

BLANCHE KELSO BRUCE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2015

BLANCHE KELSO BRUCE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Academy-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	13
Notes to Financial Statements	14-19



**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, 2015, 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, 2015, 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.

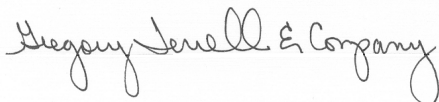
Other Matters

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 September 24, 2015 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

September 24, 2015

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2015

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, 2015. 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, 2015

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 provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2015 and 2014:

Table 1
Statement of Net Position

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Assets		
Cash and Cash Equivalents	\$ 383,858	\$ 104,315
Due from Other Governmental Units	1,282,699	3,691,080
Prepaid Expenses	5,000	2,150
Accounts Receivable	-	249,037
Capital Assets, net of Accumulated Depreciation	934,501	2,299,554
Total Assets	<u>\$ 2,606,058</u>	<u>\$ 6,346,136</u>
Liabilities		
Accrued Expenditures	\$ 11,322	\$ 16,972
Management Company Payable	1,284,471	2,791,444
Due to Other Governmental Units	290,728	961,477
Total Liabilities	<u>\$ 1,586,521</u>	<u>\$ 3,769,893</u>
Net Position		
Invested in Capital Assets - net of Related Debt	\$ 934,501	\$ 2,299,554
Unrestricted	85,036	276,689
Total Net Position	<u>\$ 1,019,537</u>	<u>\$ 2,576,243</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 \$1,019,537 for June 30, 2015 and \$2,576,243 at June 30, 2014. Capital assets, net of related debt totaling \$934,501 at June 30, 2015 and \$2,299,554 at June 30, 2014 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, 2015

The academy does not carry any long-term debt. The Academy has no restricted net position. The \$85,036 for June 30, 2015 and \$276,689 for June 30, 2014 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, 2015 and 2014:

Table 2
Statement of Activities

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Revenue		
Program Revenue:		
Operating Grants	\$ 769,049	\$ 1,777,607
General Revenue		
State Foundation Allowance	2,970,402	5,200,847
Miscellaneous Revenue	3,468,657	2,597,005
	<u>\$ 7,208,108</u>	<u>\$ 9,575,459</u>
Functions/Program Expenditures		
Instruction	\$ 3,353,352	\$ 4,455,309
Support Services	5,051,759	4,234,064
Community Services	733	563
Unallocated Depreciation	358,970	364,426
Total Expenditures	<u>\$ 8,764,814</u>	<u>\$ 9,054,362</u>
Change in Net Position	<u>\$ (1,556,706)</u>	<u>\$ 521,097</u>

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2015

Change in Net Position

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,764,814. Certain activities were partially funded from other governments and organizations that subsidized certain programs with grants and contributions of \$769,049. We paid for the remaining "public benefit" portion of our governmental activities with \$2,970,402 in state foundation allowance, and with our other revenue, (i.e., interest and other local sources) of \$4,476,200.

The Academy experienced a decrease in net position of \$1,556,706.

Capital Assets

As of June 30, 2015, the Academy had invested \$934,501 in furniture and computer hardware. This represents a decrease of \$1,365,053 from last year. The decrease is the result of the sale of capital assets. We present more detailed information regarding our capital assets in the notes to the financial statements.

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.

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.

As the Academy completed the year ended June 30, 2015, the governmental funds reported a combined fund balance of \$85,036 which is an increase of \$587,121 from the year ended June 30, 2014.

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 43 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, 2015

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, 2015

	Governmental Activities
Assets	
Cash and Cash Equivalents (Note 4)	\$ 383,858
Due from Other Governmental Units (Note 5)	1,282,699
Prepaid Expenses	5,000
Capital Assets, net (Note 8)	934,501
Total Assets	\$ 2,606,058
Liabilities	
Accrued Expenditures	\$ 11,322
Management Company Payable (Note 6)	1,284,471
Due to Other Governmental Units	290,728
Total Liabilities	\$ 1,586,521
Net Position	
Invested in Capital Assets	\$ 934,501
Unrestricted	85,036
Total Net Position	\$ 1,019,537

