
LAS AMÉRICAS ASPIRA ACADEMY
(A Component Unit of the State of Delaware)
NEWARK, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2012

LAS AMÉRICAS ASPIRA ACADEMY
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITORS' REPORT

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March 22, 2013

Board of Directors
Las Américas ASPIRA Academy
Newark, Delaware

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Las Américas ASPIRA Academy (the "School"), a component unit of the State of Delaware, Newark, Delaware, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to confirm cash and cash equivalents and obtain adequate loan documentation at June 30, 2012, and we were unable to obtain sufficient appropriate audit evidence regarding the ending cash and cash equivalents balance and loan documentation at June 30, 2012 by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the cash and cash equivalents and obtain adequate loan documentation at June 30, 2012, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Las Américas ASPIRA Academy as of June 30, 2012, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Las Américas ASPIRA Academy

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Las Américas ASPIRA Academy's financial statements. The budgetary comparison schedule - governmental funds on page 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The combining schedules on pages 20 - 21 and the schedule on page 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

BASIC FINANCIAL STATEMENTS SECTION

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 539,122
Accounts receivable	19,790
Prepaid assets	27,603
Total Current Assets	<u>586,515</u>
NONCURRENT ASSETS:	
Depreciable capital assets, net	733,557
Total Noncurrent Assets	<u>733,557</u>
TOTAL ASSETS	<u><u>\$ 1,320,072</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	\$ 46,250
Accrued salaries	179,382
Due to State of Delaware - pension costs	33,201
Due to other governments	16,150
Notes payable	141,872
Total Current Liabilities	<u>416,855</u>
NONCURRENT LIABILITIES:	
Compensated absences	31,691
Notes payable	577,082
Total Noncurrent Liabilities	<u>608,773</u>
TOTAL LIABILITIES	<u>1,025,628</u>
NET POSITION:	
Invested in capital assets, net of related debt	14,603
Restricted	20,633
Unrestricted	259,208
Total Net Position	<u>294,444</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,320,072</u></u>

The accompanying notes are an integral part of these financial statements.

FOR THE YEAR ENDED JUNE 30, 2012

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
					Total
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (2,028,136)	\$ -	\$ 402,697	\$ 15,000	\$ (1,610,439)
Support services:					
Operation and maintenance of facilities	(476,487)	83,352	-	-	(393,135)
Transportation	(217,890)	-	-	-	(217,890)
Interest on long-term debt	(30,739)	-	-	-	(30,739)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (2,753,252)	\$ 83,352	\$ 402,697	\$ 15,000	(2,252,203)
GENERAL REVENUES					
Charges to school districts					814,653
Payments from primary government					1,901,630
Earnings on cash and investments					2,560
TOTAL GENERAL REVENUES					2,718,843
CHANGE IN NET POSITION					466,640
NET POSITION, BEGINNING OF YEAR					(172,196)
NET POSITION, END OF YEAR					\$ 294,444

The accompanying notes are an integral part of these financial statements.

LAS AMÉRICAS ASPIRA ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 480,121	\$ 59,001	\$ 539,122
Accounts receivable	19,790	-	19,790
Prepaid assets	27,603	-	27,603
Due from other funds	38,368	-	38,368
TOTAL ASSETS	\$ 565,882	\$ 59,001	\$ 624,883
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 46,250	-	\$ 46,250
Accrued salaries	179,382	-	179,382
Due to other government	16,150	-	16,150
Due to State of Delaware - pension costs	33,201	-	33,201
Due to other funds	-	38,368	38,368
TOTAL LIABILITIES	274,983	38,368	313,351
FUND BALANCES:			
Restricted	-	20,633	20,633
Unassigned	290,899	-	290,899
TOTAL FUND BALANCES	290,899	20,633	311,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 565,882	\$ 59,001	\$ 624,883

The accompanying notes are an integral part of these financial statements.

**LAS AMÉRICAS ASPIRA ACADEMY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 311,532

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 733,557

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences	\$ (31,691)	
Notes payable	<u>(718,954)</u>	<u>(750,645)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 294,444

The accompanying notes are an integral part of these financial statements.

