



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

FINANCIAL STATEMENTS

JUNE 30, 2016

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

Table of Contents

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
Statements of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	17
Notes to Financial Statements	18 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Governmental Funds	35
Schedule of the School's Proportionate Share of the Net Pension Liability	36
Schedule of School Contributions	37

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

Table of Contents

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	39
Schedule of Expenditures by Natural Classification - Governmental Funds	40
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 <i>Government Auditing Standards</i>	41 - 42

INDEPENDENT AUDITOR'S REPORT

September 28, 2016

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, 2016, 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, and the respective changes in its financial position for the year then ended in accordance 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 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 management's discussion and analysis on pages 4 through 11, budgetary comparison information on page 35, schedule of the School's proportionate share of the net pension liability on page 36, and schedule of School contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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, 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

Board of Directors
Las Américas ASPIRA Academy

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 basic 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 September 28, 2016 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2016**

This discussion and analysis of the financial performance of Las Américas ASPIRA Academy (“the School”) provides an overview of the School’s financial activities for the year ended June 30, 2016, which was the School’s fifth year of operations. The School is located at 326 Ruthar Drive, Newark, DE 19711. Please read this analysis in conjunction with the Independent Auditor’s Report and School’s financial statements.

FINANCIAL HIGHLIGHTS

The School’s net position increased \$663,590 and totaled \$2,174,024 as of June 30, 2016. General revenues increased by 26.4 percent from \$5,684,981 to \$7,185,005, primarily due to an increase in state and local school district funding, both a direct result of the School’s growing enrollment which went from 541 to 639 students. The School’s total liabilities increased by a far lesser margin of 8.6 percent from \$8,388,400 to \$9,108,823. Salaries and other employment costs increased along with the School’s annual debt service, as fiscal year 2016 was the first full year of debt service since purchasing the 103,000 sq. ft. school building in January 2015.

USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the School as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about school finances is, “Is the School better or worse off as a result of the year’s activities?” The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year’s revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School’s net position and the changes in net position. The change in net position provides the reader with a tool to assist in determining whether the School’s financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions in arriving at a conclusion regarding the overall health of the School.

REPORTING THE SCHOOL’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

This analysis of the School’s major funds and fund financial statements provides detailed information about the most significant funds - not the School as a whole. Some funds are required to be established by State statute, while many other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions.

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

Governmental Funds

The School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. Activities related to capital assets, long-term debt, and compensated absences are the primary reconciling items.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,174,024 at the close of the fiscal year. Note that investment in capital assets is reported net of related debt and net of depreciation. The School uses capital assets to provide services; consequently, these assets are not available for future spending.

A comparative analysis of net position and changes in net position follows:

**Table 1
NET POSITION**

	Governmental Activities	
	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and pooled cash	\$ 1,673,344	\$ 1,402,441
Receivables	148,119	103,621
Prepaid expenses	49,343	-
Total Current Assets	<u>1,870,806</u>	<u>1,506,062</u>
Noncurrent assets:		
Capital assets, net of depreciation	<u>8,919,671</u>	<u>8,490,668</u>
Total Assets	<u>10,790,177</u>	<u>9,996,730</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources - pension contributions	320,840	259,009
Deferred outflows of resources - pensions	479,479	263,726
Total Deferred Outflows of Resources	<u>800,319</u>	<u>522,735</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,590,496</u>	<u>\$ 10,519,465</u>

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

**Table 1
NET POSITION**

	Governmental Activities	
	2016	2015
(cont'd)		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 15,667	\$ 273,713
Accrued salaries and related costs	583,814	494,599
Unearned revenue	2,389	-
Security deposit	-	11,287
Note payable	763,275	163,349
Capital lease payable	59,992	55,042
Total Current Liabilities	<u>1,425,137</u>	<u>997,990</u>
Noncurrent Liabilities:		
Compensated absences	167,412	117,977
Notes payable	6,513,468	6,756,516
Capital lease payable	65,390	125,382
Net pension liability	937,416	390,535
Total Noncurrent Liabilities	<u>7,683,686</u>	<u>7,390,410</u>
Total Liabilities	<u>9,108,823</u>	<u>8,388,400</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources - pensions	<u>307,649</u>	<u>620,631</u>
NET POSITION:		
Net investment in capital assets	1,517,246	1,390,379
Unrestricted	656,778	120,055
Total Net Position	<u>2,174,024</u>	<u>1,510,434</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 11,590,496</u>	<u>\$ 10,519,465</u>

