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

FINANCIAL STATEMENTS

JUNE 30, 2013

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

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INDEPENDENT AUDITOR'S REPORT

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

October 21, 2013

Board of Directors
Las Américas ASPIRA Academy
Newark, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Las Américas ASPIRA Academy (the "School"), Newark, Delaware (a component unit of the State of Delaware) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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 basic 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 of material misstatement.

An audit includes performing procedures to obtain 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 School'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 School'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 and each major fund of Las Américas ASPIRA Academy as of June 30, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Las Américas ASPIRA Academy's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated March 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22 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.

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Las Américas ASPIRA Academy's basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, the combining statement of revenues, expenditures, and changes in fund balances - general fund and schedule of expenditures by natural classification - governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining balance sheet - general fund, the combining statement of revenues, expenditures and changes in fund balances - general fund and schedule of expenditures by natural classification - governmental funds are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013 on our consideration of Las Américas ASPIRA Academy'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 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* in considering Las Américas ASPIRA Academy's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

BASIC FINANCIAL STATEMENTS

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and pooled cash | \$ 511,082 | \$ 539,122 |
| Accounts receivable | 35,009 | 19,790 |
| Due from State | 69,054 | - |
| Prepaid assets | 28,061 | 27,603 |
| Total Current Assets | <u>643,206</u> | <u>586,515</u> |
| NONCURRENT ASSETS: | | |
| Construction-in-progress | 360,466 | - |
| Depreciable capital assets, net | 711,989 | 733,557 |
| Total Noncurrent Assets | <u>1,072,455</u> | <u>733,557</u> |
| TOTAL ASSETS | <u><u>\$ 1,715,661</u></u> | <u><u>\$ 1,320,072</u></u> |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 53,015 | \$ 46,250 |
| Accrued salaries | 232,148 | 179,382 |
| Due to State of Delaware - pension costs | 42,968 | 33,201 |
| Due to other governments | - | 16,150 |
| Notes payable | 176,563 | 141,872 |
| Total Current Liabilities | <u>504,694</u> | <u>416,855</u> |
| NONCURRENT LIABILITIES: | | |
| Compensated absences | 115,089 | 31,691 |
| Notes payable | 249,215 | 577,082 |
| Total Noncurrent Liabilities | <u>364,304</u> | <u>608,773</u> |
| TOTAL LIABILITIES | <u>868,998</u> | <u>1,025,628</u> |
| NET POSITION: | | |
| Net investment in capital assets | 646,677 | 14,603 |
| Restricted | 63,607 | 20,633 |
| Unrestricted | 136,379 | 259,208 |
| Total Net Position | <u>846,663</u> | <u>294,444</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 1,715,661</u></u> | <u><u>\$ 1,320,072</u></u> |

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

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| | Expenses | Program Revenues | | | Net (Expense) Revenues and Changes in Net Position Total |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instructional services | \$ (2,680,041) | \$ 64,920 | \$ 334,504 | \$ 350,920 | \$ (1,929,697) |
| Support services: | | | | | |
| Operation and maintenance of facilities | (668,658) | (47,985) | - | - | (716,643) |
| Transportation | (273,890) | - | 307,158 | - | 33,268 |
| Interest on long-term debt | (26,247) | - | - | - | (26,247) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ (3,648,836)</u> | <u>\$ 16,935</u> | <u>\$ 641,662</u> | <u>\$ 350,920</u> | <u>(2,639,319)</u> |
| GENERAL REVENUES | | | | | |
| Charges to school districts | | | | | 1,176,727 |
| State aid not restricted to specific purposes | | | | | 1,990,566 |
| Other local revenues | | | | | 19,795 |
| Interest income | | | | | 4,450 |
| TOTAL GENERAL REVENUES | | | | | <u>3,191,538</u> |
| CHANGE IN NET POSITION | | | | | 552,219 |
| NET POSITION, BEGINNING OF YEAR | | | | | <u>294,444</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ 846,663</u> |

