

BLANCHE KELSO BRUCE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2014

BLANCHE KELSO BRUCE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2014

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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, 2014, 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, 2014, 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.

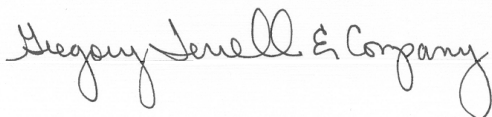
Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



GREGORY TERRELL & COMPANY

Certified Public Accountants

October 24, 2014

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

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, 2014. 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, 2014

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, 2014 and 2013:

Table 1
Statement of Net Position

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
Assets		
Cash and Cash Equivalents	\$ 104,315	\$ 2,308,126
Due from Other Governmental Units	3,691,080	3,200,311
Prepaid Expenses	2,150	2,150
Accounts Receivable	249,037	109,990
Capital Assets, net of Accumulated Depreciation	2,299,554	1,728,518
Total Assets	<u>\$ 6,346,136</u>	<u>\$ 7,349,095</u>
Liabilities		
Accrued Expenditures	\$ 16,972	\$ 29,584
Management Company Payable (Note 6)	2,791,444	4,110,438
Due to Other Governmental Units	961,477	1,153,927
Total Liabilities	<u>\$ 3,769,893</u>	<u>\$ 5,293,949</u>
Net Position		
Invested in Capital Assets - net of Related Debt	\$ 2,299,554	\$ 1,728,518
Unrestricted	276,689	326,628
Total Net Position	<u>\$ 2,576,243</u>	<u>\$ 2,055,146</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 \$2,576,243 for June 30, 2014 and \$2,055,146 at June 30, 2013. Capital assets, net of related debt totaling \$2,299,554 at June 30, 2014 and \$1,728,518 at June 30, 2013 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, 2014

The academy does not carry any long-term debt. The Academy has no restricted net position. The \$276,689 for June 30, 2014 and \$326,628 for June 30, 2013 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, 2014 and 2013:

Table 2
Statement of Activities

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
Revenue		
Program Revenue:		
Operating Grants	\$ 1,777,607	\$ 2,171,123
General Revenue		
State Foundation Allowance	5,200,847	4,787,063
Miscellaneous Revenue	2,597,005	6,365,973
	<u>\$ 9,575,459</u>	<u>\$ 13,324,159</u>
Functions/Program Expenditures		
Instruction	\$ 4,455,309	\$ 6,646,727
Support Services	4,234,064	6,023,909
Community Services	563	-
Unallocated Depreciation	364,426	285,371
Total Expenditures	<u>\$ 9,054,362</u>	<u>\$ 12,956,007</u>
Increase in Net Position	<u>\$ 521,097</u>	<u>\$ 368,152</u>

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

Increase (Decrease) in Net Position

As reported in the statement of activities, the cost of all of our governmental activities this year was \$9,054,362. Certain activities were partially funded from other governments and organizations that subsidized certain programs with grants and contributions of \$1,777,607. We paid for the remaining "public benefit" portion of our governmental activities with \$5,200,847 in state foundation allowance, and with our other revenue, (i.e., interest and other local sources) of \$2,597,005.

The Academy experienced an increase in net position of \$521,097.

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 deficit fund balance of \$(502,085) which is a decrease of \$828,713 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 54 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, 2014

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, 2014

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents (Note 4)	\$ 104,315
Due from Other Governmental Units (Note 5)	3,691,080
Prepaid Expenses	2,150
Accounts Receivable	249,037
Capital Assets, net (Note 8)	2,299,554
Total Assets	\$ 6,346,136
 Liabilities	
Accrued Expenditures	\$ 16,972
Management Company Payable (Note 6)	2,791,444
Due to Other Governmental Units	961,477
Total Liabilities	\$ 3,769,893
 Net Position	
Invested in Capital Assets	\$ 2,299,554
Unrestricted	276,689
Total Net Position	\$ 2,576,243

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

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<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	\$ 4,455,309	\$ -	\$ -	\$ (4,455,309)
Support Services	4,234,064	-	1,777,607	(2,456,457)
Community Services	563	-	-	(563)
Unallocated Depreciation	364,426	-	-	(364,426)
Total Governmental Activities:	<u>\$ 9,054,362</u>	<u>\$ -</u>	<u>\$ 1,777,607</u>	<u>\$ (7,276,755)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 5,200,847
Miscellaneous Revenue				<u>2,597,005</u>
Total General Revenues				<u>\$ 7,797,852</u>
Change in Net Position				\$ 521,097
Net Position, Beginning of Year				<u>2,055,146</u>
Net Position, End of Year				<u><u>\$ 2,576,243</u></u>