**Table 2
CHANGES IN NET POSITION**

	Governmental Activities	
	2016	2015
REVENUES		
General revenues:		
Charges to school districts	\$ 2,305,370	\$ 1,867,926
Payments from primary government	4,732,084	3,694,415
Other local revenue	134,439	117,711
Interest income	13,112	4,929
Total General Revenues	<u>7,185,005</u>	<u>5,684,981</u>
Program revenues:		
Charges for services	412,536	216,832
Operation grants and contributions	802,635	1,242,467
Total Program Revenues	<u>1,215,171</u>	<u>1,459,299</u>
TOTAL REVENUES	<u>8,400,176</u>	<u>7,144,280</u>

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

**Table 2
CHANGES IN NET POSITION**

(cont'd)	Governmental Activities	
	2016	2015
EXPENSES		
Instructional services	5,979,699	4,567,787
Support services:		
Operation and maintenance of facilities	598,832	788,140
Transportation	538,108	263,586
Food service	308,830	334,046
Interest on long-term debt	311,117	158,921
TOTAL EXPENSES	<u>7,736,586</u>	<u>6,112,480</u>
Change in Net Position	<u>\$ 663,590</u>	<u>\$ 1,031,800</u>

Governmental Activities

Net position of the School's governmental activities increased by \$663,590, and unrestricted net position reflects a positive balance of \$656,778. The increase in net position is primarily the result of an increase in enrollment as well as charges to school districts.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for governmental activities. General revenues that include charges to school districts, investment earnings, and state entitlements must support the net cost of the School's programs.

	2016		2015	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental Activities:				
Instructional services	\$ 5,979,699	\$ 5,193,391	\$ 4,567,787	\$ 3,296,080
Support services:				
Operation and maintenance of facilities	598,832	410,131	788,140	788,140
Transportation	538,108	538,108	263,586	263,586
Food service	308,830	68,668	334,046	146,454
Interest on long-term debt	311,117	311,117	158,921	158,921
Total Expenses	<u>\$ 7,736,586</u>	<u>\$ 6,521,415</u>	<u>\$ 6,112,480</u>	<u>\$ 4,653,181</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$6,521,415 of support.

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$1,168,489, compared to last year's total of \$655,677. The schedule below indicates the fund balance as of June 30, 2016 and 2015 and the change in fund balance for the year ended June 30, 2016.

	Governmental Funds		
	2016	2015	Change
FUND BALANCES			
Nonspendable	\$ 49,343	\$ -	\$ 49,343
Unassigned	1,119,146	655,677	463,469
TOTAL FUND BALANCES	\$ 1,168,489	\$ 655,677	\$ 512,812

Governmental Funds

The School's fund balances increase are due to a variety of factors. The table that follows assists in illustrating the financial activities and balance of governmental funds.

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	2016	2015
REVENUES		
Charges to school districts	\$ 2,305,370	\$ 1,867,926
State aid	4,702,423	3,676,294
Federal aid	517,854	409,916
Interest income	13,112	4,929
Food service revenue	72,337	56,286
Other local revenues	323,140	117,711
Local grants	250,000	-
After care	117,872	117,783
Donations	34,781	832,551
Summer camp	33,626	42,763
TOTAL REVENUES	8,370,515	7,126,159
EXPENDITURES		
Current:		
Instruction	5,716,141	4,509,538
Operation and maintenance of facilities	594,972	579,438
Transportation	538,108	263,586
Food service	308,830	334,046
Capital outlays:		
Property	406,491	6,325,009
Equipment	338,922	489,875
Debt service:		
Principal	156,096	1,062,302
Interest	311,117	158,921
TOTAL EXPENDITURES	8,370,677	13,722,715

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

(cont'd)	2016	2015
OTHER FINANCING SOURCES		
Debt proceeds	512,974	6,986,683
NET CHANGE IN FUND BALANCES	512,812	641,823
FUND BALANCES, BEGINNING OF YEAR	655,677	13,854
FUND BALANCES, END OF YEAR	\$ 1,168,489	\$ 655,677

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 56.2 percent of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 27.5 percent.

The largest portion of general fund expenditures is for personnel costs, which include salaries and related employment costs. The School is a service-oriented organization, and as such, is very labor intensive.

GENERAL FUND AND DEBT SERVICE FUND BUDGET INFORMATION

The School's budget is prepared on the modified accrual basis of accounting. The most significant budgeted funds are the governmental funds. The School may amend its revenue and expenditure estimates periodically due to changing conditions. The School operates on a preliminary operating budget for the first half of the year, and a final operating budget the second half of the year once the September 30 unit count is verified by the authorizer.

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 35.