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

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

| | Expenses | Charges for Services | Program Revenues 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) | - | 252,684 | - | 34,794 |
| Interest on long-term debt | (30,739) | - | - | - | (30,739) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ (2,753,252) | \$ 83,352 | \$ 655,381 | \$ 15,000 | (1,999,519) |
| GENERAL REVENUES | | | | | |
| Charges to school districts | | | | | 814,653 |
| Payments from primary government | | | | | 1,648,946 |
| Interest income | | | | | 2,560 |
| TOTAL GENERAL REVENUES | | | | | 2,466,159 |
| 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, 2013

(With Summarized Comparative Data for June 30, 2012)

| | General Fund | Capital Projects Fund | Total Government Funds | |
|--|-------------------|-----------------------------|------------------------|-------------------|
| | | | 2013 | 2012 |
| ASSETS | | | | |
| Cash and pooled cash | \$ 456,755 | \$ 54,327 | \$ 511,082 | \$ 539,122 |
| Accounts receivable | 25,729 | 9,280 | 35,009 | 19,790 |
| Prepaid assets | 28,061 | - | 28,061 | 27,603 |
| Due from other funds | - | - | - | 38,368 |
| TOTAL ASSETS | \$ 510,545 | \$ 63,607 | \$ 574,152 | \$ 624,883 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 53,015 | \$ - | \$ 53,015 | \$ 46,250 |
| Accrued salaries | 232,148 | - | 232,148 | 179,382 |
| Due to State of Delaware - pension costs | 42,968 | - | 42,968 | 33,201 |
| Due to other governments | - | - | - | 16,150 |
| Due to other funds | - | - | - | 38,368 |
| TOTAL LIABILITIES | 328,131 | - | 328,131 | 313,351 |
| FUND BALANCES: | | | | |
| Nonspendable | 28,061 | - | 28,061 | 27,603 |
| Restricted | - | 63,607 | 63,607 | 20,633 |
| Assigned | 140,390 | - | 140,390 | 66,378 |
| Unassigned | 13,963 | - | 13,963 | 196,918 |
| TOTAL FUND BALANCES | 182,414 | 63,607 | 246,021 | 311,532 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 510,545 | \$ 63,607 | \$ 574,152 | \$ 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, 2013**

| | |
|--|------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ 246,021 |
|--|------------|

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. | 1,072,455 |
|--|-----------|

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 | \$ (115,089) | |
| State portion of compensated absences | 69,054 | |
| Notes payable | <u>(425,778)</u> | <u>(471,813)</u> |

| | |
|--|-------------------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ <u>846,663</u> |
|--|-------------------|

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, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)

| | General Fund | Capital Projects Fund | Total Governmental Funds | |
|--|-------------------|-----------------------|--------------------------|-------------------|
| | | | 2013 | 2012 |
| REVENUES | | | | |
| Charges to school districts | \$ 1,176,727 | - | \$ 1,176,727 | \$ 814,653 |
| State aid | 2,228,670 | - | 2,228,670 | 1,901,630 |
| Federal aid | 237,874 | - | 237,874 | 369,899 |
| Interest income | 4,450 | - | 4,450 | 2,560 |
| Food service revenue | 33,317 | - | 33,317 | 83,352 |
| Other local revenues | 19,795 | - | 19,795 | - |
| After care | 55,254 | - | 55,254 | - |
| Donations | 15,328 | - | 15,328 | 47,798 |
| Summer camp | 5,388 | 350,920 | 366,248 | - |
| Private lessons | 4,278 | - | 5,388 | - |
| TOTAL REVENUES | 3,781,081 | 350,920 | 4,132,001 | 3,219,892 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 2,545,849 | - | 2,545,849 | 1,961,190 |
| Operation and maintenance of facilities | 586,055 | 56,841 | 642,896 | 450,725 |
| Transportation | 273,890 | - | 273,890 | 217,890 |
| Capital outlays: | | | | |
| Property | 2,611 | 296,593 | 299,204 | 79,536 |
| Equipment | 95,617 | 20,633 | 116,250 | 171,039 |
| Debt Service: | | | | |
| Principal | 359,297 | 155,005 | 514,302 | 134,867 |
| Interest | 26,247 | - | 26,247 | 30,739 |
| TOTAL EXPENDITURES | 3,889,566 | 529,072 | 4,418,638 | 3,045,986 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (108,485) | (178,152) | (286,637) | 173,906 |
| OTHER FINANCING SOURCES | | | | |
| Debt proceeds | - | 221,126 | 221,126 | - |
| TOTAL OTHER FINANCING SOURCES | | 221,126 | 221,126 | - |
| NET CHANGE IN FUND BALANCE | (108,485) | 42,974 | (65,511) | 173,906 |
| FUND BALANCE, BEGINNING OF YEAR | 290,899 | 20,633 | 311,532 | 137,626 |
| FUND BALANCE, END OF YEAR | \$ 182,414 | \$ 63,607 | \$ 246,021 | \$ 311,532 |

