PRAIRIE CROSSING CHARTER SCHOOL
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2016 AND 2015

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Prairie Crossing Charter School and its Subsidiary
Grayslake, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prairie Crossing Charter School and its Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prairie Crossing Charter School and its Subsidiary as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Racine, Wisconsin
October 18, 2016

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,389,293	$ 1,340,631
Cash Restricted to Investment in Property	5,946	5,951
Grants Receivable	77,390	59,566
Charter Renewal Fees	22,246	29,661
Prepaid Assets	4,916	8,258
Total Current Assets	1,499,791	1,444,067
DEPOSIT REQUIRED BY LOAN AGREEMENT	306,696	306,696
PROPERTY AND EQUIPMENT, NET	8,553,595	8,693,969
BOND ISSUANCE COSTS, Net of Accumulated Amortization of $187,730 in 2016 and $161,178 in 2015	589,436	615,988
Total Assets	$ 10,949,518	$ 11,060,720
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 113,121	$ 58,402
Accrued Expenses and Other Liabilities	349,444	246,362
Current Maturities of Bond Payable	242,779	222,500
Current Maturities of Capital Lease Obligations	4,472	3,341
Unearned Revenue	35,115	43,320
Total Current Liabilities	744,931	573,925
LONG-TERM LIABILITIES		
Interest Rate Swap	25,420	128,149
Bond Payable, Less Current Maturities Above	7,778,471	8,021,250
Capital Lease Obligations, Less Current Maturities Above	18,890	-
Total Long-Term Liabilities	7,822,781	8,149,399
Total Liabilities	8,567,712	8,723,324
NET ASSETS		
Unrestricted	2,375,743	2,331,333
Temporarily Restricted	6,063	6,063
Total Net Assets	2,381,806	2,337,396
Total Liabilities and Net Assets	$ 10,949,518	$ 11,060,720

See accompanying Notes to Consolidated Financial Statements.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT						
General State Aid	$ 4,352,771	$ -	$ 4,352,771	$ 3,798,600	$ -	$ 3,798,600
Contributions	25,368	2,265	27,633	25,276	2,532	27,808
Fundraising	8,683	-	8,683	9,103	-	9,103
Grants:						
State Grants	134,212	-	134,212	110,953	-	110,953
Federal Special Education	117,217	-	117,217	86,719	-	86,719
Other	36,258	-	36,258	34,491	-	34,491
School and Program Fees	369,435	-	369,435	303,790	-	303,790
Rent Income	17,214	-	17,214	17,639	-	17,639
Interest Income	1,466	-	1,466	953	-	953
Unrealized Gain on Interest Rate Swap	102,729	-	102,729	94,038	-	94,038
Other Expense	(100,190)	-	(100,190)	(81,562)	-	(81,562)
Total Revenues, Gains, and Other Support	5,065,163	2,265	5,067,428	4,400,000	2,532	4,402,532
Net Assets Released from Restrictions	2,265	(2,265)	-	3,792	(3,792)	-
Total Unrestricted Revenues, Gains, and Other Support	5,067,428	-	5,067,428	4,403,792	(1,260)	4,402,532
EXPENSES						
Program Services	4,016,531	-	4,016,531	3,551,841	-	3,551,841
Fundraising	19,220	-	19,220	13,472	-	13,472
Management and General	987,267	-	987,267	809,220	-	809,220
Total Expenses	5,023,018	-	5,023,018	4,374,533	-	4,374,533
CHANGE IN NET ASSETS	44,410	-	44,410	29,259	(1,260)	27,999
Net Assets - Beginning of Year	2,331,333	6,063	2,337,396	2,302,074	7,323	2,309,397
NET ASSETS - END OF YEAR	$ 2,375,743	$ 6,063	$ 2,381,806	$ 2,331,333	$ 6,063	$ 2,337,396