Revenues

State Aid

A favorable variance of \$82,422 is attributable primarily to adjustments to final State funding.

Federal Aid

A favorable variance of \$77,080 is attributable primarily to the timing of required expenditures and the School utilizing fiscal year 2015 federal funds in fiscal year 2016. These funds have an 18-month spending authority and are recognized when expended (revenue = expense). National School Lunch Program ("NSLP") revenue increased due to increased student enrollment. The School realized an increase of 41 students eligible for free meals through the NLSP to 257 students in fiscal year 2016.

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

Other Local Revenues

A favorable variance of \$145,306 is attributable to rental income and reimbursable utilities from the Sportsplex for use of the unoccupied portion of the existing school building. This revenue was not expected, as the School was notified by the Sportsplex owner of his plan to terminate his lease effective January 2016; however, the space was rented through June 2016.

Before and After Care and Summer Camps

Combined the programs had unfavorable variances totaling \$18,503. Participation for both programs varies from year to year; however, combined revenue (program tuition) for these programs enable the School to fund each program without using state or local school district revenue.

Expenditures

Employment Costs

A favorable variance of \$44,089 is a result of over projecting health insurance and other employment costs. We budget conservatively, so this expense is typically projected on the high side each year, as we cannot know for sure what type of health insurance coverage will be selected by employees of the School.

Contractual Services

A favorable variance of \$320,425 is a result of the School budgeting for some design build (architect and engineering) costs to cover Phase IV construction expenses until settlement in July 2016 on the School's Bond Financing. The cost came in much lower than anticipated.

Public Utilities

A favorable variance of \$18,492 is a result of the School's budgeting for utility expense for the entire 103,000 square foot school building. Fiscal year 2016 was the first full year that the School was responsible for utilities of the entire building, so expense projections were conservative and a little on the high side.

Transportation

An unfavorable variance of \$14,052 is a result of the School under projecting for extracurricular transportation costs, such as the middle school sports trips, summer camp weekly field trips, and the Extended School Year (summer program for students who require extra help in academics) program.

Supplies and Materials

An unfavorable variance of \$44,379 is primarily a result of increased costs of supplies and equipment needed for the School.

**LAS AMÉRICAS ASPIRA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2016**

Capital Outlay

The combined unfavorable variance for the capital outlay for property and equipment of \$393,913 is a result of the School's growth. During fiscal year 2016, the School completed the Phase III Renovation Project and began the Phase IV Renovation project. These projects included various expenses related to building improvements and needed equipment.

Debt Service

The principal and interest line items yielded a favorable variance of \$46,246, which resulted from lower interest payments than anticipated on the construction loan. Additionally, the budget did not break out principal and interest as separate line items.

CAPITAL ASSETS

The School has \$8,919,371 in net capital assets. Acquisitions for governmental activities totaled \$921,197, and depreciation was \$492,494. Detailed information regarding capital asset activity is included in Note 4 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2016, the School had total outstanding debt of \$7,276,743 in the form of three notes for the purpose of purchasing the school building and to make building improvements (Phase III Construction).

Other obligations include equipment leases and accrued vacation pay and sick leave for School employees. More detailed information about long-term liabilities is included in Note 5 to the financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2016 was the fifth year of operation as a functioning School. The School's enrollment is at 639 with a planned enrollment of 819 students in fiscal year 2020. The School will complete its last phase of construction by June 2018. Larger enrollment will result in an increase in state and local district revenues, as well as an increase in operating expenses and debt service.

The financial model the School has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will be made.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the School's Chief Operating Officer at (302) 292-1463, Ext. 203.

BASIC FINANCIAL STATEMENTS

**LAS AMÉRICAS ASPIRA ACADEMY
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 1,673,344	\$ 1,402,441
Accounts receivable	47,672	32,835
Due from State	100,447	70,786
Prepaid expenses	49,343	-
Total Current Assets	1,870,806	1,506,062
NONCURRENT ASSETS:		
Land	529,959	529,959
Construction-in-progress	256,226	1,056,381
Depreciable capital assets, net	8,133,186	6,904,328
Total Noncurrent Assets	8,919,371	8,490,668
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	320,840	259,009
Deferred pension	479,479	263,726
TOTAL DEFERRED OUTFLOWS OF RESOURCES	800,319	522,735
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,590,496	\$ 10,519,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,667	\$ 273,713
Accrued salaries and related costs	583,814	494,599
Security deposit	-	11,287
Unearned summer camp fees	2,389	-
Notes payable	763,275	163,349
Capital lease payable	59,992	55,042
Total Current Liabilities	1,425,137	997,990
NONCURRENT LIABILITIES:		
Compensated absences	167,412	117,977
Notes payable	6,513,468	6,756,516
Capital lease payable	65,390	125,382
Net pension liability	937,416	390,535
Total Noncurrent Liabilities	7,683,686	7,390,410
Total Liabilities	9,108,823	8,388,400
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension contributions	307,649	620,631
NET POSITION:		
Net investment in capital assets	1,517,246	1,390,379
Unrestricted	656,778	120,055
Total Net Position	2,174,024	1,510,434
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 11,590,496	\$ 10,519,465