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (65,511)

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 capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|-----------------|---------|
| Capital outlays | \$ 415,454 | |
| Depreciation expense | <u>(76,556)</u> | 338,898 |

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.

| | | |
|----------------------|----------------|---------|
| Debt proceeds | (221,126) | |
| Principal repayments | <u>514,302</u> | 293,176 |

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, net of state portion | <u>(14,344)</u> |
|--|-----------------|

| | |
|--|--------------------------|
| CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES | <u><u>\$ 552,219</u></u> |
|--|--------------------------|

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.

Receivables

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

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 |

Long-term Obligations

In the entity-wide financial statements, long-term debt is reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as operational expenditures.

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.

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 \$115,089 at June 30, 2013.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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.

Income Tax Status

No provision has been made for income taxes since the School qualifies as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability. In accordance with the section of FASB ASC regarding accounting for uncertainty in income taxes, the School is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The School has no uncertain tax positions that qualify for recognition in the financial statements.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties and interest as a result of such challenge. Generally, the School's tax returns remain open for federal income tax examination for three years from the date of filing.

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 implemented the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this new Statement did not have an effect on the School's current year financial statements.

Comparative Data

Comparative total data for the prior year are presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2012 basic financial statements to be comparative with the current year presentation.

NOTE 2 CASH AND POOLED CASH

At June 30, 2013, the School had a cash equivalent balance of \$511,082. Of that amount, \$510,187 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.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED CASH (cont'd)

At June 30, 2013, the reported amount of the School's deposits outside of the State Treasurer's Office was \$895. The bank balance at June 30, 2013 was \$2,486, all of which was covered by federal depository insurance.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable represent receivables for revenues earned by the School. At June 30, 2013, receivables are as follows:

| | |
|---------------------------------------|--------------------|
| Description | |
| Passed through the State of Delaware: | |
| Local government - food service | \$ 4,367 |
| Federal government | 21,362 |
| Other | <u>9,280</u> |
| Total receivables | <u>\$ 35,009</u> |

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balances</u> |
|--|-------------------------------|---------------------|---------------------------|----------------------------|
| <i>Governmental Activities:</i> | | | | |
| General capital assets not being depreciated: | | | | |
| Construction-in-progress | \$ - | \$ 360,466 | \$ - | \$ 360,466 |
| Total general capital assets not being depreciated | <u> -</u> | <u>360,466</u> | <u> -</u> | <u>360,466</u> |
| General capital assets being depreciated: | | | | |
| Leasehold improvements | 618,297 | - | - | 618,297 |
| Furniture and equipment | <u>176,277</u> | <u>54,988</u> | <u> -</u> | <u>231,265</u> |
| Total general capital assets being depreciated | 794,574 | 54,988 | - | 849,562 |
| Accumulated depreciation | <u>61,017</u> | <u>76,556</u> | <u> -</u> | <u>137,573</u> |
| Total general capital assets being depreciated, net | <u>733,557</u> | <u>(21,568)</u> | <u> -</u> | <u>711,989</u> |
| Governmental Activities, Net | <u>\$ 733,557</u> | <u>\$ 338,898</u> | <u>\$ -</u> | <u>\$ 1,072,455</u> |

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following governmental activities:

| | |
|---|------------------|
| Instructional services | \$ 50,794 |
| Operation and maintenance of facilities | <u>25,762</u> |
| | <u>\$ 76,556</u> |

NOTE 5 LONG-TERM DEBT

The School signed non-interest bearing notes with four vendors to repay costs associated with the start-up of the School. Monthly payments on these notes vary from \$724 to \$5,000 per month. The notes will be settled by July 1, 2016. Details of these agreements are summarized in the chart below.