See accompanying Notes to Consolidated Financial Statements.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 44,410	$ 27,999
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	378,988	353,107
Unrealized Gain on Interest Rate Swap	(102,729)	(94,038)
Effects of Changes in Operating Assets and Liabilities:		
Grants Receivable	(17,824)	(26,434)
Other Receivable	-	2,095
Prepaid Assets	3,342	(12,579)
Accounts Payable	54,719	(62,017)
Accrued Expenses and Other Liabilities	103,082	7,870
Unearned Revenue	(8,205)	(27,464)
Net Cash Provided by Operating Activities	455,783	168,539
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(179,852)	(141,202)
Cash Restricted to Investment Property	5	-
Net Cash Used by Investing Activities	(179,847)	(141,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(4,774)	(4,210)
Payments on Bond Payable	(222,500)	(212,500)
Net Cash Used by Financing Activities	(227,274)	(216,710)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,662	(189,373)
Cash and Cash Equivalents - Beginning of Year	1,340,631	1,530,004
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,389,293	$ 1,340,631
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 323,436	$ 330,956
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Acquired via Capital Lease	$ 24,795	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Prairie Crossing Charter School (PCCS) was formed in July 1999 in the state of Illinois and focuses on the environment, conservation, and good citizenship and currently offers kindergarten through grade 8. For the 2015-2016 school year, the maximum enrollment was 419 students, of which one student was out of the district. For the 2014-2015 school year, the maximum enrollment was 392 students, of which two students were out of the district. PCCS is supported primarily by General State Aid from the state of Illinois, which reimburses PCCS a dollar amount per student per school year, and various grants from state, federal, and other agencies.

PCCS is subject to a “Charter Agreement” with the Illinois State Charter School Commission (ISCSC). The original agreement was for a term of five years and ended with the 2008-2009 school year. The agreement was renewed for an additional five years, ending with the 2013-2014 school year. On July 24, 2014, an agreement was renewed for an additional five years, ending with the 2018-2019 school year.

PCCS Holdings, LLC (Holdings) is an Illinois Limited Liability Company, with PCCS as a single member. Holdings was formed in June 2004 to own and develop PCCS property and lease it to PCCS. Construction for the first building was completed in December 2004, and construction for the second building was completed in August 2006.

Consolidation

The accompanying consolidated financial statements include the accounts of Prairie Crossing Charter School and its wholly-owned subsidiary, PCCS Holdings, LLC (collectively, the Organization). All significant intercompany items and transactions have been eliminated.

Significant accounting policies followed by the Organization are presented below.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when obligations are incurred, regardless of the timing of the cash flows.

Consolidation

The accompanying consolidated financial statements include the accounts of Prairie Crossing Charter School and its wholly-owned subsidiary, PCCS Holdings, LLC (collectively, the Organization). All significant intercompany items and transactions have been eliminated.

Use of Estimates

The preparation of consolidated 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, accrued expenses, and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and unearned revenue approximate their fair values based on their short-term nature. The fair value of the Organization's long-term debt is estimated based on the current rates offered to the Organization for debt of similar terms and maturities.

Cash Equivalents

The Organization considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash balances at regional banks.

Certificates of Deposit

Certificates of deposit are carried at cost which approximates fair value.

Receivables

Receivables are uncollateralized obligations which generally require payment within 30 days from the invoice date. Receivables are stated at the invoice amount.

Account balances with invoices over 90 days old are considered delinquent. Payments of receivables are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific accounts and the aging of the receivables. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. At June 30, 2016 and 2015, no amounts are considered uncollectible and accordingly, the Organization has not recorded an allowance for uncollectible amounts.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value as of the date of donation. Expenses for maintenance and repairs are charged to expense as incurred. Additions and replacements in excess of $2,500, including interest and issuance costs during the construction period, are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the various assets, which range from three to 39 years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Bond Issuance Costs

Costs incurred as a result of issuing tax-exempt bonds are amortized on a straight-line basis over the term of the related debt.

Accounting Policy for Derivative Financial Instruments

The Organization recognizes all of its derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Organization designates the hedging instrument as a fair value hedge.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the current earnings during the period of the change in fair values.

Net Assets

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted. Gains or losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Temporarily Restricted

Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Permanently Restricted

Permanently restricted net assets includes contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Other Income (Expense)

The Organization reports other income (expense) in the consolidated statements of activities as a component of revenues, gains, and other support. This includes the charter school commission fee established by the Illinois legislature in 2011 and various activities on a net basis including SCRIP, plant sale, holiday bazaar, and others.