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

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

<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	\$ 3,353,352	\$ -	\$ -	\$ (3,353,352)
Support Services	5,051,759	-	769,049	(4,282,710)
Community Services	733	-	-	(733)
Unallocated Depreciation	358,970	-	-	(358,970)
Total	<u>\$ 8,764,814</u>	<u>\$ -</u>	<u>\$ 769,049</u>	<u>\$ (7,995,765)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 2,970,402
Miscellaneous Revenue				<u>3,468,657</u>
Total General Revenues				<u>\$ 6,439,059</u>
Change in Net Position				\$ (1,556,706)
Net Position , Beginning of Year				<u>2,576,243</u>
Net Position , End of Year				<u><u>\$ 1,019,537</u></u>

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

BLANCHE KELSO BRUCE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

ASSETS	General	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents (Note 4)	\$ 383,858	\$ -	\$ 383,858
Due from Other Governmental Units (Note 5)	1,282,699	-	1,282,699
Prepaid Expenditures	5,000	-	5,000
Total Assets	\$ 1,671,557	\$ -	\$ 1,671,557
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued Expenditures	\$ 11,322	\$ -	\$ 11,322
Management Company Payable (Note 6)	1,284,471	-	1,284,471
Due to Other Governmental Units	290,728	-	290,728
Total Liabilities	\$ 1,586,521	\$ -	\$ 1,586,521
Fund Balances			
Non-spendable	\$ 5,000	\$ -	\$ 5,000
Unassigned	80,036	-	80,036
Total Fund Balances	\$ 85,036	\$ -	\$ 85,036
Total Liabilities and Fund Balances	\$ 1,671,557	\$ -	\$ 1,671,557
Total Governmental Fund Balances			\$ 85,036
Amounts reported for Governmental Activities in the Statement of Net Position that are different			
Cost of the Capital Assets is		\$ 3,025,933	
Accumulated Depreciation is		(2,091,432)	934,501
Total Net Position of Governmental Activities			\$ 1,019,537

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, 2015

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 3,220,889	\$ -	\$ 3,220,889
State Sources	2,970,402	-	2,970,402
Federal Sources	788,048	-	788,048
Total Revenues	\$ 6,979,339	\$ -	\$ 6,979,339
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 2,842,780	\$ -	\$ 2,842,780
Added Needs	510,572	-	510,572
Total Instruction	\$ 3,353,352	\$ -	\$ 3,353,352
Support Services:			
Pupil Services	\$ 893,284	\$ -	\$ 893,284
Instructional Support	302,490	-	302,490
General Administration	192,177	-	192,177
School Administration	890,527	-	890,527
Business Service	5,400	-	5,400
Operations and Maintenance	1,294,592	-	1,294,592
Transportation	143,477	-	143,477
Central Support	282,199	-	282,199
Total Support Services	\$ 4,004,146	\$ -	\$ 4,004,146
Community Services	\$ 733	\$ -	\$ 733
Capital Outlay	\$ 41,530	\$ -	\$ 41,530
Total Expenditures	\$ 7,399,761	\$ -	\$ 7,399,761
Excess (Deficiency) of Revenues over Expenditures	\$ (420,422)	\$ -	\$ (420,422)
OTHER FINANCING SOURCES (USES):			
Other Financing Source	\$ 1,007,543	\$ -	\$ 1,007,543
NET CHANGE IN FUND BALANCES			
Beginning of Year	\$ 587,121	\$ -	\$ 587,121
	(502,085)	-	(502,085)
End of Year	\$ 85,036	\$ -	\$ 85,036

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, 2015

Net Change in Fund Balances - Governmental Funds \$ 587,121

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	41,530
Depreciation Expense	(358,970)

Sale of Capital Assets	(1,007,543)
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Disposal of Capital Assets	(40,070)
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Prior Year Unavailable Revenue	(778,774)
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Change in Net Position - Governmental Activities	\$ (1,556,706)
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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, 2015