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Capital Projects Fund	Total
REVENUES			
Charges to school districts	\$ 814,653	\$ -	\$ 814,653
State aid	1,901,630	-	1,901,630
Federal aid	369,899	-	369,899
Interest income	2,560	-	2,560
Food service revenue	83,352	-	83,352
Contributions	32,798	15,000	47,798
TOTAL REVENUES	<u>3,204,892</u>	<u>15,000</u>	<u>3,219,892</u>
EXPENDITURES			
Current:			
Instruction	1,961,190	-	1,961,190
Operation and maintenance of facilities	450,725	-	450,725
Transportation	217,890	-	217,890
Capital outlays:			
Property	26,168	53,368	79,536
Equipment	171,039	-	171,039
Debt service:			
Principal	134,867	-	134,867
Interest	30,739	-	30,739
TOTAL EXPENDITURES	<u>2,992,618</u>	<u>53,368</u>	<u>3,045,986</u>
NET CHANGE IN FUND BALANCES	212,274	(38,368)	173,906
FUND BALANCES, BEGINNING OF YEAR	<u>78,625</u>	<u>59,001</u>	<u>137,626</u>
FUND BALANCES, END OF YEAR	<u>\$ 290,899</u>	<u>\$ 20,633</u>	<u>\$ 311,532</u>

The accompanying notes are an integral part of these financial statements.

LAS AMÉRICAS ASPIRA ACADEMY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 173,906

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$	250,575	
Depreciation expense		<u>(61,017)</u>	189,558

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments		<u>134,867</u>	134,867
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences		<u>(31,691)</u>	
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>466,640</u></u>
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The accompanying notes are an integral part of these financial statements.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Las Américas ASPIRA Academy is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. Las Américas ASPIRA Academy's initial charter was granted for a four-year period, renewable every five years thereafter. Las Américas ASPIRA Academy's first full year of school started September 1, 2011. The initial charter will expire on June 30, 2015.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state and federal funds, they may not charge tuition.

The financial statements of Las Américas ASPIRA Academy have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Las Américas ASPIRA Academy (the "School") are described below.

Reporting Entity

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Entity-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. Charges to the School are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to students for special fees, supplies, food or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 School 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, early retirement and post-employment healthcare benefits, are recorded only when payment is due.

Charges to the school districts, state appropriations 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 the School receives cash.

The School reports the following major governmental funds:

- **General Fund.** The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- **Capital Projects Fund.** The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the School.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion) or "advances from/to other funds" (i.e., the noncurrent portion). At June 30, 2012, the School had "due to/from other funds" in the amount of \$38,368. This occurred due to the general fund paying some expenses relating to the capital projects fund.

The School considers all accounts receivable at year end to be collectible; therefore, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets, which include leasehold improvements, furniture and fixtures and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is capitalized.

Leasehold improvements, furniture and fixtures and equipment of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Leasehold improvements	24 years
Furniture	3 years
Equipment	5 years

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. The liability for these amounts is reported in the governmental funds only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation - Twelve-month employees can accumulate up to 30 days of vacation. Any days in excess of 30 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination and retirement at the current rate of pay.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sick Leave - Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year and annual employees earn one day of sick leave for each month worked. Any unused sick days shall be accumulated to the employee's credit up to a maximum of 120 days. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50 percent of the per diem rate of pay not to exceed 120 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 120 days.

The compensated absences liability was \$31,691 at June 30, 2012.

Fund Equity

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for Las Américas ASPIRA Academy. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Restricted Net Position

Restricted net position is comprised of assets, net of related liabilities, that are required to be set aside for capital projects payments. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Early Implementation of GASB Statements

During the current year, the School elected to implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the School's current year financial statements.

During the current year, the School elected to implement GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which are followed for fiduciary fund and entity-wide reporting.

During the current year, the School elected to implement GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the balance sheet (deferred outflows and deferred inflows) and revises entity-wide terminology as a result of this change.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2012, the School had a cash equivalent balance of \$539,122. Of that amount, \$537,832 was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware.