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

BLANCHE KELSO BRUCE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Assets			
Cash and Cash Equivalents (Note 4)	\$ 104,315	\$ -	\$ 104,315
Due from Other Governmental Units (Note 5)	3,691,080	-	3,691,080
Accounts Receivable	249,037	-	249,037
Prepaid Expenditures	2,150	-	2,150
Total Assets	\$ 4,046,582	\$ -	\$ 4,046,582
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities			
Accrued Expenditures	\$ 16,972	\$ -	\$ 16,972
Management Company Payable (Note 6)	2,791,444	-	2,791,444
Due to Other Governmental Units	961,477	-	961,477
Total Liabilities	\$ 3,769,893	\$ -	\$ 3,769,893
Deferred Inflow of Resources - Unavailable Revenue (Note 10)	\$ 778,774	\$ -	\$ 778,774
Fund Balances			
Non-spendable	\$ 2,150	\$ -	\$ 2,150
Unassigned	(504,235)	-	(504,235)
Total Fund Balances	\$ (502,085)	\$ -	\$ (502,085)
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 4,046,582	\$ -	\$ 4,046,582
Total Governmental Fund Balances			\$ (502,085)
Amounts reported for Governmental Activities in the Statement of Net Position that are different			
Cost of the Capital Assets is		\$ 4,032,016	
Accumulated Depreciation is		(1,732,462)	2,299,554
Receivables are not available to pay current period expenditures and are therefore deferred in the Governmental Funds			778,774
Total Net Position of Governmental Activities			\$ 2,576,243

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, 2014

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 1,837,230	\$ -	\$ 1,837,230
State Sources	5,200,847	-	5,200,847
Federal Sources	1,758,608	-	1,758,608
Total Revenues	\$ 8,796,685	\$ -	\$ 8,796,685
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 3,148,207	\$ -	\$ 3,148,207
Added Needs	1,307,102	-	1,307,102
Total Instruction	\$ 4,455,309	\$ -	\$ 4,455,309
Support Services:			
Pupil Services	\$ 1,147,042	\$ -	\$ 1,147,042
Instructional Support	419,197	-	419,197
General Administration	272,611	-	272,611
School Administration	689,484	-	689,484
Business Service	8,100	-	8,100
Operations and Maintenance	1,473,411	-	1,473,411
Transportation	381,985	-	381,985
Central Support	239,405	-	239,405
Total Support Services	\$ 4,631,235	\$ -	\$ 4,631,235
Community Services	\$ 563	\$ -	\$ 563
Capital Outlay	\$ 538,291	\$ -	\$ 538,291
Total Expenditures	\$ 9,625,398	\$ -	\$ 9,625,398
Excess (Deficiency) of Revenues over Expenditures	\$ (828,713)	\$ -	\$ (828,713)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-
NET CHANGE IN FUND BALANCES	\$ (828,713)	\$ -	\$ (828,713)
Beginning of Year	326,628	-	326,628
End of Year	\$ (502,085)	\$ -	\$ (502,085)

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, 2014

Net Change in Fund Balances - Governmental Funds \$ (828,713)

Amounts reported for Governmental Activities that are different because:

Governmental Funds report Capital Outlays as expenditures

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

Capital Outlay	935,462
Depreciation Expense	(364,426)

Revenue is recorded in the statement of activities when earned; it is not reported in the governmental funds until collected or collectible within 60 days of year end.	778,774
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Change in Net Position - Governmental Activities \$ 521,097

