

BLANCHE KELSO BRUCE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013

BLANCHE KELSO BRUCE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2013

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanche Kelso Bruce Academy as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

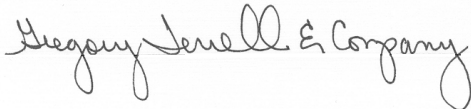
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Blanche Kelso Bruce Academy as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



GREGORY TERRELL & COMPANY
Certified Public Accountants

January 17, 2014

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

The Management Discussion and Analysis is intended to be the Blanche Kelso Bruce Academy (the "Academy") Management's discussion and analysis of the financial results for the year ended June 30, 2013. The intent of this discussion and analysis is to provide a look at the Academy's performance and current position. Readers should also review the notes to the financial statements to enhance their understanding of the Academy's financial performance.

Using the Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Academy as a whole (academy-wide statements), and then proceed to provide an increasingly detailed look at specific financial statements (fund financial statements). Also included are various notes to the financial statements. The audit also contains supplemental information in addition to the basic financial statements.

Reporting on the Academy as a Whole – Academy-Wide Financial Statements

One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Academy as a whole and about its activities in a manner to help address this question. These statements include all assets and liabilities of the Academy using the accrual basis of accounting similar to the accounting used by the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. The two statements report the Academy's net position and any changes in them. The change in net position provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as state aid foundation grant, political conditions on a State level, student enrollment growth, quality of local service, and facility improvements prior to arriving at any conclusion regarding the overall health of the Academy.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the Academy as a whole. Some funds are required to be established by state law and by debt covenants. However, the Academy establishes many other funds to help it control and manage money for a particular purpose (the Food Services and Athletic Funds are examples) or to show that it is meeting legal responsibilities for using grant and other money. The governmental funds of the Academy use the following accounting approach:

Government Funds - Most of the Academy's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be converted to cash. The governmental fund statements provide a detailed short term view of the Academy's general operations and the basic services it provides.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the Academy's programs. The relationship (or differences) between governmental funds is reconciled in the basic financial statements.

The Academy as A Whole

Recall that the statement of net position (deficit) provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2013 and 2012:

	<u>Governmental Activities June 30, 2013</u>	<u>Governmental Activities June 30, 2012</u>
Assets		
Cash and Cash Equivalents	\$ 2,308,126	\$ 1,324,764
Due from Other Governmental Units	3,200,311	4,328,971
Prepaid Expenses	2,150	2,150
Accounts Receivable	109,990	109,990
Capital Assets, net of Accumulated Depreciation	1,728,518	506,637
Total Assets	<u>\$ 7,349,095</u>	<u>\$ 6,272,512</u>
Liabilities		
Accrued Expenditures	\$ 29,584	\$ 42,860
Management Company Payable (Note 6)	4,110,438	3,468,158
Due to Other Governmental Units	1,153,927	803,546
Deferred Revenue	-	270,954
Total Liabilities	<u>\$ 5,293,949</u>	<u>\$ 4,585,518</u>
Net Position		
Invested in Capital Assets - net of Related Debt	\$ 1,728,518	\$ 506,637
Unrestricted	326,628	1,180,357
Total Net Position	<u>\$ 2,055,146</u>	<u>\$ 1,686,994</u>

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was \$2,055,146 for June 30, 2013 and \$1,686,994 at June 30, 2012. Capital assets, net of related debt totaling \$1,728,518 at June 30, 2013 and \$506,637 at June 30, 2012 which compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

The academy does not carry any long-term debt. The Academy has no restricted net position. The increase in assets was primarily due to renewed participation in Title 1 federal program and the infrastructure investments that were allowed. The \$326,628 for June 30, 2013 and \$1,180,357 for June 30, 2012 in unrestricted net results of operations from governmental activities mentioned above represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (Table 2), which shows the change in net position for the fiscal years ended June 30, 2013 and 2012:

Table 2
Statement of Activities

	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012
Revenue		
Program Revenue:		
Operating Grants	\$ 2,171,123	\$ 1,209,202
General Revenue		
State Foundation Allowance	4,787,063	6,476,969
Miscellaneous Revenue	6,365,973	5,680,011
	<hr/>	<hr/>
Total Revenue	\$ 13,324,159	\$ 13,366,182
	<hr/>	<hr/>
Functions/Program Expenditures		
Instruction	\$ 6,646,727	\$ 7,602,270
Support Services	6,023,909	5,035,115
Central Support	-	88,160
Transportation	-	132,996
Unallocated Depreciation	285,371	211,764
Total Expenditures	<hr/>	<hr/>
	\$ 12,956,007	\$ 13,070,305
	<hr/>	<hr/>
Increase in Net Position	\$ 368,152	\$ 295,877
	<hr/>	<hr/>