On June 28, 2013 the School obtained financing through a promissory note from Building Hope...A Charter School Facilities Fund. The promissory note was to be used to pay off a previous note with Building Hope...A Charter School Facilities Fund as well as to finance leasehold improvements. Funds were to be drawn down on the note as needed up to the principal balance of \$910,000. As of June 30, 2013, the School had drawn down funds totaling \$221,126. The note bears interest at 6.0 percent. Upon the drawdown of all funds, the note calls for interest and principal payments through May 1, 2017 of \$10,103 with a balloon payment due June 1, 2017.

A schedule of changes in debt is as follows:

| | Amounts Outstanding 7/1/2012 | Additions | Retirements | Amounts Outstanding 6/30/2013 | Due Within One Year |
|----------------------------------|------------------------------------|-------------------|-------------------|-------------------------------------|------------------------|
| Governmental Activities: | | | | | |
| Notes payable | \$ 718,954 | \$ 221,126 | \$ 514,302 | \$ 425,778 | \$ 176,563 |
| Compensated absences | <u>31,691</u> | <u>83,398</u> | <u>-</u> | <u>115,089</u> | <u>-</u> |
| Total Governmental Activities | <u>\$ 750,645</u> | <u>\$ 304,524</u> | <u>\$ 514,302</u> | <u>\$ 540,867</u> | <u>\$ 176,563</u> |

A summary of the School's notes payable is as follows:

| Description | Amount of Original Issue | Interest Rate | Maturity Date | Balance June 30, 2013 |
|---|--------------------------------|------------------|------------------|--------------------------|
| ASPIRA of Delaware | \$ 50,983 | N/A | 11/01/16 | \$ 35,688 |
| ASPIRA Association | 150,000 | N/A | 03/15/15 | 100,412 |
| Young, Conaway, Stargatt & Taylor, LLP | 26,563 | N/A | 05/01/15 | 12,688 |
| Buck Simpers | 147,552 | N/A | 06/30/14 | 55,864 |
| Building Hope | 910,000 | 6.00% | 06/01/17 | 221,126 |
| | | | | <u>425,778</u> |
| Less Current Portion | | | | <u>176,563</u> |
| | | | | <u>\$ 249,215</u> |

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

The total principal and interest maturities are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2014 | \$ 176,563 | \$ 42,173 | \$ 218,736 |
| 2015 | 136,012 | 50,221 | 186,233 |
| 2016 | 79,777 | 51,654 | 131,431 |
| 2017 | 33,426 | 12,084 | 45,510 |
| Total | <u>\$ 425,778</u> | <u>\$ 156,132</u> | <u>\$ 581,910</u> |

NOTE 6 FUND BALANCES

As of June 30, 2013, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|----------------------------------|-------------------------|--------------------------------------|---|
| Nonspendable | \$ 28,061 | \$ - | \$ 28,061 |
| Restricted: | | | |
| Capital Projects | - | 63,607 | 63,607 |
| Assigned for future expenditures | 140,390 | - | 140,390 |
| Unassigned | 13,963 | - | 13,963 |
| Total Fund Balances | <u>\$ 182,414</u> | <u>\$ 63,607</u> | <u>\$ 246,021</u> |

NOTE 7 LEASING ARRANGEMENTS

Operating Lease

The School leases its building and copier equipment under operating lease arrangements. 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 building for the year ended June 30, 2013 was \$311,658. Total expense paid under the copier lease was \$12,084 for the year ended June 30, 2013.