The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

At June 30, 2012, the reported amount of the School's deposits outside of the State Treasurer's Office was \$1,290. The bank balance at June 30, 2012 was \$1,298, all of which was covered by federal depository insurance.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Reclass</u>	<u>Ending Balances</u>
<i>Governmental Activities:</i>				
General capital assets not being depreciated:				
Construction-in-progress	\$ 543,999	\$ 53,368	\$ (597,367)	\$ -
Total general capital assets not being depreciated	<u>543,999</u>	<u>53,368</u>	<u>(597,367)</u>	<u>-</u>
General capital assets being depreciated:				
Leasehold improvements	-	20,930	597,367	618,297
Furniture and equipment	-	176,277	-	176,277
Total general capital assets being depreciated	-	197,207	597,367	794,574
Accumulated depreciation	-	61,017	-	61,017
Total general capital assets being depreciated, net	-	136,910	597,367	733,557
Governmental Activities, Net	<u>\$ 543,999</u>	<u>\$ 189,558</u>	<u>\$ -</u>	<u>\$ 733,557</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 35,255
Operation and maintenance of facilities	25,762
	<u>\$ 61,017</u>

NOTE 4 LONG-TERM DEBT

A schedule of changes in debt is as follows:

	<u>Amounts Outstanding 7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amounts Outstanding 6/30/2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable	\$ 853,821	\$ -	\$ (134,867)	\$ 718,954	\$ 141,872
Compensated absences	-	31,691	-	31,691	-
Total Governmental Activities	<u>\$ 853,821</u>	<u>\$ 31,691</u>	<u>\$ (134,867)</u>	<u>\$ 750,645</u>	<u>\$ 141,872</u>

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

Description	Amount of Original Issue	Interest Rate	Maturity Date	Balance June 30, 2012
ASPIRA of Delaware	\$ 50,983	N/A	11/01/16	\$ 45,035
Building Hope	453,000	6.50%	06/01/14	416,871
ASPIRA Association	150,000	N/A	07/01/16	122,500
ISDC	25,723	N/A	06/01/13	8,686
Young, Conaway, Stargatt & Taylor LLP	26,563	N/A	05/01/15	19,348
Buck Simpers	147,552	N/A	06/30/14	106,514
				718,954
Less Current Portion				141,872
				<u>\$ 577,082</u>

The total principal and interest maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 141,872	\$ 26,046	\$ 167,918
2014	483,913	21,780	505,693
2015	46,225	-	46,225
2016	40,197	-	40,197
2017	6,747	-	6,747
Total	<u>\$ 718,954</u>	<u>\$ 47,826</u>	<u>\$ 766,780</u>

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan, which is a cost-sharing, multiple-employer defined benefit public employees' retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible state employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time and regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability and death benefits. Certain significant plan provisions follow:

- Early retirement:
 - a. 15 years service - age 55
 - b. 25 years service - any age

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

- Service retirement:
 - a. 15 years service - age 60 if hired prior to January 1, 2012;
20 years service - age 60 if hired on or after January 1, 2012
 - b. 30 years service - any age
 - c. 5 years service - age 62 if hired prior to January 1, 2012;
5 years service - age 65 if hired on or after January 1, 2012
- Disability retirement:
 - a. 5 years service and proof of disability
- Vested pension - an employee can vest pension rights after five years of service if hired prior to January 1, 2012. If hired after January 1, 2012, an employee can vest pension rights after ten years, five of which must be consecutive.

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Newark, DE 19904, or by calling 1-800-722-7300.

Funding Policy

Employees of the School are required to contribute three percent of earnings in excess of \$6,000. The School's contribution to the State PERS for the year ended June 30, 2012 was \$203,727, which was the School's first full year of operations.