Income Taxes

No provision or benefit for income taxes has been included in these consolidated financial statements since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015 are summarized as follows:

	2016	2015
Land	$ 976,852	$ 976,852
Land Improvements	224,097	224,097
Building Improvements	9,988,302	9,939,182
Furniture and Fixtures	348,476	209,998
Equipment	601,186	572,632
Software	49,820	49,820
Vehicle	34,800	34,800
Construction in Progress	5,857	36,863
Total Property and Equipment	12,229,390	12,044,244
Accumulated Depreciation	(3,675,795)	(3,350,275)
Property and Equipment, Net	$ 8,553,595	$ 8,693,969

Depreciation expense for the years ended June 30, 2016 and 2015 was $345,021 and $319,140, respectively.

NOTE 3 BOND ISSUANCE COSTS

Amortization expense for bond issuance costs for the years ended June 30, 2016 and 2015 was $26,552.

Future estimated amortization expense for bond issuance costs is as follows:

Year Ending June 30,	Amount
2017	$ 26,552
2018	26,552
2019	26,552
2020	26,552
2021	26,552
Thereafter	456,676
Total	$ 589,436

NOTE 4 CAPITAL LEASE OBLIGATIONS

In March 2016, the Organization entered into a lease for office equipment with a cost of $24,795 under a capital lease which will expire in 2021. The liability under the capital lease is recorded at the present value of the minimum lease payments. The interest rate on the capital lease obligation is approximately 6% at June 30, 2016 and 2015 and is imputed based on the lessor’s implicit rate of return. Amortization expense on equipment acquired under capital lease was $1,653 for the year ended June 30, 2016. Accumulated amortization on leased equipment was $1,653 at June 30, 2016.

NOTE 4 CAPITAL LEASE OBLIGATIONS (CONTINUED)

Future minimum lease payments under the capital lease are due as follows:

Year Ending June 30,	Amount
2017	$ 5,752
2018	5,752
2019	5,752
2020	5,752
2021	3,835
Total	26,843
Amount Representing Interest	(3,481)
Present Value of Future Minimum Lease Payments	23,362
Current Portion	(4,472)
Long-Term Portion	$ 18,890

NOTE 5 LEASE COMMITMENTS

Effective June 16, 2004, PCCS entered into a lease with Holdings for the school buildings which expires on December 31, 2028, and is paid directly to Lake Forest Bank and Trust Company in monthly installments equal to the regularly scheduled principal and interest payments required by Holdings bond payable on the property. The lease expense under this agreement is eliminated upon consolidation. See Note 6 for further discussion of the bond payable.

NOTE 6 MORTGAGE/BOND PAYABLE

In August 2011, the Village of Wadsworth, Illinois, issued $9,000,000 of Revenue Refunding Bonds (Prairie Crossing Charter School Project) Series 2011 pursuant to its powers under the Industrial Revenue Building Bond Act, 65 Illinois Compiled Statutes. The Village entered into a bond and loan agreement with the Lake Forest Bank and Trust Company and the Organization dated August 1, 2011. The bonds mature, subject to prior redemption, principal amortization, and acceleration, on September 1, 2038. The bonds are collateralized by substantially all of the Organization's assets. Under the terms of a related Loan and Covenant Agreement, the Organization is required to maintain a minimum deposit with the bank of $300,000. This requirement is met with a certificate of deposit in the amount of $306,696 and is presented as a deposit required by the loan agreement in the consolidated statements of financial position. The School is also required to maintain a minimum debt service coverage ratio. The School was not in compliance with this covenant at June 30, 2016. The lending institution has provided a waiver.

NOTE 6 MORTGAGE/BOND PAYABLE (CONTINUED)

The bonds bear variable interest, payable monthly, in arrears. The initial bank purchase mode matured on August 23, 2016. The interest rate during that period represents a tax-exempt, variable rate equal to the bank purchase multiplier times the sum of the London Interbank Offered Bank (LIBOR) rate plus 350 basis points. After the initial bank purchase mode, and subject to written agreement, the Organization may convert the bonds to a bank purchase mode renewal or to a weekly mode or a flexible mode. The interest rate on the bonds is established by a remarketing agent weekly.