At June 30, 2013, the minimum future rental payments under noncancelable leasing arrangements for the remaining years and in the aggregate are as follows:

| <u>Year Ending June 30,</u> | |
|---|-------------------|
| 2014 | \$ 323,742 |
| 2015 | 319,501 |
| 2016 | <u>26,316</u> |
| Minimum future rental payments required | <u>\$ 669,559</u> |

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 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
- 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 years ended June 30, 2013 and 2012 was \$295,366 and \$203,727, respectively, which have been the School's first two full years of operations.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 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, 2013. There was no significant reduction in coverage compared to the prior year.

NOTE 10 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.

Construction Commitment

As of June 30, 2013, anticipated construction commitments are as follows:

| Vendor | Contract Amount | Completed through June 30, 2013 | Remaining Amount |
|-----------------------|---------------------|---------------------------------------|---------------------|
| Mattei Construction | \$ 1,044,570 | \$ 307,867 | \$ 736,703 |
| George A. Matuszewski | 31,895 | 31,895 | - |
| Totals | <u>\$ 1,076,465</u> | <u>\$ 339,762</u> | <u>\$ 736,703</u> |

In addition, the School had incurred additional costs associated with the building phase 2 improvement project totaling \$20,704 that were not under a formal construction contract.

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

| | |
|--------------------------|-----------|
| Employment costs | \$ 1,509 |
| Repairs and maintenance | \$ 172 |
| Equipment | \$ 23,392 |
| Interest on debt service | \$ 26,247 |

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

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 RELATED PARTIES

During fiscal year 2013, the president of the Board of Directors leased office space from the School for \$60 per month (\$720 per year).

The School also has outstanding debt with two related organizations, ASPIRA of Delaware and the ASPIRA Association. As of June 30, 2013, the amounts outstanding with the organizations were \$35,688 and \$100,412, respectively, which is included in the notes payable amount of \$425,778. Both notes are non-interest bearing.

NOTE 13 SUBSEQUENT EVENTS

On July 1, 2013 the School modified its loan agreement with the ASPIRA Association, Inc. The School agreed to increase its monthly payments to \$5,000 per month beginning July 1, 2013, which, with a fixed interest rate at 3.75 percent, would pay off the loan by March 15, 2015.

The School has drawn down the remaining funds available with the Building Hope...A Charter School Facilities Fund, bringing the principal balance to \$910,000. Repayment terms of the loan were finalized. The loan bears interest at six percent and calls for monthly interest and principal payments of \$10,103 through May 1, 2017 with a balloon payment of the remaining principal due June 1, 2017.

The School has evaluated all subsequent events through October 21, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAS AMÉRICAS ASPIRA ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|-----------------------|---|
| REVENUES | | | | |
| Charges to school districts | \$ 962,269 | \$ 1,176,727 | \$ 1,176,727 | \$ - |
| State aid | 1,910,137 | 2,410,187 | 2,228,670 | (181,517) |
| Federal aid | 200,725 | 167,626 | 237,874 | 70,248 |
| Interest income | - | - | 4,450 | 4,450 |
| Food service revenue | 86,778 | 91,225 | 33,317 | (57,908) |
| Other local revenues | 1,500 | 1,190 | 19,795 | 18,605 |
| After care | - | 49,200 | 55,254 | 6,054 |
| Donations | - | 3,000 | 15,328 | 12,328 |
| Summer camp | - | - | 5,388 | 5,388 |
| Private lessons | 5,350 | - | 4,278 | 4,278 |
| TOTAL REVENUES | <u>3,166,759</u> | <u>3,899,155</u> | <u>3,781,081</u> | <u>(118,074)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries | 1,384,170 | 1,523,660 | 1,519,946 | 3,714 |
| Employment costs | 615,190 | 645,565 | 647,074 | (1,509) |
| Travel | 10,000 | 10,000 | 5,501 | 4,499 |
| Contractual services | 614,546 | 612,511 | 542,096 | 70,415 |
| Communications | 4,200 | 6,000 | 5,893 | 107 |
| Public utilities service | 75,500 | 73,500 | 62,883 | 10,617 |
| Insurance | 26,952 | 22,950 | 22,950 | - |
| Transportation - buses | 270,000 | 275,000 | 273,890 | 1,110 |
| Repairs and maintenance | 34,350 | 35,000 | 35,172 | (172) |
| Supplies and materials | 69,100 | 301,015 | 290,389 | 10,626 |
| Capital outlays: | | | | |
| Property | 1,500 | 10,000 | 2,611 | 7,389 |
| Equipment | 15,725 | 72,225 | 95,617 | (23,392) |
| Debt service: | | | | |
| Principal | 167,048 | 390,678 | 359,297 | 31,381 |
| Interest | - | - | 26,247 | (26,247) |
| TOTAL EXPENDITURES | <u>3,288,281</u> | <u>3,978,104</u> | <u>3,889,566</u> | <u>88,538</u> |
| NET CHANGE IN FUND BALANCE | (121,522) | (78,949) | (108,485) | (29,536) |
| FUND BALANCE, BEGINNING OF YEAR | <u>290,899</u> | <u>290,899</u> | <u>290,899</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 169,377</u> | <u>\$ 211,950</u> | <u>\$ 182,414</u> | <u>\$ (29,536)</u> |