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

LAS AMÉRICAS ASPIRA ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Comparative Data for June 30, 2015)

	Program Revenues		Capital	Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	2016	2015
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (5,979,699)	\$ 151,498	\$ -	\$ (5,193,391)	\$ (3,296,080)
Support services:					
Operation and maintenance of facilities	(598,832)	188,701	-	(410,131)	(788,140)
Transportation	(538,108)	-	-	(538,108)	(263,586)
Food service	(308,830)	72,337	167,825	(68,668)	(146,454)
Interest on long-term debt	(311,117)	-	-	(311,117)	(158,921)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (7,736,586)	\$ 412,536	\$ 802,635	(6,521,415)	(4,653,181)
GENERAL REVENUES					
Charges to school districts				2,305,370	1,867,926
State aid not restricted to specific purposes				4,732,084	3,694,415
Other local revenues				134,439	117,711
Interest income				13,112	4,929
TOTAL GENERAL REVENUES				7,185,005	5,684,981
CHANGE IN NET POSITION				663,590	1,031,800
NET POSITION, BEGINNING OF YEAR				1,510,434	478,634
NET POSITION, END OF YEAR				\$ 2,174,024	\$ 1,510,434

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

LAS AMÉRICAS ASPIRA ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(With Summarized Comparative Data for June 30, 2015)

	General Fund	Capital Projects Fund	Total Government Funds	
			2016	2015
ASSETS:				
Cash and pooled cash	\$ 1,673,344	-	\$ 1,673,344	\$ 1,402,441
Accounts receivable	47,672	-	47,672	32,835
Prepaid expenditures	49,343	-	49,343	-
TOTAL ASSETS	\$ 1,770,359	\$ -	\$ 1,770,359	\$ 1,435,276
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 15,667	-	\$ 15,667	\$ 273,713
Accrued salaries and related costs	583,814	-	583,814	494,599
Security deposit	-	-	-	11,287
Unearned summer camp fees	2,389	-	2,389	-
TOTAL LIABILITIES	601,870	-	601,870	779,599
FUND BALANCES:				
Nonspendable	49,343	-	49,343	-
Unassigned	1,119,146	-	1,119,146	655,677
TOTAL FUND BALANCES	1,168,489	-	1,168,489	655,677
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,770,359	\$ -	\$ 1,770,359	\$ 1,435,276

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
FOR THE YEAR ENDED JUNE 30, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,168,489

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. 8,919,371

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	\$ (167,412)	
State portion of compensated absences	100,447	
Capital lease payable	(125,382)	
Net pension liability	(937,416)	
Notes payable	<u>(7,276,743)</u>	<u>(8,406,506)</u>

Deferred inflows of resources and deferred outflows of resources related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension contributions	320,840	
Deferred outflows - pension	479,479	
Deferred inflows	<u>(307,649)</u>	<u>492,670</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,174,024

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, 2016
(With Summarized Comparative Data for the Year Ended June 30, 2015)