NOTE 6 LEASING ARRANGEMENTS

Operating Lease

The School leases its building and copier equipment under an operating lease arrangement. The building is operated under two separate leases, one for the classrooms and one for its gymnasium and art room. Both building operating leases expire July 31, 2015, with the option to renew up to four times for an additional five years each. The lease for the copier expires October 1, 2014. Total rental expense for the year ended June 30, 2012 was \$279,125. Total expense paid under the copier lease was \$8,056.

At June 30, 2012, the minimum future rental payments under noncancelable leasing arrangements for the remaining years and in the aggregate are as follows:

Year Ending June 30,

2013	\$ 319,976
2014	323,742
2015	319,507
2016	<u>26,316</u>
Minimum future rental payments required	<u>\$ 989,541</u>

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School for the year ended June 30, 2012. There was no significant reduction in coverage compared to the prior year.

NOTE 8 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 9 FUND BALANCES

As of June 30, 2012, fund balances are composed of the following

	General Fund	Capital Projects Fund	Total Governmental Funds
Restricted:			
Capital Projects	\$ -	\$ 20,633	\$ 20,633
Unassigned	290,899	-	290,899
Total Fund Balances	<u>\$ 290,899</u>	<u>\$ 20,633</u>	<u>\$ 311,532</u>

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Travel	\$ 503
Insurance	\$ 1,715
Repairs and maintenance	\$ 1,005
Supplies and materials	\$ 209,610
Interest on debt service	\$ 30,739

The excess expenditures were covered by the School's available funds from other appropriations.

LAS AMÉRICAS ASPIRA ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 RELATED PARTIES

During fiscal year 2012, the School hired an electrician to complete a cabling project in several of the School's classrooms. The electrician hired was the brother-in-law of the Board president. He received payments totaling \$5,631 for the year ended June 30, 2012.

Additionally, the president of the Board of Directors leases office space from the School for \$60 per month (\$720 per year).

Finally, a husband of one of the School's paraprofessionals performed \$200 worth of cabling work for the year ended June 30, 2012.

The School also has outstanding debt with two related organizations, ASPIRA of Delaware and the ASPIRA Association. As of June 30, 2012, the amounts outstanding with the organizations were \$45,035 and \$122,500, respectively, which is included in the notes payable amount of \$718,954. Both notes are non-interest bearing.

NOTE 12 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through March 22, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

LAS AMÉRICAS ASPIRA ACADEMY
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges to school districts	\$ 868,088	\$ 814,653	\$ (53,435)
State aid	1,804,273	1,901,630	97,357
Federal aid	394,409	369,899	(24,510)
Earnings on cash and investments	-	2,560	2,560
Food service revenue	95,179	83,352	(11,827)
Contributions	188,173	32,798	(155,375)
TOTAL REVENUES	<u>3,350,122</u>	<u>3,204,892</u>	<u>(145,230)</u>
EXPENDITURES			
Current:			
Salaries	1,149,060	1,106,559	42,501
Employment costs	443,960	420,493	23,467
Travel	500	1,003	(503)
Contractual services	598,358	440,165	158,193
Communications	4,169	3,839	330
Public utilities service	111,500	51,503	59,997
Insurance	23,954	25,669	(1,715)
Transportation - buses	223,000	217,890	5,110
Repairs and maintenance	25,571	26,576	(1,005)
Supplies and materials	126,498	336,108	(209,610)
Capital outlays:			
Property	146,281	26,168	120,113
Equipment	221,225	171,039	50,186
Debt service:			
Principal	158,254	134,867	23,387
Interest	-	30,739	(30,739)
TOTAL EXPENDITURES	<u>3,232,330</u>	<u>2,992,618</u>	<u>239,712</u>
 NET CHANGE IN FUND BALANCE	 117,792	 212,274	 94,482
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>78,625</u>	<u>78,625</u>
FUND BALANCE, END OF YEAR	<u>\$ 117,792</u>	<u>\$ 290,899</u>	<u>\$ 173,107</u>

NOTE: The School's budget is presented on the modified accrual basis of accounting.

