and received a Payroll Protection Program loan in the amount of $XXX, XXX with XX% of the loan amount expressly used for the payment of employees’ payroll according to SBA and lender requirements. For the school year ended June 30, 2020, $XXX, XXX was used for payroll purposes, as disclosed below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total PPP loan amount received</td>
<td>$XXX, XXX</td>
</tr>
<tr>
<td>Amount used towards APSSD</td>
<td></td>
</tr>
<tr>
<td>Amount used towards other (non-APSSD) programs</td>
<td></td>
</tr>
<tr>
<td>Qualified Expenditures to be Forgiven</td>
<td>$XXX, XXX</td>
</tr>
</tbody>
</table>

In accordance with IAS 20, FASB ASC 958-605 and FASB ASC 450-30, if a nongovernmental entity that is not an not-for-profit entity (that is, a business entity) expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the proceeds from the loan are to remain recorded as a deferred income liability. Subsequent to initial recognition, a business entity would reduce the liability with the offset through earnings presented as either:

1) a credit in the income statement, either separately or under a general heading such as “other income,” or

2) a reduction of the related expenses, as it recognizes the related cost to which the loan relates, for example, compensation expense.
This will continue until either:

1) the loan is, in part or wholly, forgiven and the debtor has been “legally released” or
2) the debtor pays off the loan to the creditor.

Once the loan is, in part or wholly, forgiven and legal release is received, a nongovernmental entity would release the liability by the amount forgiven and record a gain on extinguishment.

In accordance with State guidance, the application for loan forgiveness and resultant determination have been submitted to the Department of Education in tandem with the audited financial statement submission.

Choose one of the following:

- ABC School’s management applied (or intends to seek) for forgiveness of exactly $XXX, XXX in accordance to SBA guidance on (insert date). The amount of $X, XXX of principal and interest related to the PPP loan is included as allowable costs.

- The School does not intend to seek forgiveness of the PPP loan and will repay the loan plus accrued interest according to SBA requirements and the lender’s terms utilizing unrestricted funds.

- The School has applied for forgiveness of the PPP loan on (insert date) and was denied; therefore, the School will repay the loan plus accrued interest according to SBA requirements and the lender’s terms utilizing unrestricted funds.
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:23A-18.6(a)1 through 73 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 year's recommendations and has been a recommendation since the 20XX-20XX 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, 20XX

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:23A-18.1 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:23A-18.1 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 20XX – 20XX 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