	<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	\$ 3,719,811	\$ 3,184,785	\$ 3,220,889	\$ 36,104
State Sources	4,944,672	2,970,405	2,970,402	(3)
Federal Sources	1,751,398	782,715	788,048	5,333
Total Revenues	<u>\$10,415,881</u>	<u>\$ 6,937,905</u>	<u>\$ 6,979,339</u>	<u>\$ 41,435</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 4,546,210	\$ 2,845,589	\$ 2,842,780	\$ 2,809
Added Needs	1,247,119	488,002	510,572	(22,570)
Total Instruction	<u>\$ 5,793,329</u>	<u>\$ 3,333,591</u>	<u>\$ 3,353,352</u>	<u>\$ (19,761)</u>
Support Services:				
Pupil Services	\$ 1,137,066	\$ 886,928	\$ 893,284	\$ (6,356)
Instructional Staff	655,649	302,130	302,490	(360)
General Administration	257,933	189,275	192,177	(2,902)
School Administration	395,011	891,718	890,527	1,191
Business Service	24,502	4,950	5,400	(450)
Operations and Maintenance	1,553,179	1,351,668	1,294,592	57,076
Transportation	387,423	144,856	143,477	1,379
Central Support Services	188,631	324,452	282,199	42,253
Total Support Services	<u>\$ 4,599,394</u>	<u>\$ 4,095,977</u>	<u>\$ 4,004,146</u>	<u>\$ 91,831</u>
Community Services	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 733</u>	<u>\$ 1,867</u>
Capital Outlay	<u>\$ -</u>	<u>\$ 42,748</u>	<u>\$ 41,530</u>	<u>\$ 1,218</u>
Total Expenditures	<u>\$10,392,723</u>	<u>\$ 7,474,916</u>	<u>\$ 7,399,761</u>	<u>\$ 73,288</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 23,158</u>	<u>\$ (537,011)</u>	<u>\$ (420,422)</u>	<u>\$ 116,589</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Source	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 1,007,543</u>	<u>\$ (92,457)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 23,158</u>	<u>\$ 562,989</u>	<u>\$ 587,121</u>	<u>\$ 24,132</u>
Beginning of Year	<u>(502,085)</u>	<u>(502,085)</u>	<u>(502,085)</u>	<u>-</u>
End of Year	<u>\$ (478,927)</u>	<u>\$ 60,904</u>	<u>\$ 85,036</u>	<u>\$ 24,132</u>

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

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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, 2015

(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, 2015
(Continued)

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

Deferred Outflow and Inflow of Resources

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
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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, 2015, expenditures exceeded appropriations as follows:

General Fund	Budget	Actual	Variance
Added Needs	\$ 488,002	\$ 510,572	\$ (22,570)
Pupil Services	886,928	893,284	(6,356)
General Administration	189,275	192,177	(2,902)

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(Continued)

(4) **CASH AND CASH EQUIVALENTS**

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

Cash and cash equivalents	<u>\$383,858</u>
---------------------------	------------------

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 \$411,858 of which \$161,858 not insured by federal depository insurance.

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

Due from other governmental units as of June 30, 2015 for the Academy's general fund were as follows:

State of Michigan - State Aid	\$ 662,467
State of Michigan - Federal Grants	61,250
Wayne County - CCF	558,982
Total	<u>\$ 1,282,699</u>

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(Continued)

(6) MANAGEMENT COMPANY

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, \$1,284,471 was payable to the management company for services provided.

(7) OPERATING LEASE COMMITMENTS

The Academy was party to a month to month lease with the Samaritan Center for BKB East. The lease cost totaled \$515,436 for the year ended June 30, 2015.

The Academy is party to a six and one-half month operating lease with Detroit Public Schools. The lease expires on August 14, 2015. Lease payments totaled \$15,000 for the year ended June 30, 2015.

The Academy is party to a three year operating lease with Holy Cross Children's Services. The lease expires on August 31, 2015. Lease payments totaled \$234,679 for the year ended June 30, 2015.

(8) CAPITAL ASSETS

A summary of capital assets is presented below:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Furniture and Equipment	\$ 4,032,016	\$ 41,530	\$ (1,047,613)	\$ 3,025,933
Less: Accumulated Depreciation	<u>1,732,462</u>	<u>358,970</u>	<u>-</u>	<u>2,091,432</u>
Net Capital Assets	<u>\$ 2,299,554</u>	<u>\$ (317,440)</u>	<u>\$ (1,047,613)</u>	<u>\$ 934,501</u>

Depreciation for fiscal year ended June 30, 2015 amounted to \$358,970. 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, 2015

(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 Academy owed a balance of \$25,000 at June 30, 2015.

(10) **RELATED PARTY TRANSACTION**

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.

(11) **SUBSEQUENT EVENTS**

The Academy's contract with Evans Solutions, Inc. to provide all staffing personnel and other operating support expired June 30, 2015 and has been extended to September 24, 2015.

On July 23, 2015, the Academy entered into a one year operating lease with the Samaritan Center, Inc. The lease expires on June 30, 2016, and lease payments will be \$32,620 per month throughout the term.

Subsequent events have been evaluated through September 24, 2015, 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.