SUPPLEMENTARY SECTION

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2012

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 45,086	\$ 435,035	\$ -	\$ 480,121
Accounts receivable	-	2,021	17,769	19,790
Due from other funds	34,403	(12,185)	16,150	38,368
Prepaid assets	-	27,603	-	27,603
TOTAL ASSETS	<u>\$ 79,489</u>	<u>\$ 452,474</u>	<u>\$ 33,919</u>	<u>\$ 565,882</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,941	\$ 34,072	\$ 5,237	\$ 46,250
Accrued salaries	-	168,807	10,575	179,382
Due to other governments	-	-	16,150	16,150
Due to State of Delaware - pension costs	-	31,244	1,957	33,201
TOTAL LIABILITIES	<u>6,941</u>	<u>234,123</u>	<u>33,919</u>	<u>274,983</u>
FUND BALANCES				
Unassigned	72,548	218,351	-	290,899
TOTAL FUND BALANCES	<u>72,548</u>	<u>218,351</u>	<u>-</u>	<u>290,899</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 79,489</u>	<u>\$ 452,474</u>	<u>\$ 33,919</u>	<u>\$ 565,882</u>

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			
	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	\$ -	\$ 814,653	\$ -	\$ 814,653
State aid	1,901,630	-	-	1,901,630
Federal aid	-	-	369,899	369,899
Earnings on cash and investments	-	2,560	-	2,560
Food service revenue	-	83,352	-	83,352
Contributions	-	32,798	-	32,798
TOTAL REVENUES	<u>1,901,630</u>	<u>933,363</u>	<u>369,899</u>	<u>3,204,892</u>
EXPENDITURES				
Current:				
Instruction	1,323,341	443,345	194,504	1,961,190
Operation and maintenance of facilities	348,108	92,757	9,860	450,725
Transportation	128,260	89,630	-	217,890
Capital outlays:				
Property	-	12,565	13,603	26,168
Equipment	7,314	11,793	151,932	171,039
Debt Service:				
Principal	22,059	112,808	-	134,867
Interest	-	30,739	-	30,739
TOTAL EXPENDITURES	<u>1,829,082</u>	<u>793,637</u>	<u>369,899</u>	<u>2,992,618</u>
NET CHANGE IN FUND BALANCES	72,548	139,726	-	212,274
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>78,625</u>	<u>-</u>	<u>78,625</u>
FUND BALANCES, END OF YEAR	<u>\$ 72,548</u>	<u>\$ 218,351</u>	<u>\$ -</u>	<u>\$ 290,899</u>

LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

EXPENDITURES

Current:

Salaries	\$ 1,106,559
Employment costs	420,493
Travel	1,003
Contractual services	440,165
Communications	3,839
Public utilities service	51,503
Insurance	25,669
Transportation - buses	217,890
Repairs and maintenance	26,576
Supplies and materials	336,108

Capital outlays:

Property	26,168
Equipment	171,039

Debt service:

Principal	134,867
Interest	30,739

TOTAL EXPENDITURES

\$ 2,992,618

**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**

March 22, 2013

Board of Directors
Las Américas ASPIRA Academy
Newark, Delaware

We have audited the basic financial statements of the governmental activities and each major fund of Las Américas ASPIRA Academy, Newark, Delaware as of and for the year ended June 30, 2012 which, collectively comprise the School's basic financial statements, and have issued our report thereon dated March 22, 2013. Our report was qualified since we were unable to confirm cash and cash equivalents and obtain adequate loan documentation at June 30, 2012, and we were unable to obtain sufficient appropriate audit evidence regarding the ending cash and cash equivalents balance and loan documentation at June 30, 2012 by other auditing procedures. 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.

Internal Control Over Financial Reporting

Management of Las Américas ASPIRA Academy, Newark, Delaware, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Las Américas ASPIRA Academy's internal control over financial reporting as a basis for designing our auditing procedures 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

Board of Directors
Las Américas ASPIRA Academy

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 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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items #12-1, #12-5, #12-6, #12-7, #12-8 and #12-9 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as #12-2, #12-3 and #12-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Las Américas ASPIRA Academy's basic financial statements are free of 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*.