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

SUPPLEMENTARY INFORMATION

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2013

| | State Allocation | Local Funding | Federal Funding | Total |
|--|---------------------|-------------------|--------------------|-------------------|
| ASSETS | | | | |
| Cash and pooled cash | \$ 73,113 | \$ 383,642 | \$ - | \$ 456,755 |
| Accounts receivable | - | 4,367 | 21,362 | 25,729 |
| Prepaid assets | - | 28,061 | - | 28,061 |
| TOTAL ASSETS | \$ 73,113 | \$ 416,070 | \$ 21,362 | \$ 510,545 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 47,685 | \$ 2,080 | \$ 3,250 | \$ 53,015 |
| Accrued salaries | - | 216,865 | 15,283 | 232,148 |
| Due to State of Delaware - pension costs | - | 40,139 | 2,829 | 42,968 |
| TOTAL LIABILITIES | 47,685 | 259,084 | 21,362 | 328,131 |
| FUND BALANCES | | | | |
| Nonspendable | - | 28,061 | - | 28,061 |
| Assigned | - | 140,390 | - | 140,390 |
| Unassigned | 25,428 | (11,465) | - | 13,963 |
| TOTAL FUND BALANCES | 25,428 | 156,986 | - | 182,414 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 73,113 | \$ 416,070 | \$ 21,362 | \$ 510,545 |

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

| | State Allocation | Local Funding | Federal Funding | Total |
|---|---------------------|-------------------|--------------------|-------------------|
| REVENUES | | | | |
| Charges to school districts | | | | |
| State aid | \$ - | \$ 1,176,727 | \$ - | \$ 1,176,727 |
| Federal aid | 2,228,670 | - | - | 2,228,670 |
| Interest income | - | - | 156,572 | 156,572 |
| Food service revenue | - | 4,450 | - | 4,450 |
| Other local revenues | - | 33,317 | 81,302 | 114,619 |
| After care | - | 19,795 | - | 19,795 |
| Donations | - | 55,254 | - | 55,254 |
| Summer camp | - | 15,328 | - | 15,328 |
| Private lessons | - | 5,388 | - | 5,388 |
| TOTAL REVENUES | <u>2,228,670</u> | <u>1,314,537</u> | <u>237,874</u> | <u>3,781,081</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 1,445,618 | 863,397 | 236,834 | 2,545,849 |
| Operation and maintenance of facilities | 340,349 | 245,706 | - | 586,055 |
| Transportation | 163,525 | 110,365 | - | 273,890 |
| Capital outlays: | | | | |
| Property | 2,611 | - | - | 2,611 |
| Equipment | 4,506 | 90,071 | 1,040 | 95,617 |
| Debt Service: | | | | |
| Principal | 292,934 | 66,363 | - | 359,297 |
| Interest | 26,247 | - | - | 26,247 |
| TOTAL EXPENDITURES | <u>2,275,790</u> | <u>1,375,902</u> | <u>237,874</u> | <u>3,889,566</u> |
| NET CHANGE IN FUND BALANCES | (47,120) | (61,365) | - | (108,485) |
| FUND BALANCES, BEGINNING OF YEAR | 72,548 | 218,351 | - | 290,899 |
| FUND BALANCES, END OF YEAR | <u>\$ 25,428</u> | <u>\$ 156,986</u> | <u>\$ -</u> | <u>\$ 182,414</u> |

LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | |
|--------------------------|----------------------------|
| EXPENDITURES | |
| Current: | |
| Salaries | \$ 1,519,946 |
| Employment costs | 647,074 |
| Travel | 5,501 |
| Contractual services | 542,096 |
| Communications | 5,893 |
| Public utilities service | 62,883 |
| Insurance | 22,950 |
| Transportation - buses | 273,890 |
| Repairs and maintenance | 35,172 |
| Supplies and materials | 290,389 |
| Capital outlays: | |
| Property | 2,611 |
| Equipment | 95,617 |
| Debt service: | |
| Principal | 359,297 |
| Interest | 26,247 |
| | <hr/> |
| TOTAL EXPENDITURES | <u><u>\$ 3,889,566</u></u> |

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

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
T 302.478.8940
F 302.468.4001
www.btcpa.com

October 21, 2013

Board of Directors
Las Américas ASPIRA Academy
Newark, Delaware

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of Las Américas ASPIRA Academy (the "School"), and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Las Américas ASPIRA Academy's internal control over financial reporting ("internal control") to determine the auditing 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item #12-6 to be a material weakness.

Board of Directors
Las Américas ASPIRA Academy

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 deficiency described in the accompanying schedule of finding and recommendations as item #12-4 to be significant deficiency.

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*.

Las Américas ASPIRA Academy's Response to Findings

Las Américas ASPIRA Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Las Américas ASPIRA Academy's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School'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 School's internal control and compliance.

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

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR 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 recommended 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.

Status: During the current year, we noted that the School makes deposits on a timely basis (usually daily) and maintains a spreadsheet with the corresponding appropriations and account codes. The spreadsheet is provided to ISDC for processing and the Daily Validity Report is used to verify the funds deposited. Therefore, this recommendation is no longer applicable.

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 recommended that all revenue received by the School be charged to accounts that properly represent their nature.

Status: During our current year audit, we noted that the School makes deposits on a timely basis (usually daily) and maintains a spreadsheet with the corresponding appropriations and account codes. The spreadsheet is provided to ISDC for processing and the Daily Validity Report is used to verify the funds deposited. In addition, we noted the School no longer uses the "miscellaneous deposit" account code. Therefore, this recommendation is no longer applicable.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONT'D)

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 recommended 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.

Status: During our current year audit, we noted that the School had loan agreements for its outstanding debt and was making payments according to the terms of those agreements. Therefore, this recommendation is no longer applicable.

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 recommended 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.

Status: During our current year audit, we noted that the School had taken an inventory with the hiring of a new facilities employee in July. However, the School has not completed a fixed asset listing schedule complete with depreciation calculations. Therefore, this recommendation is still applicable.

Corrective Action Plan: As of October 21, 2013, management has completed the fixed asset listing and has included the depreciation calculations.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONT'D)

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 recommended 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.

Status: During our current year audit, we noted that the School's bylaws authorize the Board to conduct business subject to the consent of a majority of the members. Therefore, this recommendation is no longer applicable.

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 recommended 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.

Status: During our current year audit, we noted that the School has not developed the policy. Therefore, this recommendation is still applicable.

Corrective Action Plan: The Board of Directors has developed and approved a policy requiring the bidding of major projects and asset acquisitions.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONT'D)

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 recommended 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.

Status: During our current year audit, we noted that the minutes for the meetings of the Board of Directors are available and posted to the School's website in a timely manner. Therefore, this recommendation is no longer applicable.

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, LLP). 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 recommended 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.

Status: During our current year audit, we noted that the School had loan agreements for its outstanding debt and was making payments according to the terms of those agreements. Therefore, this recommendation is no longer applicable.

LAS AMÉRICAS ASPIRA ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONT'D)

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

Status: During our current year audit, we noted that management was able to provide all the information necessary to the various journal entries to convert the School's records from the cash to the accrual basis of accounting. Therefore, this recommendation is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.