The Organization entered into an interest rate swap agreement with Lake Forest Bank and Trust Company dated July 27, 2011 and effective September 15, 2011. The swap agreement matured on September 10, 2016 and results in the Organization paying interest on the bonds at a fixed rate of 3.9%. The agreement requires monthly principal payments on 10th day of each month.

The School entered into the second bank purchase mode on August 24, 2016, and it ends on August 23, 2021, in relation to its outstanding bonds. The interest rate during that period represents a tax-exempt, variable rate equal to the bank purchase multiplier times the sum of the London Interbank Offered Bank (LIBOR) rate plus 350 basis points. The School entered into an interest rate swap agreement with Lake Forest Bank and Trust Company dated September 9, 2016 and effective September 10, 2016 with a fixed rate of 3.354 % for five years. The swap agreement matures on August 23, 2021.

Future principal payments under the loan agreement are as follows:

Year Ending June 30,	Amount
2017	$ 242,779
2018	256,054
2019	264,712
2020	273,663
2021	282,916
Thereafter	6,701,126
Total	$ 8,021,250

NOTE 7 LINE OF CREDIT

The Organization has a $500,000 line of credit which bears interest at the bank's prime rate plus 1.00%, but not less than 5.50% (5.50% at June 30, 2016 and 2015). The line is due on January 31, 2018. There were no amounts outstanding at June 30, 2016 and 2015. The line of credit is collateralized by a general business security agreement and includes several financial covenants.

NOTE 8 RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Sustainable Schoolyard	$ 5,195	$ 5,195
Giving Tree	868	868
Total	$ 6,063	$ 6,063

NOTE 9 RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois (TRS)

The Organization participates in TRS, which is a cost-sharing, multiple employer defined-benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the governor's approval. The state of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS board of trustees is responsible for the system's administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Active TRS members are required to contribute 9.40% of their creditable earnings. These contributions are submitted to TRS by the employer.

All TRS-covered members and employers are required to contribute to the Teachers' Health Insurance Security Fund, a separate fund in the state treasury that is not a part of this retirement plan. For the year ended June 30, 2016, TRS-covered employers contributed 0.80% of creditable earnings to the Teacher's Health Insurance Security Fund and TRS-covered members contributed at a rate of 1.07% of creditable earnings. For the year ended June 30, 2015, TRS-covered employers contributed 0.76% of creditable earnings to the Teacher's Health Insurance Security Fund and TRS-covered members contributed at a rate of 1.02% of creditable earnings.

The Organization makes four types of employer contributions directly to TRS:

2.2 Formula Contributions

For the June 30, 2016 and 2015, TRS-covered employers were required to contribute 0.58% of creditable earnings as the employer share of the 2.2 formula change. The contribution for the years ended June 30, 2016 and 2015 was $8,747 and $7,999, respectively.

NOTE 9 RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the State of Illinois (TRS) (Continued)

Federal and Trust Fund Contributions

When TRS members are paid from federal and trust funds administered by the Organization, there is a statutory requirement of the Organization to pay an additional contribution that is 36% and 33% of salaries paid from those funds for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, the Organization paid $7,754 and $7,095 from the federal and trust funds, respectively.

Early Retirement Incentive

The Organization is required to make employer contributions to TRS for members who retired under the 1993-1995 Early Retirement Incentive. For each year of service purchased, members received an equal number of years of age. Employers contributed 20% of the highest salary used in the calculation of final average salary for each year purchased; member contributions were also required. Employer contributions could be made in a lump-sum, over five years in quarterly installments, or under a different schedule approved by the TRS board of trustees. For the years ended June 30, 2016 and 2015, the Organization paid no employer contributions under the Early Retirement Incentive.

Early Retirement Option

The Organization is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100% of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the years ended June 30, 2016 and 2015, the Organization paid no employer contributions under the Early Retirement Option.

TRS financial information, an explanation of TRS's benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report. The report may be obtained by writing to the Teachers' Retirement System of the state of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253.

403(b) and 403(b)(7) Plans

The Organization has two tax deferred annuity plans pursuant to Section 403(b) and 403(b)(7) covering all employees. The plans are funded solely by employee contributions.

NOTE 10 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

The fair value of the interest rate swap agreement is estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties.