	General Fund	Capital Projects Fund	Total Governmental Funds	
	2016	2015	2016	2015
REVENUES				
Charges to school districts	\$ 2,305,370	-	\$ 2,305,370	\$ 1,867,926
State aid	4,702,423	-	4,702,423	3,676,294
Federal aid	517,854	-	517,854	409,916
Interest income	13,112	-	13,112	4,929
Food service revenue	72,337	-	72,337	56,286
Other local revenues	323,140	-	323,140	117,711
Local grants	250,000	-	250,000	-
After care	117,872	-	117,872	117,783
Donations	34,781	-	34,781	832,551
Summer camp	33,626	-	33,626	42,763
TOTAL REVENUES	<u>8,370,515</u>	<u>-</u>	<u>8,370,515</u>	<u>7,126,159</u>
EXPENDITURES				
Current:				
Instruction	5,716,141	-	5,716,141	4,509,538
Operation and maintenance of facilities	594,972	-	594,972	579,438
Transportation	538,108	-	538,108	263,586
Food services	308,830	-	308,830	334,046
Capital outlays:				
Property	-	406,491	406,491	6,325,009
Equipment	338,922	-	338,922	489,875
Debt service:				
Principal	156,096	-	156,096	1,062,302
Interest	311,117	-	311,117	158,921
TOTAL EXPENDITURES	<u>7,964,186</u>	<u>406,491</u>	<u>8,370,677</u>	<u>13,722,715</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>406,329</u>	<u>(406,491)</u>	<u>(162)</u>	<u>(6,596,556)</u>
OTHER FINANCING SOURCES:				
Debt proceeds	-	512,974	512,974	6,986,683
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>512,974</u>	<u>512,974</u>	<u>7,238,379</u>
NET CHANGE IN FUND BALANCES	<u>406,329</u>	<u>106,483</u>	<u>512,812</u>	<u>641,823</u>
FUND BALANCES, BEGINNING OF YEAR	<u>762,160</u>	<u>(106,483)</u>	<u>655,677</u>	<u>13,854</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,168,489</u>	<u>\$ -</u>	<u>\$ 1,168,489</u>	<u>\$ 655,677</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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 512,812

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	\$ 921,197	
Depreciation expense	<u>(492,494)</u>	428,703

Debt and capital lease 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 and obtaining capital leases 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	(512,974)	
Principal repayments	156,096	
Lease payments	<u>55,042</u>	(301,836)

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	(19,774)
--	----------

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

43,685

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 663,590</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.

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 a special purpose 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.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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

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, 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.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

Receivables

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 land, buildings and 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.

Building and 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:

Building and improvements	22 - 40 years
Furniture	3 years
Equipment	5 years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School reports deferred pension contributions resulting from pension contributions subsequent to the measurement date of the net pension liability and certain other items which represent differences related to changes in the net pension liability which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports certain items which represent differences related to changes in the net pension liability which will be amortized over future periods.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 operating expenditures/expenses.

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 42 days of vacation. Any days in excess of 42 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 \$167,412 at June 30, 2016.

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 the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 or Head of School has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. 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

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

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.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

Comparative Data

Comparative total data for the prior year is 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, therefore, should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 2 CASH AND POOLED CASH

At June 30, 2016, the School had a cash equivalent balance of \$1,673,344. Of those amounts, \$1,672,201 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, 2016, the reported amount of the School's deposits outside of the State Treasurer's Office was \$1,143 and the bank balance was \$1,143, 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, 2016 receivables are as follows:

<u>Description</u>	
Passed through the State of Delaware:	
Federal government	\$ 45,792
Other receivables:	
Miscellaneous receivables	<u>1,880</u>
Total receivables	<u>\$ 47,672</u>

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Governmental Activities:				
General capital assets not being depreciated:				
Land	\$ 529,959	\$ -	\$ -	\$ 529,959
Construction-in-progress	1,056,381	768,511	1,568,666	256,226
Total general capital assets not being depreciated	<u>1,586,340</u>	<u>768,511</u>	<u>1,568,666</u>	<u>786,185</u>
General capital assets being depreciated:				
Buildings and improvements	6,712,703	1,350,302	-	8,063,005
Furniture and equipment	816,210	371,050	-	1,187,260
Total general capital assets being depreciated	7,528,913	1,721,352	-	9,250,265
Accumulated depreciation	<u>624,585</u>	<u>492,494</u>	-	<u>1,117,079</u>
Total general capital assets being depreciated, net	<u>6,904,328</u>	<u>1,228,858</u>	-	<u>8,133,186</u>
Governmental Activities, Net	<u>\$ 8,490,668</u>	<u>\$ 1,997,369</u>	<u>\$ 1,568,666</u>	<u>\$ 8,919,371</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 257,808
Operation and maintenance of facilities	<u>234,686</u>
	<u>\$ 492,494</u>

NOTE 5 LONG-TERM DEBT

During the year ended June 30, 2015, the School signed three notes for the purpose of purchasing the school building and to make improvements to the building. The first note, from M&T Bank in the amount of \$5,400,000, bears interest at a rate of 4.26 percent with monthly payments including principal and interest of \$29,284. The second note, with Mattei Corporation in the amount of \$1,500,000, bears interest at a rate of 4.5 percent with monthly payments including principal and interest of \$8,337. The third note is a construction loan with M&T Bank

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT (cont'd)

with available funds of \$600,000. At June 30, 2016, the School had made drawdowns totaling \$599,657 on the construction loan. The construction loan is interest-only for the first year with principal payments starting in February 2016. The note bears interest at a rate of LIBOR + 2.75 percent with varying monthly payments depending on the amount drawn.