BLANCHE KELSO BRUCE ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

BLANCHE KELSO BRUCE ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards	1-2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB-Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Supplemental Schedules -	
Schedule of Findings and Questioned Costs	8
Status of Prior Year Findings and Questioned Costs	9



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanche Kelso Bruce Academy (the "Academy") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

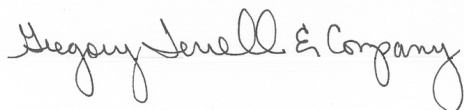
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink and is positioned above a horizontal line.

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 24, 2015



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Blanche Kelso Bruce Academy

Report on Compliance for Each Major Federal Program

We have audited Blanche Kelso Bruce Academy (the "Academy") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2015. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Academy, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Academy's internal control over compliance.

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

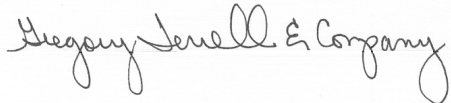
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated September 24, 2015 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 24, 2015

BLANCHE KELSO BRUCE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Current Year Receipts (Cash Basis)</u>	<u>Current Year Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
U.S. Department of Education							
-Passed through the Department of Education							
Title I, Part D-Improving Basic Programs	84.010	141700	\$ 1,216,611	\$ 507,297	\$ 744,992	\$ 237,695	\$ -
Title I, Part D-Improving Basic Programs	84.010	151700	916,575	-	318,537	379,787	61,250
Total			<u>2,133,186</u>	<u>507,297</u>	<u>1,063,529</u>	<u>617,482</u>	<u>61,250</u>
Title II, Part A - Improving Teacher Quality	84.367	1314	45,400	34,789	35,835	1,046	-
Title II, Part A - Improving Teacher Quality	84.367	1415	31,793	-	31,793	31,793	-
Total			<u>77,193</u>	<u>34,789</u>	<u>67,628</u>	<u>32,839</u>	<u>-</u>
--Passed through Wayne RESA IDEA Flow through-							
Wayne County RESA IDEA 2013/2014	84.027A		83,450	21,481	21,481	-	-
Wayne County RESA IDEA 2014/2015	84.027A		118,728	-	118,728	118,728	-
Total			<u>118,728</u>	<u>-</u>	<u>118,728</u>	<u>118,728</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,329,107</u>	<u>\$ 542,086</u>	<u>\$ 1,249,885</u>	<u>\$ 769,049</u>	<u>\$ 61,250</u>

The accompanying notes are an integral part of this schedule.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial awards programs of the Academy and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized the Grants Section Auditors Report and CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

(4) **MAJOR PROGRAMS**

Major programs were determined in accordance with Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

(5) **RECONCILIATION OF FEDERAL REVENUE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Revenue - Financial Statements	
General Fund	\$ 788,048
Total Federal Revenue	<u>\$ 788,048</u>
Federal Expenditures - Schedule of Expenditures	
Of Federal Awards (SEFA)	\$ 769,049
Deferred Revenue in 2014 Recognized in 2015	<u>18,999</u>
Total Federal Revenue	<u>\$ 788,048</u>

BLANCHE KELSO BRUCE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

SECTION I: SUMMARY OF AUDITORS' RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of the Academy.
- (2) There were no significant deficiencies disclosed during the audit of the financial statements.
- (3) No instances of noncompliance material to the financial statements of the Academy, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (4) There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
- (5) The auditors' report on compliance for the major federal award programs for the Academy expresses an unmodified opinion on all major federal programs.
- (6) There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- (7) The program tested as major programs were:
 - Title I, Part D – Neglected or Delinquent Prevention/Intervention CFDA 84.010
- (8) The threshold used for distinguishing between Type A and B programs was \$300,000.
- (9) The Academy did not qualify as a low-risk auditee.

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2015.

SECTION III: FEDERAL AWARDS FINDINGS

There are no federal awards findings for the year ended June 30, 2015.

BLANCHE KELSO BRUCE ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no audit findings for the year ended June 30, 2014.



**GREGORY
TERRELL
& COMPANY**

September 24, 2015

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanche Kelso Bruce Academy for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Blanche Kelso Bruce Academy are described in Note 3 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2015.

Management Consultations with Other Independent Accountants

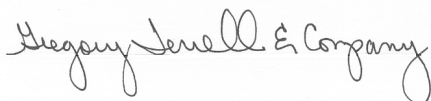
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Blanche Kelso Bruce Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



GREGORY TERRELL & COMPANY
Certified Public Accountants

September 24, 2015