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Interest Rate Swap	$ 25,420	$ -	$ 25,420	$ -

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2015:

	Total	Level 1	Level 2	Level 3
Interest Rate Swap	$ 128,149	$ -	$ 128,149	$ -

NOTE 11 SIGNIFICANT CONCENTRATIONS, COMMITMENTS, AND CONTINGENCIES

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to contingencies and certain concentrations.

Concentrations

During the years ended June 30, 2016 and 2015, the Organization received approximately 88% of its revenues from state funding.

FDIC Limits

The Organization maintains a large portion of its cash and cash equivalents in one commercial bank. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specific limits. Balances in excess of FDIC limits are uninsured.

NOTE 12 UNCERTAINTY IN INCOME TAX

The Organization is exempt from federal income taxes as provided in Section 501(c)(3) and 170(c)(2)(B) of the Internal Revenue Code (IRC). The Organization, having qualified for exemption under provisions of the IRC, is also exempt from state income taxes.

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 18, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to October 18, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the consolidated financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016 but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2016.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2016
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	2016				2015
	PCCS	Holdings	Eliminations	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 1,389,293	$ -	$ -	$ 1,389,293	$ 1,340,631
Cash Restricted to Investment in Property	-	5,946	-	5,946	5,951
Grants Receivable	77,390	-	-	77,390	59,566
Due from PCCS	-	8,817	(8,817)	-	-
Charter Renewal Fees	22,246	-	-	22,246	29,661
Prepaid Assets	4,916	-	-	4,916	8,258
Investment in PCCS Holdings, LLC	1,137,732	-	(1,137,732)	-	-
Total Current Assets	2,631,577	14,763	(1,146,549)	1,499,791	1,444,067
DEPOSIT REQUIRED BY LOAN AGREEMENT	-	306,696	-	306,696	306,696
PROPERTY AND EQUIPMENT, NET	280,088	8,273,507	-	8,553,595	8,693,969
BOND ISSUANCE COSTS, NET	-	589,436	-	589,436	615,988
Total Assets	$ 2,911,665	$ 9,184,402	$ (1,146,549)	$ 10,949,518	$ 11,060,720

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	2016				2015
	PCCS	Holdings	Eliminations	Total	Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	$ 113,121	$ -	$ -	$ 113,121	$ 58,402
Accrued Expenses and Other Liabilities	349,444	-	-	349,444	246,362
Current Maturities of Bond Payable	-	242,779	-	242,779	222,500
Current Maturities of Capital Lease Obligations	4,472	-	-	4,472	3,341
Due to Holdings	8,817	-	(8,817)	-	-
Unearned Revenue	35,115	-	-	35,115	43,320
Total Current Liabilities	510,969	242,779	(8,817)	744,931	573,925
LONG-TERM LIABILITIES					
Interest Rate Swap	-	25,420	-	25,420	128,149
Bond Payable, Less Current Maturities Above	-	7,778,471	-	7,778,471	8,021,250
Capital Lease Obligations, Less Current Maturities Above	18,890	-	-	18,890	-
Total Long-Term Liabilities	18,890	7,803,891	-	7,822,781	8,149,399
Total Liabilities	529,859	8,046,670	(8,817)	8,567,712	8,723,324
NET ASSETS					
Unrestricted	2,375,743	-	-	2,375,743	2,331,333
Temporarily Restricted	6,063	-	-	6,063	6,063
Members' Equity	-	1,137,732	(1,137,732)	-	-
Total Net Assets	2,381,806	1,137,732	(1,137,732)	2,381,806	2,337,396
Total Liabilities and Net Assets	$ 2,911,665	$ 9,184,402	$ (1,146,549)	$ 10,949,518	$ 11,060,720