We noted certain other matters that we reported to management of Las Américas ASPIRA Academy in a separate letter dated March 22, 2013.

Las Américas ASPIRA Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit Las Américas ASPIRA Academy's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Board of Directors, management, the Department of Education, Office of the Governor, Office of the Controller General, Office of Attorney General, Office of Management and Budget, Office of Auditor of Accounts and the Department of Finance; and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-1 Timely Deposits of Receipts Posted to First State Financial System

Condition: Deposits of money made that were not allocated to the First State Financial (FSF) system in a timely manner by the outside accountant. Specifically, two grant awards totaling \$150,000 were deposited into a WSFS bank account in July 2011 but were not entered into FSF until December 2, 2011.

Cause: A lack of internal control procedures that do not require the outside accountant to post receipts to FSF in a timely fashion, and do not enable the lack of posting to be detected and corrected by management.

Criteria: Any deposits made should be entered into FSF as soon as is feasibly possible to accurately reflect the financial position of the School.

Effect: A delay in entering deposits into the FSF system can skew the results of financial reporting by understating the School's assets.

Recommendation: We recommend that procedures be established that will require the outside accountant to periodically obtain a report from the School detailing all deposits made, and ensure that the FSF entries are accurate and in agreement with the report.

Corrective Action Plan: The Board approved financial policies were enacted in May 2012 that put corrective measures in place to address this situation. At the time when this occurred, no appropriations were in place to segregate the funds earmarked for capital improvements from the money designated for operating expenses. Proper appropriations for these funds are now set up for use.

12-2 Accounts Not Representative of Revenue

Condition: Several nondescript accounts were used during the year that did not clearly represent their purpose, such as "miscellaneous deposits."

Cause: Lack of a strict structure for accounts that requires account names to be clear and unambiguous.

Criteria: All transactions of an entity should be charged to an account that appropriately reflects the nature of the transaction. All revenue accounts used should be clearly distinguishable as revenue to present the financial position of the School as fairly and accurately as possible.

Effect: Use of accounts that are not representative of revenue may not accurately reflect the financial position of the School and may cause the financial statements to be misleading.

Recommendation: We recommend that all revenue received by the School be charged to accounts that properly represent their nature.

Corrective Action Plan: Daily deposits are now made using preprinted deposit slips and the Business Manager prepares the online accounting entries. Effective for fiscal year 2013, the miscellaneous deposit account is no longer being used.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-3 Debt Schedules Not in Agreement with Actual Payments

Condition: Charges made to the debt service fund do not agree with actual payments made or the debt amortization schedule.

Cause: Failure to appropriately charge interest and principal accounts for payments made.

Criteria: Payments charged to the debt service fund should be accurate and in agreement with both the debt amortization schedule and actual debt service payments made. Payments should also be broken out into interest and principal amounts.

Effect: Improper recording of debt service payments can skew financial position by creating difficulty in determining the actual amount of debt outstanding.

Recommendation: We recommend that policies be established that will increase oversight of the debt service payments and accounting, and ensure the accuracy of the charges made to the debt service fund for both principal and interest.

Corrective Action Plan: Management is currently working to obtain that documentation.

12-4 Lack of a Capital Asset Inventory Listing

Condition: The School does not maintain a listing or inventory of all its capital asset items, including items like furniture and fixtures (desks, chairs, marker boards, etc.), equipment (computers, projectors, refrigerators, etc.), and building or leasehold improvements.

Cause: Failure to record a listing of capital asset items.

Criteria: An entity should maintain an accurate record of all its capital assets to accurately reflect total assets and its financial position.

Effect: Failure to properly track capital assets can lead to difficulty in determining total assets held by the School and, consequently, cause the financial statements to not fairly represent the School's actual financial position.

Recommendation: We recommend that management take an inventory listing of all its fixed assets that the School has title to, and create and maintain a schedule of those assets, including all additions and disposals that may occur.