A schedule of changes in debt for the year ended June 30, 2016 is as follows:

	Amounts Outstanding 7/1/2015	Additions	Retirements	Amounts Outstanding 6/30/2016	Due Within One Year
Governmental Activities:					
Notes payable	\$ 6,919,865	\$ 512,974	\$ 156,096	\$ 7,276,743	\$ 763,275
Leases payable	180,424	-	55,042	125,382	59,992
Compensated absences	117,977	49,435	-	167,412	-
Total Governmental Activities	<u>\$ 7,218,266</u>	<u>\$ 562,409</u>	<u>\$ 211,138</u>	<u>\$ 7,569,537</u>	<u>\$ 823,267</u>

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

Description	Amount of Original Issue	Interest Rate	Maturity Date	Balance June 30, 2016
M&T Bank Mortgage	\$ 5,400,000	4.26%	12/21/19	\$ 5,227,500
M&T Construction	600,000	LIBOR + 2.75%	07/28/16	599,657
Mattei Corporation	1,500,000	4.5%	07/01/20	1,449,586
				<u>7,276,743</u>
Less: current portion				<u>763,275</u>
				<u>\$ 6,513,468</u>

The total principal and interest maturities as of June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 763,275	\$ 287,842	\$ 1,051,117
2018	170,893	280,566	451,459
2019	178,492	272,967	451,459
2020	6,164,083	180,716	6,344,799
Total	<u>\$ 7,276,743</u>	<u>\$ 1,022,091</u>	<u>\$ 8,298,834</u>

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 FUND BALANCES

As of June 30, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable - prepaids	\$ 49,343	\$ -	\$ 49,343
Unassigned	<u>1,119,146</u>	<u>-</u>	<u>1,119,146</u>
Total Fund Balances	<u>\$ 1,168,489</u>	<u>\$ -</u>	<u>\$ 1,168,489</u>

NOTE 7 LEASING ARRANGEMENTS

Capital Lease - Lessee

The School entered into various lease agreements as lessee for financing the acquisition of various equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the net present value of future minimum lease payments as of the inception date.

Equipment acquired through capital lease	\$ 251,696
Less: accumulated depreciation	<u>(90,895)</u>
TOTAL	<u>\$ 160,801</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Year Ending December 31,

2017	\$ 71,272
2018	<u>71,272</u>
Total minimum lease payments	142,544
Less: amount representing interest	<u>(17,162)</u>
Net present value of minimum lease payments	<u>\$ 125,382</u>

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LEASING ARRANGEMENTS (cont'd)

Operating Lease - Lessee

The School leases its copier equipment under three operating lease arrangements. The leases expire on June 30, 2018, November 1, 2016, and August 1, 2016. Total expense paid under the copier leases was \$19,943 for the year ended June 30, 2016. During the year, the School entered into two leases for the rental of computer, iPads, and related accessories. These leases expire September 15, 2018 and October 15, 2018. Total expense paid under the technology leases was \$37,444 for the year ended June 30, 2016.

At June 30, 2016, the minimum future rental payments under noncancelable leasing arrangements for the remaining years and in the aggregate are as follows:

Year Ending June 30,

2017	\$ 51,958
2018	44,773
2019	<u>7,330</u>
	<u>\$ 104,061</u>

Operating Lease - Lessor

During the year ended June 30, 2015, the School purchased the building in which it operates. With this purchase, the School was assigned an existing lease from Mattei Corporation, the previous owner of the building. This assignment occurred January 21, 2015. The lease, originally signed June 1, 2011, entitles Delaware Sportsplex LLC Inc. to 38,700 square feet of space inside the building now owned by the School. This lease ended during 2016 and was not renewed; Delaware Sportsplex LLC Inc. vacated the property.

NOTE 8 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer defined benefit public employees' retirement system ("the State PERS") defined by the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees ("the Board").

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2015. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

There are two tiers within this plan: 1) employees hired prior to January 1, 2012, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0 percent and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85 percent and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting

Employees hired before January 1, 2012 vest in the plan after five years of credited service. Employees hired on or after January 1, 2012 vest in the plan after ten years of credited service.

Retirement

Employees hired before January 1, 2012 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired on or after January 1, 2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

Disability benefits for those employees hired before January 1, 2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired on or after January 1, 2012 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 75 percent with a three percent reduction of the benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

Burial benefits are established at \$7,000 per plan member.