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

Increase (Decrease) in Net Position

As reported in the statement of activities, the cost of all of our governmental activities this year was \$12,956,007. Certain activities were partially funded from other governments and organizations that subsidized certain programs with grants and contributions of \$2,171,123. We paid for the remaining "public benefit" portion of our governmental activities with \$4,787,063 in state foundation allowance, and with our other revenue, (i.e., interest and other local sources) of \$6,365,973.

The Academy experienced an increase in net position of \$368,152.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$326,628 which is a decrease of \$853,729 from last year.

General Fund Budget Highlights

The vision of Blanche Kelso Bruce Academy is to provide a challenging learning opportunity for students in the metropolitan Detroit Area and other nearby communities. This alternative learning experience will draw and, in a positive way, connect families from a variety of cultures, both local and international. Blanche Kelso Bruce Academy aims to ensure high academic achievement for all students, both regionally and globally.

Economic Factors and Next Year's Budgets and Rates

The Academy's administration and Board of Directors ("the Board") consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Approximately 50 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Under State Law, the Academy cannot assess property taxes to fund general operations. As a result, the Academy revenue heavily depended on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and donors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Management Company, Evans Solutions, Inc., 8045 Second Avenue, Detroit, MI 48202.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents (Note 4)	\$ 2,308,126
Due from Other Governmental Units (Note 5)	3,200,311
Prepaid Expenses	2,150
Accounts Receivable	109,990
Capital Assets, net (Note 8)	1,728,518
Total Assets	\$ 7,349,095
 Liabilities	
Accrued Expenditures	\$ 29,584
Management Company Payable (Note 6)	4,110,438
Due to Other Governmental Units	1,153,927
Total Liabilities	\$ 5,293,949
 Net Position	
Invested in Capital Assets	\$ 1,728,518
Unrestricted	326,628
Total Net Position	\$ 2,055,146

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 6,646,727	\$ -	\$ -	\$ (6,646,727)
Support Services	6,023,909	-	2,171,123	(3,852,786)
Unallocated Depreciation	285,371	-	-	(285,371)
Total Governmental Activities:	<u>\$ 12,956,007</u>	<u>\$ -</u>	<u>\$ 2,171,123</u>	<u>\$ (10,784,884)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 4,787,063
Miscellaneous Revenue				<u>6,365,973</u>
Total General Revenues				<u>\$ 11,153,036</u>
Change in Net Position				\$ 368,152
Net Position, Beginning of Year				<u>1,686,994</u>
Net Position, End of Year				<u><u>\$ 2,055,146</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and Cash Equivalents (Note 4)	\$ 2,308,126	\$ -	\$ 2,308,126
Due from Other Governmental Units (Note 5)	3,200,311	-	3,200,311
Prepaid Expenditures	2,150	-	2,150
Accounts Receivable	109,990	-	109,990
Total Assets	<u>\$ 5,620,577</u>	<u>\$ -</u>	<u>\$ 5,620,578</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued Expenditures	\$ 29,584	\$ -	\$ 29,584
Management Company Payable (Note 6)	4,110,438	-	4,110,438
Due to Other Governmental Units	1,153,927	-	1,153,927
Total Liabilities	<u>\$ 5,293,949</u>	<u>\$ -</u>	<u>\$ 5,293,949</u>
Fund Balances			
Non-spendable	\$ 2,150	\$ -	\$ 2,150
Unassigned	324,478	-	324,478
Total Fund Balances	<u>\$ 326,628</u>	<u>\$ -</u>	<u>\$ 326,628</u>
Total Liabilities and Fund Balances	<u>\$ 5,620,577</u>	<u>\$ -</u>	<u>\$ 5,620,577</u>
Total Governmental Fund Balances			\$ 326,628
Amounts reported for Governmental Activities in the Statement of Net Position that are different			
Cost of the Capital Assets is		\$ 3,096,554	
Accumulated Depreciation is		<u>(1,368,036)</u>	<u>1,728,518</u>
Total Net Position of Governmental Activities			<u>\$ 2,055,146</u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 6,365,973	\$ -	\$ 6,365,973
State Sources	4,787,063	-	4,787,063
Federal Sources	2,171,123	-	2,171,123
Total Revenues	<u>\$ 13,324,159</u>	<u>\$ -</u>	<u>\$ 13,324,159</u>
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 4,139,509	\$ -	\$ 4,139,509
Added Needs	2,507,218	-	2,507,218
Total Instruction	<u>\$ 6,646,727</u>	<u>\$ -</u>	<u>\$ 6,646,727</u>
Support Services:			
Pupil Services	\$ 1,409,092	\$ -	\$ 1,409,092
Instructional Support	453,175	-	453,175
General Administration	177,854	-	177,854
School Administration	1,574,097	-	1,574,097
Business Service	10,800	-	10,800
Operations and Maintenance	1,887,300	-	1,887,300
Transportation	49,101	-	49,101
Central Support	462,490	-	462,490
Total Support Services	<u>\$ 6,023,909</u>	<u>\$ -</u>	<u>\$ 6,023,909</u>
Capital Outlay	<u>\$ 1,507,252</u>	<u>\$ -</u>	<u>\$ 1,507,252</u>
Total Expenditures	<u>\$ 14,177,888</u>	<u>\$ -</u>	<u>\$ 14,177,888</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (853,729)</u>	<u>\$ -</u>	<u>\$ (853,729)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (853,729)</u>	<u>\$ -</u>	<u>\$ (853,729)</u>
Beginning of Year	<u>1,180,357</u>	<u>-</u>	<u>1,180,357</u>
End of Year	<u><u>\$ 326,628</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 326,628</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds \$ (853,729)