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, 2014

	<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	\$ 4,961,569	\$ 3,718,328	\$ 1,837,230	\$ (1,881,098)
State Sources	4,948,594	5,204,685	5,200,847	(3,838)
Federal Sources	1,682,531	1,822,304	1,758,608	(63,696)
Total Revenues	<u>\$11,592,694</u>	<u>\$ 10,745,317</u>	<u>\$ 8,796,685</u>	<u>\$ (1,948,631)</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 4,330,953	\$ 3,722,231	\$ 3,148,207	\$ 574,024
Added Needs	2,395,212	1,205,206	1,307,102	(101,896)
Total Instruction	<u>\$ 6,726,165</u>	<u>\$ 4,927,437</u>	<u>\$ 4,455,309</u>	<u>\$ 472,128</u>
Support Services:				
Pupil Services	\$ 1,726,174	\$ 1,271,488	\$ 1,147,042	\$ 124,446
Instructional Staff	485,265	665,886	419,197	246,689
General Administration	138,774	259,955	272,611	(12,656)
School Administration	1,501,015	916,748	689,484	227,264
Business Service	9,000	24,502	8,100	16,402
Operations and Maintenance	1,652,970	1,615,060	1,473,411	141,649
Transportation	35,062	387,523	381,985	5,538
Central Support Services	348,173	601,836	239,405	362,431
Total Support Services	<u>\$ 5,896,433</u>	<u>\$ 5,742,998</u>	<u>\$ 4,631,235</u>	<u>\$ 1,111,763</u>
Community Services	\$ -	\$ -	\$ 563	\$ (563)
Capital Outlay	\$ -	\$ 10,215	\$ 538,291	\$ (528,076)
Total Expenditures	<u>\$12,622,598</u>	<u>\$ 10,680,650</u>	<u>\$ 9,625,398</u>	<u>\$ 1,055,815</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (1,029,904)</u>	<u>\$ 64,667</u>	<u>\$ (828,713)</u>	<u>\$ (893,380)</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Source	\$ 1,030,000	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	<u>\$ 96</u>	<u>\$ 64,667</u>	<u>\$ (828,713)</u>	<u>\$ (893,380)</u>
Beginning of Year	<u>326,628</u>	<u>326,628</u>	<u>326,628</u>	<u>-</u>
End of Year	<u>\$ 326,724</u>	<u>\$ 391,295</u>	<u>\$ (502,085)</u>	<u>\$ (893,380)</u>

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

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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, 2014

(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, 2014
(Continued)

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

Deferred Outflow and Inflow of Resources

GASB Statements 63 was implemented July 1, 2013. 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, 2014, expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Added Needs	\$ 1,205,206	\$ 1,307,102	\$ (101,896)
General Administration	259,955	272,611	(12,656)
Capital Outlay	10,215	538,291	(528,076)

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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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>\$104,315</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 \$270,657 of which \$20,657 not insured by federal depository insurance.

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

Due from other governmental units as of June 30, 2014 for the Academy's general fund were as follows:

State of Michigan - State Aid	\$ 882,974
State of Michigan - Federal Grants	542,086
Wayne RESA - IDEA	21,481
Wayne County - CCF	<u>2,244,539</u>
Total	<u>\$ 3,691,080</u>

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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(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, \$2,791,444 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, 2014.

On September 1, 2013, the Academy's five year operating lease with the School District of the City of Detroit was assigned, assumed and amended to Catherine Ferguson Academy. The lease cost totaled \$5,971 for the year ended June 30, 2014.

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 \$350,309 for the year ended June 30, 2014.

Minimum future lease payments are as follows:

2015	\$ 58,670
Total	<u>\$ 58,670</u>

(8) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Furniture and Equipment	\$ 3,096,554	\$ 935,462	\$ -	\$ 4,032,016
Less: Accumulated Depreciation	<u>1,368,036</u>	<u>364,426</u>	<u>-</u>	<u>1,732,462</u>
Net Capital Assets	<u>\$ 1,728,518</u>	<u>\$ 571,036</u>	<u>\$ -</u>	<u>\$ 2,299,554</u>

Depreciation for fiscal year ended June 30, 2014 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, 2014

(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.

On April 3, 2014, the Academy entered into a settlement and release agreement with Divine Inspiration Missionary Baptist Church to pay \$25,000 over a 10 month period beginning November 1, 2014. The total settlement is \$250,000.

(10) **UNAVAILABLE/UNEARNED REVENUE**

At June 30, 2014, the Academy had governmental funds which were unavailable revenue as a result of receivables not available to pay current period expenditures and are therefore unavailable in the Government Funds:

	<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
Grants and Categorical Aid Payments received prior to meeting all eligibility requirements.	\$ 778,774	\$ -

(11) **SUBSEQUENT EVENTS**

On September 16, 2014, the Academy transferred land located in the City of Detroit through a quit claim deed to Evans Solutions, Inc., (Management Company) for the original cost of purchase.

Subsequent events have been evaluated through October 24, 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.