Contributions

Member Contributions

Employees hired before January 1, 2012 contribute three percent of earnings in excess of \$6,000. Employees hired on or after January 1, 2012 contribute five percent of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2016, the rate of the employer contribution was 9.58 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2016 was \$320,840.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc post-retirement increases granted by the General Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the Pension Trust is a reduction of the net pension liability of each participating employer.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2016, the School reported a liability of \$937,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2014 to June 30, 2015. The School's proportion of the

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2015, the School's proportion was 0.1409 percent, which was an increase of 0.0348 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$277,155. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 286,621
Changes in proportions	479,479	-
Contributions subsequent to the date of measurement	320,840	-
Differences between actual and expected experience	-	21,028
	<u>\$ 800,319</u>	<u>\$ 307,649</u>

An amount of \$320,840 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2015 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2017	\$ 20,035
2018	20,035
2019	20,035
2020	20,035
2021	<u>91,690</u>
	<u>\$ 171,830</u>

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.2 percent, including inflation of 3.0 percent
- Salary increases – 3.5 percent to 11.5 percent, including inflation of 3.0 percent
- Cost-of-living adjustments – ad hoc

The total pension liabilities are measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Mortality rates were based on the Sex Distinct RP-2000 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (“ad hoc COLAs”), as they are not substantively automatic. The primary considerations relevant to making this determination include the historical patterns of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	36.5%
International equity	5.7%	16.5%
Fixed income	2.0%	22.6%
Alternative investments	7.8%	19.6%
Cash and equivalents	0.0%	4.8%

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease 6.2%	Current Rate Discount Rate 7.2%	1% Increase 8.2%
School's proportionate share of the net pension liability (asset)	\$ 2,117,812	\$ 937,416	\$ (446,209)

Pension Plan Fiduciary Net Position

Detailed information about PERS' fiduciary net position is available in PERS Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

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, 2016. There was no significant reduction in coverage compared to the prior year.

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

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, 2016, anticipated construction commitment is as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed through June 30, 2016</u>	<u>Remaining Amount</u>
Building improvements, phase IV	\$ 11,495,753	\$ 256,226	\$ 11,239,527

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$ 9,339
Transportation – buses	\$ 14,052
Supplies and materials	\$ 44,379
Property	\$ 99,991
Equipment	\$ 293,922
Interest on debt service	\$ 311,117

The excess expenditures were covered by debt proceeds and donations.

NOTE 12 SUBSEQUENT EVENTS

In July 2016, the School incurred new debt for the purpose of future construction and renovation as well as the refinancing of old outstanding debt. The School refinanced the M&T Bank Loan of \$5,400,000 as well as the M&T Construction Loan of \$600,000. The new debt was obtained

LAS AMÉRICAS ASPIRA ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUBSEQUENT EVENTS (cont'd)

through the Delaware Economic Development Authority. The School acquired two Charter School Revenue Bonds; series of 2016A in the amount of \$20,125,000 maturing in the year 2051, and series of 2016B in the amount of \$900,000 maturing in the year 2021.

The School has evaluated all subsequent events through September 28, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAS AMÉRICAS ASPIRA ACADEMY
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 2,244,594	\$ 2,305,370	\$ 2,305,370	\$ -
State aid	4,465,383	4,620,001	4,702,423	82,422
Federal aid	293,363	440,774	517,854	77,080
Interest income	-	-	13,112	13,112
Food service revenue	203,667	63,176	72,337	9,161
Other local revenues	203,880	134,090	279,396	145,306
Local grants	-	250,000	250,000	-
After care	127,689	171,995	161,616	(10,379)
Donations	5,000	7,500	34,781	27,281
Summer camp	41,270	41,750	33,626	(8,124)
TOTAL REVENUES	<u>7,584,846</u>	<u>8,034,656</u>	<u>8,370,515</u>	<u>335,859</u>
EXPENDITURES				
Current:				
Salaries	3,370,085	3,490,470	3,499,809	(9,339)
Employment costs	1,670,504	1,670,854	1,626,765	44,089
Travel	26,246	32,750	24,212	8,538
Contractual services	375,521	830,045	509,620	320,425
Communications	17,977	19,500	18,242	1,258
Public utilities service	96,093	122,000	103,508	18,492
Insurance	27,500	28,594	-	28,594
Transportation - buses	506,120	524,056	538,108	(14,052)
Repairs and maintenance	92,500	113,600	106,208	7,392
Supplies and materials	607,162	687,200	731,579	(44,379)
Capital outlays:				
Property	382,000	306,500	406,491	(99,991)
Equipment	110,000	45,000	338,922	(293,922)
Debt service:				
Principal	553,459	513,459	156,096	357,363
Interest	-	-	311,117	(311,117)
TOTAL EXPENDITURES	<u>7,835,167</u>	<u>8,384,028</u>	<u>8,370,677</u>	<u>13,351</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(250,321)	(349,372)	(162)	349,210
OTHER FINANCING SOURCES				
Debt proceeds	-	-	512,974	512,974
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>512,974</u>	<u>512,974</u>
NET CHANGE IN FUND BALANCE	(250,321)	(349,372)	512,812	862,184
FUND BALANCE, BEGINNING OF YEAR	<u>655,677</u>	<u>655,677</u>	<u>655,677</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 405,356</u>	<u>\$ 306,305</u>	<u>\$ 1,168,489</u>	<u>\$ 862,184</u>