Corrective Action Plan: A partial inventory is in place and management is working to complete this task.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-5 President of the Board is Allowed to Make Unilateral Decisions

Condition: The president of the Board has the power to execute decisions without approval of the rest of the Board.

Cause: The Board bylaws allow the president of the Board to make unilateral decisions without approval.

Criteria: A proper internal control environment will disallow unilateral approval of major decisions by one person. All major decisions or transactions should be subject to approval by the School's governing body (the Board of Directors).

Effect: Allowing one person to make major decisions without approval is an internal control weakness and could allow the president of the Board to make decisions that are not in the best interest of the School.

Recommendation: We recommend that the Board bylaws or policies be amended so that any proposed decision that is made is subject to approval by the entire Board of Directors.

Corrective Action Plan: Management will develop a policy for the review and approval of the Board of Directors.

12-6 Bids Not Obtained for Construction Project

Condition: A bid was not obtained for the School's renovation project.

Cause: Work on the School's renovation was required to be started and completed quickly, and management did not have time to follow proper bid acquisition procedures.

Criteria: Bids should be obtained from several vendors for any major service provided to ensure that the School will only contract with vendors fairly pricing their services.

Effect: Failure to obtain bids from multiple vendors may cause a user of the financial statements to question the legitimacy of the transaction and, also, wonder if the vendor is a related party. Even if the transaction with the vendor is not a related party, a user may question whether the transaction was completed at arm's length.

Recommendation: We recommend that a policy be established that will require the School to obtain bids from several vendors before undertaking a major project and that only qualified vendors who submit bids that are fairly priced be considered.

Corrective Action Plan: Management will develop a policy for the review and approval of the Board of Directors.

LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-7 Failure to Provide Minutes of Meetings of Board of Directors

Condition: The minutes for the meetings of the Board of Directors were not available for review.

Cause: Procedures are not in place that require the timely creation, editing, approval and publishing of the minutes of the Board of Director's meetings.

Criteria: Minutes should be kept for all meetings of the Board of Directors and made available to the public for review.

Effect: Failure to record and display minutes for meetings of the governing body can lead to a lack of transparency in the decision making and approval process of the School.

Recommendation: We recommend that the secretary of the Board of Directors take minutes at each meeting and, once they are properly reviewed and authorized, make them available to the public, ideally on the School's website.

Corrective Action Plan: Meeting minutes are now being posted on the School's website.

12-8 Failure to Maintain Loan Documents

Condition: Several loan documents for outstanding debt were not maintained (including debt outstanding with ASPIRA Association, ISDC and Young, Conaway, Stargatt & Taylor). Also, certain loan documents that were held by the School did not contain all the relevant loan terms.

Cause: Failure to obtain and maintain loan documents from all creditors.

Criteria: The School should maintain files that include all the pertinent information and loan agreement terms for all outstanding debt with all creditors.

Effect: Lack of loan documents can lead to confusion in preparing the financial statements and in making payments against the outstanding debt.

Recommendation: We recommend that management maintain a file of all the documents for outstanding debt and establish policies that will outline certain terms of the loan agreements that must be included in the documentation.

Corrective Action Plan: Management is currently working to obtain the remaining documentation.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-9 Journal Entry Controls

Condition: Auditor proposed adjusting journal entries that were posted by management are material in the aggregate and represent a material misstatement in the financial statements for the period under audit.

Cause: The School records all of its activity on the cash basis of accounting during the year. At year end, the School's records are converted from the cash basis of accounting to the accrual basis of accounting.

Criteria: The School should accumulate all necessary journal entries to ensure that their financial statements accurately reflect the School's financial position and convert the financial statements from cash to accrual basis.

Effect: Failure to accumulate the required journal entries will not convert the financial statements to the accrual basis and will not accurately reflect the School's financial position on the accrual basis of accounting.

Recommendation: We recommend that the School implement procedures to accumulate the various journal entries to convert their records from the cash to accrual basis of accounting.

Corrective Action Plan: At fiscal year end, with the assistance of the auditor, management will implement procedures to accumulate the various journal entries to convert the School's records from the cash to the accrual basis of accounting.