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	2016				2015
	PCCS	Holdings	Eliminations	Total	Total
CHANGES IN UNRESTRICTED NET ASSETS					
Revenues, Gains, and Other Support:					
General State Aid	$ 4,352,771	$ -	$ -	$ 4,352,771	$ 3,798,600
Contributions	25,368	-	-	25,368	25,276
Fundraising	8,683	-	-	8,683	9,103
Grants:					
State Grants	134,212	-	-	134,212	110,953
Federal Special Education	117,217	-	-	117,217	86,719
Other	36,258	-	-	36,258	34,491
School and Program Fees	369,435	-	-	369,435	303,790
Rent Income	17,214	545,360	(545,360)	17,214	17,639
Interest Income	1,466	-	-	1,466	953
Investment Expense	28,070	-	(28,070)	-	-
Unrealized Gain on Interest Rate Swap	-	102,729	-	102,729	94,038
Other Expense	(100,190)	-	-	(100,190)	(81,562)
Total Revenues, Gains, and Other Support	4,990,504	648,089	(573,430)	5,065,163	4,400,000
Net Assets Released from Restrictions	2,265	-	-	2,265	3,792
Total Unrestricted Revenues, Gains, and Other Support	4,992,769	648,089	(573,430)	5,067,428	4,403,792
Expenses:					
Program Services	3,973,728	588,163	(545,360)	4,016,531	3,551,841
Fundraising	19,220	-	-	19,220	13,472
Management and General	955,411	31,856	-	987,267	809,220
Total Expenses	4,948,359	620,019	(545,360)	5,023,018	4,374,533
Increase (Decrease) in Unrestricted Net Assets	44,410	28,070	(28,070)	44,410	29,259
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Grants and Contributions	2,265	-	-	2,265	2,532
Net Assets Released from Restrictions	(2,265)	-	-	(2,265)	(3,792)
Decrease in Temporarily Restricted Net Assets	-	-	-	-	(1,260)
CHANGE IN NET ASSETS	44,410	28,070	(28,070)	44,410	27,999
Net Assets - Beginning of Year	2,337,396	1,109,662	(1,109,662)	2,337,396	2,309,397
NET ASSETS - END OF YEAR	$ 2,381,806	$ 1,137,732	$ (1,137,732)	$ 2,381,806	$ 2,337,396

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	2016				2015
	Program Services	Fundraising	Management and General	Total	Total
PCCS					
Salaries	$ 1,944,253	$ -	$ 553,007	$ 2,497,260	$ 2,216,581
Benefits	326,338	-	-	326,338	270,567
Payroll Taxes	85,810	-	28,723	114,533	89,070
Subtotal	2,356,401	-	581,730	2,938,131	2,576,218
Accounting Expense	-	-	34,473	34,473	29,442
Club Expenses	120,481	-	-	120,481	62,427
Community Outreach	-	-	62,415	62,415	56,021
Dues	-	-	11,579	11,579	7,881
Educational Materials and Supplies	89,101	-	-	89,101	48,988
Fundraising	-	19,220	-	19,220	13,472
Grants	122,048	-	-	122,048	98,570
Hot Lunches and Field Trips	130,865	-	-	130,865	134,427
Legal Expense	2,255	-	67,066	69,321	111,083
Liability Insurance	55,284	-	13,821	69,105	69,766
Miscellaneous Expense	-	-	2,265	2,265	3,433
Other Professional Fees	19,894	-	4,973	24,867	7,747
Office Expense	36,209	-	92,651	128,860	73,273
Out of District Placement	-	-	52,702	52,702	26,326
Professional Development	38,522	-	9,631	48,153	32,005
Rent Expense	545,360	-	-	545,360	543,067
Repairs and Maintenance	57,276	-	14,318	71,594	49,667
Special Education Professional Fees	257,052	-	-	257,052	231,892
Transportation	31,235	-	-	31,235	15,525
Utilities	32,605	-	3,622	36,227	42,031
Total Expenses	3,894,588	19,220	951,246	4,865,054	4,233,261
Depreciation and Amortization	78,593	-	4,136	82,729	60,971
Interest Expense	547	-	29	576	390
Total PCCS	3,973,728	19,220	955,411	4,948,359	4,294,622
HOLDINGS					
Accounting Expense	-	-	900	900	275
Depreciation and Amortization	281,446	-	14,813	296,259	292,136
Interest Expense	306,717	-	16,143	322,860	330,567
Total Holdings	588,163	-	31,856	620,019	622,978
Total Expenses Before Eliminations	4,561,891	19,220	987,267	5,568,378	4,917,600
Total Eliminations	(545,360)	-	-	(545,360)	(543,067)
Total Expenses	$ 4,016,531	$ 19,220	$ 987,267	$ 5,023,018	$ 4,374,533