Amounts reported for Governmental Activities in the Statement of Activities
that are different because:

Governmental Funds report Capital Outlays as expenditures in the Statement of Activities.

These costs are allocated over their estimated useful lives as depreciation:

Capital Outlay	1,507,252
Depreciation Expense	<u>(285,371)</u>

Change in Net Position - Governmental Activities \$ 368,152

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 5,735,100	\$ 4,961,569	\$ 6,365,973	\$ 1,404,404
State Sources	7,352,692	4,948,594	4,787,063	(161,531)
Federal Sources	1,877,410	1,682,531	2,171,123	488,592
Total Revenues	<u>\$ 14,965,202</u>	<u>\$ 11,592,694</u>	<u>\$ 13,324,159</u>	<u>\$ 1,731,466</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 5,715,778	\$ 4,330,953	\$ 4,139,509	\$ 191,444
Added Needs	2,702,481	2,395,212	2,507,218	(112,006)
Total Instruction	<u>\$ 8,418,259</u>	<u>\$ 6,726,165</u>	<u>\$ 6,646,727</u>	<u>\$ 79,438</u>
Support Services:				
Pupil Services	\$ 2,012,453	\$ 1,726,174	\$ 1,409,092	\$ 317,082
Instructional Staff	467,547	485,266	453,175	32,091
General Administration	257,655	138,774	177,854	(39,080)
School Administration	1,533,263	1,501,015	1,574,097	(73,082)
Business Service	9,270	9,000	10,800	(1,800)
Operations and Maintenance	968,353	1,652,970	1,887,300	(234,330)
Transportation	111,203	35,061	49,101	(14,040)
Central Support Services	90,805	348,173	462,490	(114,317)
Total Support Services	<u>\$ 5,450,549</u>	<u>\$ 5,896,433</u>	<u>\$ 6,023,909</u>	<u>\$ (127,476)</u>
Community Services	\$ 525,000	\$ -	\$ -	\$ -
Capital Outlay	\$ 475,000	\$ 1,345,839	\$ 1,507,252	\$ (161,413)
Total Expenditures	<u>\$ 14,868,808</u>	<u>\$ 13,968,437</u>	<u>\$ 14,177,888</u>	<u>\$ (209,451)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 96,394</u>	<u>\$ (2,375,743)</u>	<u>\$ (853,729)</u>	<u>\$ 1,940,917</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Source	\$ -	\$ 2,378,434	\$ -	\$ (2,378,434)
NET CHANGE IN FUND BALANCE	<u>\$ 96,394</u>	<u>\$ 2,691</u>	<u>\$ (853,729)</u>	<u>\$ (856,420)</u>
Beginning of Year	1,180,357	1,180,357	1,180,357	-
End of Year	<u>\$ 1,276,751</u>	<u>\$ 1,183,048</u>	<u>\$ 326,628</u>	<u>\$ (856,420)</u>

The accompanying notes are an integral part of this financial schedule.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) **ORGANIZATION**

Blanche Kelso Bruce Academy (“Academy”) is a Public School Academy the State of Michigan has delegated to Wayne County RESA the responsibility of authorizing the establishment of public school academies. The Academy was formed as a Public School Academy pursuant to the Michigan School Code of 1976 (“Code”), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy’s activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the Academy-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)**

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy does not have any non-major governmental funds.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Blanche Kelso Bruce Academy (the "Academy") are described below:

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Deferred Outflow and Inflow of Resources

GASB Statements 63 was implemented July 1, 2012. Deferred Outflow of Resources is defined as the consumption or usage of net assets applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources is defined as the acquisition of net assets applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

Capital Assets

Capital assets purchased or acquired are capitalized at individual cost. Donated fixed assets are recorded at fair market value on the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Furniture and Equipment 3 – 20 years

Budgets and Budgetary Accounts

The General Fund budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year end June 30, 2013, expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Added Needs	\$ 2,395,212	\$ 2,507,218	\$ (112,006)
General Administration	138,774	177,854	(39,080)
School Administration	1,501,015	1,574,097	(73,082)
Business Service	9,000	10,800	(1,800)
Operations and Maintenance	1,652,970	1,887,300	(234,330)
Transportation	35,061	49,101	(14,040)
Central Support Services	348,173	462,490	(114,317)
Capital Outlay	1,345,839	1,507,252	(161,413)

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
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(4) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	<u>\$2,308,126</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,318,752 of this amount \$2,060,292 was not covered by federal depository insurance.

(4) **DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units as of June 30, 2013 for the Academy's general fund were as follows:

State of Michigan - State Aid	\$ 789,122
State of Michigan - Federal Grant	446,739
Wayne County - CCF	<u>1,964,450</u>
Total	<u>\$ 3,200,311</u>

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(6) **MANAGEMENT COMPANY PAYABLE**

The Academy contracted with Evans Solutions, Inc. to provide all staffing personnel and other operating costs during the audit year. Consequently, all staffing costs are treated as purchased services in these financial statements. Operating costs are on a reimbursement basis. The fee for purchased services is based on predetermined base rates approved by the Board.

At the year end, \$4,110,438 was payable to the management company for services provided.

(7) **OPERATING LEASE COMMITMENTS**

The Academy is party to a month to month lease with the Samaritan Center for BKB East. The lease cost totaled \$694,763 for the year ended June 30, 2013.

The Academy is party to a five year operating lease with the School District of the City of Detroit with the cost varying from year to year based on a percentage of State Aid and student enrollment. The lease cost totaled \$70,200 for the year ended June 30, 2013.

The Academy is party to a three year operating lease with Holy Cross Children's Services for three years. The lease expires on August 31, 2014. Lease payments totaled \$340,106 for the year ended June 30, 2013.

Minimum future lease payments are as follows:

2014	\$ 350,309
2015	<u>58,670</u>
Total	<u><u>\$ 408,979</u></u>

(8) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Furniture and Equipment	\$ 1,589,302	\$ 1,507,252	\$ -	\$ 3,096,554
Less: Accumulated Depreciation	<u>1,082,665</u>	<u>285,371</u>	<u>-</u>	<u>1,368,036</u>
Net Capital Assets	<u>\$ 506,637</u>	<u>\$ 1,221,881</u>	<u>\$ -</u>	<u>\$ 1,728,518</u>

Depreciation for fiscal year ended June 30, 2013 amounted to \$285,371. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(9) **COMMITMENTS AND CONTINGENCIES**

The Academy receives its funding from state aid (foundation allowance revenue), state and federal grants, and the intermediate school district. Payments made in the current audit year can be offset by future payments and adjustments made accordingly.

(10) **RELATED PARTY TRANSACTIONS**

The Academy contracted with an accounting firm that employs a member of the Academy's Board of Directors. The firm was paid \$10,800 for the year ended June 30, 2013.

(11) **SUBSEQUENT EVENTS**

Effective September 1, 2013, the five year operating lease with the School District of the City of Detroit with the cost varying from year to year based on a percentage of State Aid and student enrollment was assigned to Catherine Ferguson Academy.

Effective July 1, 2013, Catherine Ferguson Academy was authorized by the Board of Education Wayne RESA as a separate Public School Academy.

Effective January 3, 2014, the Academy provided a quit claim deed to Blanche Kelso Bruce Academy and Evans Solutions, Inc., a Michigan corporation, as joint tenants, in the land located in the City of Detroit. No specific ownership interest in the land of each party has been stated.

Subsequent events have been evaluated through January 17, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.