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

**LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>MEASUREMENT DATE</u>	
	<u>JUNE 30, 2015</u>	<u>JUNE 30, 2014</u>
School's proportion of the net pension liability	0.1409%	0.1061%
School's proportion of the net pension liability - dollar value	\$ 937,416	\$ 390,535
School's covered employee payroll	\$ 2,627,918	\$ 1,939,990
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability	92.67%	95.80%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF SCHOOL CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 320,840	\$ 251,229
Contributions in relation to the contractually required contribution	<u>320,840</u>	<u>251,229</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,349,060	\$ 2,627,918
Contributions as a percentage of covered-employee payroll	9.58%	9.56%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2016

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	\$ 197,351	\$ 1,475,993	-	\$ 1,673,344
Accounts receivable	-	1,880	45,792	47,672
Prepaid assets	-	49,343	-	49,343
Due from other funding source	-	2,375	-	2,375
TOTAL ASSETS	\$ 197,351	\$ 1,529,591	\$ 45,792	\$ 1,772,734
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,597	\$ 8,070	-	\$ 15,667
Accrued salaries and related costs	-	540,397	43,417	583,814
Unearned summer camp fees	-	2,389	-	2,389
Due to other funding source	-	-	2,375	2,375
TOTAL LIABILITIES	7,597	550,856	45,792	604,245
FUND BALANCES				
Nonspendable	-	49,343	-	49,343
Unassigned	189,754	929,392	-	1,119,146
TOTAL FUND BALANCES	189,754	978,735	-	1,168,489
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,351	\$ 1,529,591	\$ 45,792	\$ 1,772,734

LAS AMÉRICAS ASPIRA ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	-	\$ 2,305,370	-	\$ 2,305,370
State aid	4,702,423	-	-	4,702,423
Federal aid	-	-	350,029	350,029
Interest income	-	13,112	-	13,112
Food service revenue	-	72,337	167,825	240,162
Other local revenues	-	323,140	-	323,140
Local grants	-	250,000	-	250,000
After care	-	117,872	-	117,872
Donations	-	34,781	-	34,781
Summer camp	-	33,626	-	33,626
TOTAL REVENUES	4,702,423	3,150,238	517,854	8,370,515
EXPENDITURES				
Current:				
Instruction	3,685,792	1,680,320	350,029	5,716,141
Operation and maintenance of facilities	104,629	490,343	-	594,972
Transportation	482,084	56,024	-	538,108
Food services	92,706	48,299	167,825	308,830
Capital outlays:				
Equipment	35,443	303,479	-	338,922
Debt service:				
Principal	32,902	123,194	-	156,096
Interest	80,847	230,270	-	311,117
TOTAL EXPENDITURES	4,514,403	2,931,929	517,854	7,964,186
EXCESS OF REVENUES OVER EXPENDITURES	188,020	218,309	-	406,329
FUND BALANCES, BEGINNING OF YEAR	1,734	760,426	-	762,160
FUND BALANCES, END OF YEAR	\$ 189,754	\$ 978,735	\$ -	\$ 1,168,489

**LAS AMÉRICAS ASPIRA ACADEMY
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXPENDITURES

Current:

Salaries	\$ 3,499,809
Employment costs	1,626,765
Travel	24,212
Contractual services	509,620
Communications	18,242
Public utilities service	103,508
Insurance	-
Transportation - buses	538,108
Repairs and maintenance	106,208
Supplies and materials	731,579

Capital outlays:

Property	406,491
Equipment	338,922

Debt service:

Principal	156,096
Interest	311,117

TOTAL EXPENDITURES

\$ 8,370,677

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

September 28, 2016

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 *Government 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, 2016, and the related notes to the financial statements, which collectively comprise Las Américas ASPIRA Academy's ("the School's") basic financial statements, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Las Américas ASPIRA Academy

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP