

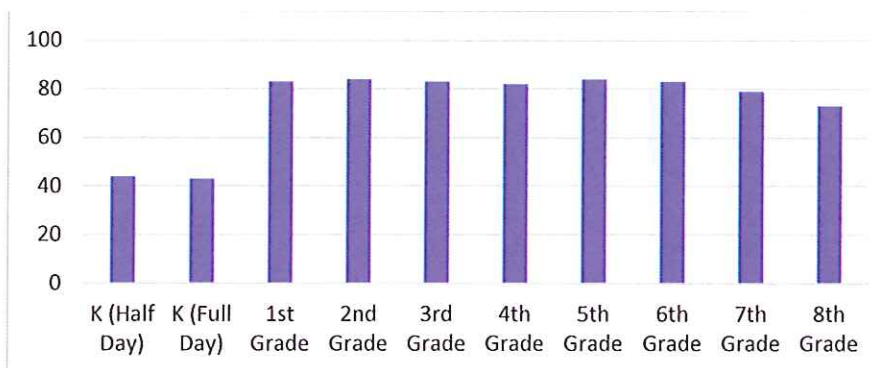


# Foundations Academy

**Joe Hamond – Principal**

## Charter School Board of Directors

President	Yvette Martinez	ymartinez09@gmail.com
Vice President	Danny Sandoval	dvsdan@ymail.com
Secretary	Karah Reygers	kreygers@brightonchamber.com
Treasurer	Dave Mellin	Dave.Mellin@sprint.com
Director	Monty Overstreet	Monty.Overstreet@FDGColorado.com



	October	Current	Projected	Waitlisted	Offered Seats
K (Half Day)	44	44	44	25	44
K (Full Day)	44	43	44	84	44
1st Grade	84	83	85	75	84
2nd Grade	84	84	84	77	84
3rd Grade	84	83	84	50	84
4th Grade	84	82	84	50	84
5th Grade	84	84	84	43	81
6th Grade	85	83	81	37	81
7th Grade	79	79	82	33	81
8th Grade	71	73	81	6	81
<b>Total</b>	<b>743</b>	<b>738</b>	<b>753</b>	<b>480</b>	<b>748</b>

Current Staff	
Teachers	32
New Teachers	0
Additional Support Staff	12
Admin	4

Previous Years Suspensions	28
Previous Years Expulsions	0
Current Years Suspensions	15
Current Year Expulsions	1

FOUNDATIONS ACADEMY  
BOARD OF DIRECTORS

2014 – 2015 BOARD CALENDAR

*The Board shall meet at 5:15 p.m. at  
Foundations Academy  
340 South 45<sup>th</sup> Avenue  
Brighton, CO 80601  
303-659-9519*

*on the following dates:*

Monday, August 11, 2014

Monday, September 8, 2014

Monday, October 13, 2014

Monday, November 10, 2014

Monday, January 12, 2015

Monday, February 9, 2015

Monday, March 9, 2015

Monday, April 13, 2015

\*Monday, May 11, 2015

Monday, June 8, 2015

**\*NOTE: ANNUAL MEETING INCLUDING DISCUSSION AND APPROVAL OF BUDGET**

Created by Jeff Henders on May 7, 2014 at 11:09 a.m.

Posted at Foundations Academy by Jaral Szfrancic on  
June 26, 2014 at 9:30 am

Submitted to Brighton District 27J on \_\_\_\_\_ at \_\_\_\_\_

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Official Minutes of the Foundations Academy Board are available at the following locations:  
3850 Broadmoor SE, Suite 201, Grand Rapids, MI 49512  
340 South 45<sup>th</sup> Avenue, Brighton, CO 80601

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*Any person with a disability who needs accommodation to participate in a meeting should contact the Principal of Foundations Academy at 303-659-9519 at least 5 days in advance of the meeting to request assistance.*



## Performance

This is the plan type the school is required to adopt and implement, based on the 3 Year School Performance Framework. Schools are assigned a plan type based on the overall percent of points earned for the official year. The official percent of points earned is matched to the scoring guide below to determine the plan type. Additionally, failing to meet test administration and/or test participation assurances will result in a lower plan type category.

Plan Assignment	Framework Points Earned	Rating	% of Points Earned out of Points Eligible <sup>2</sup>
Performance	at or above 59%		
Improvement	at or above 47% - below 59%		
Priority Improvement	at or above 37% - below 47%		
Turnaround	below 37%		

<sup>2</sup>Schools may not be eligible for all possible points on an indicator due to insufficient numbers of students. In these cases, the points are removed from the points eligible, so scores are not negatively impacted.

<sup>3</sup>Schools do not receive points for test participation. However, schools are assigned one plan type category lower than their points indicate if they do not (1) meet at least a 95% participation rate in all or all but one content area (reading, writing, math, science, social studies and COACT), or (2) for schools serving multiple levels (elementary, middle and high school grades, e.g., a 6-12 school), meet at least a 95% participation rate in all or all but one content area when individual content area rates are rolled up across school levels (elementary, middle and high school grades).

## Test Participation Rates

Content Area	% of Students Tested			Participation Rating			Students Tested			Total Students		
	Elem	Middle	High	Overall	Elem	High	Overall	Elem	Middle	High	Overall	
Reading	99.6%	99.7%	-	99.7%	Meets	Meets	Meets	818	394	-	1212	1216
Mathematics	99.6%	99.5%	-	99.6%	Meets	Meets	Meets	818	393	-	1211	1216
Writing	99.4%	99.2%	-	99.3%	Meets	Meets	Meets	815	392	-	1207	1215
Science	99.6%	100.0%	-	99.7%	Meets	Meets	Meets	249	75	-	324	325
Social Studies	100.0%	100.0%	-	100.0%	Meets	Meets	Meets	84	80	-	164	164
Colorado ACT	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> Data in this report is based on results from: 2011-12, 2012-13, 2013-14



## Performance Indicators - PRELIMINARY DRAFT FOR DISTRICT REVIEW

District: SCHOOL DISTRICT 27J - 0040 (3 Year)

School: FOUNDATIONS ACADEMY - 2945

School: FOUNDATIONS ACADEMY - 2945									
Academic Achievement		Points Earned	Points Eligible	% Points	Rating	N	% Proficient/Advanced	School's Percentile	
Reading		3	4		Meets	801	79.78	69	
Mathematics		3	4		Meets	799	78.47	70	
Writing		3	4		Meets	798	58.9	57	
Science		0	0		-	-	-	-	
Total		9	12	75%	Meets				
Academic Growth		Points Earned	Points Eligible	% Points	Rating	N	Median Growth Percentile	Median Adequate Growth Percentile	Made Adequate Growth?
Reading		2	4		Approaching	541	44	23	Yes
Mathematics		3	4		Meets	543	47	41	Yes
Writing		2	4		Approaching	539	44	40	Yes
English Language Proficiency (ACCESS)		0	0		-	N<20	-	-	-
Total		7	12	58.3%	Approaching				
Academic Growth Gaps		Points Earned	Points Eligible	% Points	Rating	Subgroup N	Subgroup Median Growth Percentile	Subgroup Median Adequate Growth Percentile	Made Adequate Growth?
Reading		9	20	45%	Approaching				
Free/Reduced Lunch Eligible		2	4		Approaching	67	44	31	Yes
Minority Students		2	4		Approaching	144	40	28	Yes
Students with Disabilities		1	4		Does Not Meet	36	37	66	No
English Learners		2	4		Approaching	24	43	51	No
Students needing to catch up		2	4		Approaching	105	49	59	No
Mathematics		11	20	55%	Approaching				
Free/Reduced Lunch Eligible		3	4		Meets	67	50	48	Yes
Minority Students		3	4		Meets	144	50	44	Yes
Students with Disabilities		1	4		Does Not Meet	38	28	75	No
English Learners		2	4		Approaching	24	47	62	No
Students needing to catch up		2	4		Approaching	99	45	76	No
Writing		9	20	45%	Approaching				
Free/Reduced Lunch Eligible		2	4		Approaching	67	41	51	No
Minority Students		2	4		Approaching	144	41	41	Yes
Students with Disabilities		1	4		Does Not Meet	37	22	70	No
English Learners		2	4		Approaching	24	40	56	No
Students needing to catch up		2	4		Approaching	204	41	61	No
Total		29	60	48.3%	Approaching				



Performance Indicators - PRELIMINARY DRAFT FOR DISTRICT REVIEW

District: SCHOOL DISTRICT 27J - 0040 (3 Year)

School: FOUNDATIONS ACADEMY - 2945

School's Academic Achievement		Points Earned	Points Eligible	% Points	Rating	N	% Proficient/Advanced	School's Percentile	
Reading		3	4		Meets	377	77.98	70	
Mathematics		3	4		Meets	376	64.1	76	
Writing		3	4		Meets	375	65.33	66	
Science		0	0		-	-	-	-	
Total		9	12	75%	Meets				
Academic Growth		Points Earned	Points Eligible	% Points	Rating	N	Median Growth Percentile	Median Adequate Growth Percentile	Made Adequate Growth?
Reading		3	4		Meets	364	55	25	Yes
Mathematics		4	4		Exceeds	364	62	59	Yes
Writing		3	4		Meets	361	53	43	Yes
English Language Proficiency (ACCESS)		0	0		-	N<20	-	-	-
Total		10	12	83.3%	Meets				
Academic Growth Gaps		Points Earned	Points Eligible	% Points	Rating	Subgroup N	Subgroup Median Growth Percentile	Subgroup Median Adequate Growth Percentile	Made Adequate Growth?
Reading		15	20	75%	Meets				
Free/Reduced Lunch Eligible		3	4		Meets	51	49	33	Yes
Minority Students		4	4		Exceeds	96	61	31	Yes
Students with Disabilities		3	4		Meets	22	55	82	No
English Learners		3	4		Meets	21	56	46	Yes
Students needing to catch up		2	4		Approaching	75	53	62	No
Mathematics		13	20	65%	Meets				
Free/Reduced Lunch Eligible		2	4		Approaching	51	42	73	No
Minority Students		4	4		Exceeds	96	63	63	Yes
Students with Disabilities		2	4		Approaching	22	50	97	No
English Learners		2	4		Approaching	21	54	75	No
Students needing to catch up		3	4		Meets	122	58	90	No
Writing		12	20	60%	Approaching				
Free/Reduced Lunch Eligible		2	4		Approaching	50	54	57	No
Minority Students		3	4		Meets	95	49	46	Yes
Students with Disabilities		3	4		Meets	22	59	92	No
English Learners		2	4		Approaching	20	49	54	No
Students needing to catch up		2	4		Approaching	135	54	71	No
Total		40	60	66.7%	Meets				



## Scoring Guide for Performance Indicators on the School Performance Framework Report

Performance Indicator	Scoring Guide	Rating	Point Value	Total Possible Points per EMH Level	Framework Points
Academic Achievement	<i>The school's percentage of students scoring proficient or advanced was:</i>		TCAP		
	• at or above the 90th percentile of all schools (using 2009-10 baseline).	Exceeds	4	16	25
	• below the 90th percentile but at or above the 50th percentile of all schools (using 2009-10 baseline).	Meets	3	(4 for each content area)	
	• below the 50th percentile but at or above the 15th percentile of all schools (using 2009-10 baseline).	Approaching	2		
Academic Growth	• below the 15th percentile of all schools (using 2009-10 baseline).	Does Not Meet	1		
	<i>Made AGP</i>	TCAP	ACCESS		
	• at or above 60.	Exceeds	4	14	50
	• below 60 but at or above 45.	Meets	3	(4 for each subject area and 2 for English language proficiency)	
Academic Growth Gaps	• below 45 but at or above 30.	Approaching	2		
	• below 30.	Does Not Meet	1		
	<i>Made AGP</i>	TCAP	ACCESS		
	• at or above 60.	Exceeds	4	60	25
	• below 60 but at or above 45.	Meets	3	(4 for each of 5 subgroups in 3 subject areas)	
	• below 45 but at or above 30.	Approaching	2		
	• below 30.	Does Not Meet	1		

## Cut-Points for Each Performance Indicator

Performance Indicator	Cut Point: The school earned ... of the points eligible on this indicator.		Cut Point: The school earned ... of the total framework points eligible.	
	Exceeds	Meets	Approaching	Does Not Meet
Achievement; Growth; Growth Gaps	• at or above 87.5%	• at or above 87.5%	• at or above 59%	• at or above 59%
	• at or above 62.5% - below 87.5%	• at or above 47% - below 59%	• at or above 47% - below 59%	• at or above 47% - below 59%
	• at or above 37.5% - below 62.5%	• at or above 37% - below 47%	• at or above 37% - below 47%	• at or above 37% - below 47%
	• below 37.5%	• below 37%	• below 37%	• below 37%

## School Plan Type Assignments

Plan description	Assignment
Performance Plan	The school is required to adopt and implement a Performance Plan.
Improvement Plan	The school is required to adopt and implement an Improvement Plan.
Priority Improvement Plan	The school is required to adopt and implement a Priority Improvement Plan.
Turnaround Plan	The school is required to adopt and implement a Turnaround Plan.

A school may not implement a Priority Improvement and/or Turnaround Plan for longer than a combined total of five consecutive years before the State Board of Education must direct the authorizing district's local school board or the Institute to restructure or close the school. The five consecutive school years commence on July 1 of the summer immediately following the fall in which the school is notified that it is required to implement a Priority Improvement or Turnaround Plan.



## Reference - PRELIMINARY DRAFT FOR DISTRICT REVIEW

### 1-year vs. 3-year Report

Schools receive a 1-year and a 3-year aggregated School Performance Framework report. CDE produces a report on the basis of three years of data to enable more schools to be considered within the same performance framework. Some small schools may not have public data on the basis of a single year because of small N counts for some performance indicator metrics, but a report on the basis of three years of data increases the N count. Only one of the two sets of results (1-year or 3-year) will be the official plan type category for the school: the one under which the school has ratings on a greater number of the performance indicators, or, if it has ratings for an equal number of indicators, the one under which it earned a higher total percent of points. Note that some 3-year reports may be based on only two years of data if that is the only data available.

### Reference Data for Key Performance Indicators

#### Academic Achievement

The Academic Achievement Indicator reflects a school's proficiency rate: the percentage of students proficient or advanced on Colorado's standardized assessments. This includes results from CSAP/TCAP and CSAPA/CoAlt in reading, mathematics, writing, and science, and results from Lectura and Escritura.

Data for all indicators are compared to baselines from the first year the performance framework reports were released.

Percent of Students Proficient or Advanced by Percentile Cut-Points - 1-year (2009-10 baseline)

	Reading			Math			Writing			Science		
	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High
N of Schools	1008	479	327	1007	480	327	1007	480	327	912	407	286
15th percentile	49.18	50.44	54.92	48.60	29.72	15.97	32.48	34.96	30.95	19.67	23.85	27.50
50th percentile	71.65	71.43	73.33	70.89	52.48	33.52	53.52	57.77	50.00	47.53	48.00	50.00
90th percentile	89.10	88.24	87.23	89.34	75.00	54.79	76.83	79.67	72.24	75.96	75.11	72.41

Percent of Students Proficient or Advanced by Percentile Cut-Points - 3-year aggregate (2008-10 baseline)

	Reading			Math			Writing			Science		
	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High
N of Schools	1032	507	362	1032	507	361	1032	507	362	972	469	347
15th percentile	50.00	50.56	53.34	48.73	29.69	13.49	32.56	36.84	30.00	20.46	25.00	27.93
50th percentile	72.05	71.35	72.21	70.11	51.63	30.53	54.84	58.34	49.57	45.36	48.72	50.00
90th percentile	88.21	87.40	86.17	87.48	74.41	52.19	76.51	79.17	71.00	72.65	71.26	71.45

#### Academic Growth and Academic Growth Gaps

The Academic Growth Indicator measures academic progress using the Colorado Growth Model. This indicator reflects 1) normative (median) growth: how the academic progress of the students in this school compared to that of other students statewide with a similar content proficiency (CSAP/TCAP) score history or a similar English language proficiency (ACCESS) score history, and 2) criterion referenced (adequate) growth: whether this level of growth was sufficient for the typical (median) student in the school to reach or maintain a specified level of proficiency within a given length of time. For CSAP/TCAP, students are expected to score proficient or advanced within three years or by 10th grade, whichever comes first. Students classified as English learners are expected to reach certain levels of language proficiency on ACCESS in set amounts of time. The median growth percentile required to earn each rating depends on whether or not the school met adequate growth (AGP).

	Made AGP	Did Not Make AGP
Exceeds	60-99	70-99
Meets	45-59	55-69
Approaching	30-44	40-54
Does Not Meet	1-29	1-39

#### Postsecondary and Workforce Readiness

The Postsecondary and Workforce Readiness Indicator measures the preparedness of students for college or careers upon completing high school. This indicator reflects student graduation rates, disaggregated graduation rates, dropout rates, and mean Colorado ACT (COACT) composite scores.

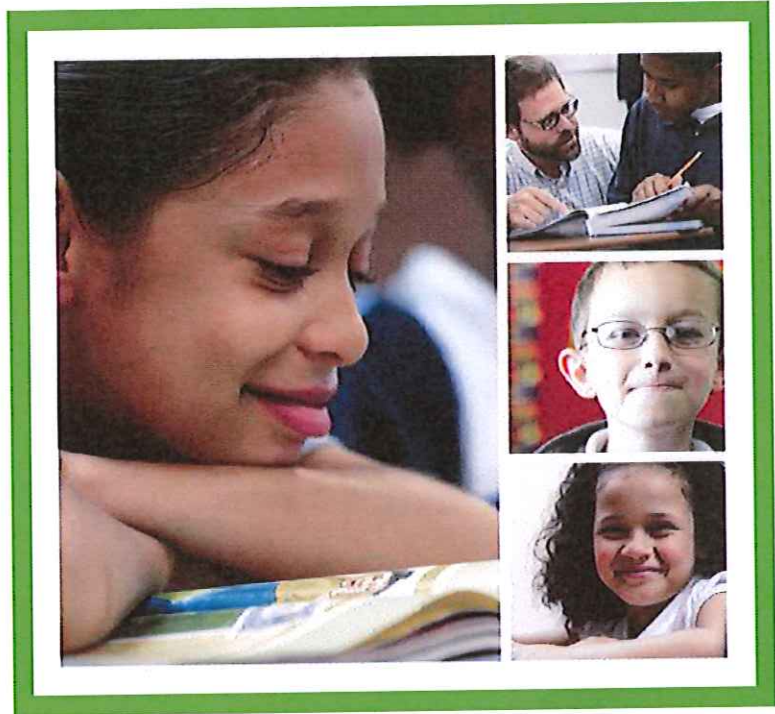
State Mean Dropout Rate (2009-10 baseline)

	N of Students	Mean Rate
1-year (2009)	416,953	3.6
3-year (2007-09)	1,238,096	3.9

State Mean COACT Composite Score (2009-10 baseline)

	N of Students	Mean Rate
1-year (2010)	51,438	20.0
3-year (2008-10)	151,439	20.1





Financial Statements as of and for the Year Ended  
June 30, 2013, Required Supplemental Information  
and Additional Information for the Year Ended  
June 30, 2013, and Independent Auditors' Reports



**FOUNDATIONS ACADEMY**

A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

# FOUNDATIONS ACADEMY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Foundations Academy  
Brighton, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Foundations Academy (the "Academy") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinion

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 the Academy as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-6 and 17-20, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

September 27, 2013



## **FOUNDATIONS ACADEMY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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This section of the annual financial report for Foundations Academy (the "Academy") provides an overview of the Academy's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the financial statements, which immediately follow this section.

#### **Financial Highlights**

The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$198,613.

#### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements, in a manner similar to a private sector business.

The statement of net position presents information on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant revenues).

The Academy-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per-pupil operating revenue and property taxes passed through the Brighton School District 27J. The governmental activities of the Academy include instruction and supporting services expense.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Academy currently utilizes governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. A budget is also adopted for the grants fund. Budgetary to actual comparisons are provided for these funds.

The notes to the financial statements provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. This information is provided on pages 11–15.

### Services Agreement

The Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

### Net Position

The statement of net position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30, 2013 and 2012, is as follows:

	2013	2012
Assets:		
Current assets	\$ 232,160	\$ 287,583
Capital assets, net of accumulated depreciation	<u>42,914</u>	<u>-</u>
Total assets	275,074	287,583
Liabilities — current	<u>76,461</u>	<u>132,194</u>
Net position:		
Invested in capital assets	42,914	-
Restricted	<u>155,699</u>	<u>155,389</u>
Total net position	<u>\$ 198,613</u>	<u>\$ 155,389</u>

The restricted net position of governmental activities represent the reserve required under the Taxpayer's Bill of Rights. The results of the current-year operations for the Academy as a whole are reported in the statement of activities, which shows the change in net position.



The results of this year's summarized operations for the Academy as a whole are reported in the statement of activities (below), which shows the changes in net position for the years ended June 30, 2013 and 2012, as follows:

	2013	2012
Program revenue:		
Charges for services	\$ 104,380	\$ 93,600
Operating grants	<u>254,218</u>	<u>246,011</u>
Total program revenue	<u>358,598</u>	<u>339,611</u>
General revenue:		
Per-pupil operating levy	3,355,498	2,953,543
Mill levy revenue	31,650	28,575
Capital construction	549,226	478,786
Other	186,747	173,491
Private sources — NHA	<u>614,588</u>	<u>851,145</u>
Total general revenue	<u>4,737,709</u>	<u>4,485,540</u>
Expenses — contracted service fee:		
Instruction	2,239,439	1,926,026
Support services	2,804,560	2,892,639
Food services	5,900	6,163
Depreciation (unallocated)	<u>3,184</u>	<u>-</u>
Total expenses	<u>5,053,083</u>	<u>4,824,828</u>
Change in net position	<u>\$ 43,224</u>	<u>\$ 323</u>

As reported in the statement of activities, the cost of governmental activities was \$5,053,083. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. Capital construction revenues are funds required to be set aside from state aid to provide for facilities and the Academy utilized these funds for a portion of the facility lease expense. *General revenue — Private sources — NHA* represents a contribution granted by NHA for excess of Academy expenditures over revenue available.

The Academy experienced an increase in net position of \$43,224 in 2013. A reconciliation of the statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities on page 10.

### Fund Financial Statements

As we noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Looking at funds helps the reader to consider whether the Academy is being accountable for the resources that the state and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The Academy's fund balance was \$198,613 at June 30, 2013.

A reconciliation of the balance sheet of governmental funds to the statement in net position on page 9.

### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures.

Budgeted revenues for the general fund were increased by \$133,863 from the original budget. Revenues were changed to reflect additional state aid and other state sources of revenue offset by a reduction in private sources revenue. Budgeted expenditures for the general fund were increased by \$133,863. This change was to reflect the change in anticipated funding.

### **General Economic Factors and Next Year's Budgets**

In November 2000, voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth, plus inflation. This provision stabilizes and removes funding from the political process. As a result of this provision, the single most important factor in projecting the revenues is estimated future inflation.

### **Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the chief financial officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste 201, Grand Rapids, MI 49512.



# FOUNDATIONS ACADEMY

## STATEMENT OF NET POSITION AS OF JUNE 30, 2013

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	Governmental Activities
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash	\$ 155,699
Due from governmental revenue sources	<u>76,461</u>
Total current assets	<u>232,160</u>
NONCURRENT ASSETS:	
Capital assets	46,098
Less accumulated depreciation	<u>(3,184)</u>
Total capital assets, net of accumulated depreciation	<u>42,914</u>
TOTAL	<u>\$ 275,074</u>
 <b>LIABILITIES AND NET POSITION</b>	
LIABILITIES:	
Unearned revenue	\$ 12,355
Contracted service fee payable	<u>64,106</u>
Total liabilities	<u>76,461</u>
NET POSITION:	
Invested in capital assets	42,914
Restricted	<u>155,699</u>
Total net position	<u>198,613</u>
TOTAL	<u>\$ 275,074</u>

See notes to financial statements.

# FOUNDATIONS ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		Governmental
		Charges for	Operating	Activities —
	Expenses	Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Position
FUNCTIONS/PROGRAMS — Governmental				
activities — contracted service fee:				
Instruction	\$ 2,239,439	\$ 104,380	\$ 254,218	\$ (1,880,841)
Support services	2,804,560	-	-	(2,804,560)
Food services	5,900	-	-	(5,900)
Depreciation (unallocated)	3,184	-	-	(3,184)
Total	<u>\$ 5,053,083</u>	<u>\$ 104,380</u>	<u>\$ 253,434</u>	<u>(4,694,485)</u>
GENERAL PURPOSE REVENUES:				
Per-pupil operating levy				3,355,498
Mill levy revenue				31,650
Capital construction				549,226
Other				186,747
Private sources — NHA				614,588
Total general purpose revenue				<u>4,737,709</u>
				43,224
CHANGE IN NET POSITION				
NET POSITION:				
Beginning of year				<u>155,389</u>
End of year				<u>\$ 198,613</u>

See notes to financial statements.



# FOUNDATIONS ACADEMY

## BALANCE SHEET — GOVERNMENTAL FUNDS AS OF JUNE 30, 2013

	General Fund	Grant Fund	Total
<b>ASSETS</b>			
CASH	\$ 155,699	\$ -	\$ 155,699
DUE FROM GOVERNMENTAL REVENUE SOURCES	<u>1,430</u>	<u>75,031</u>	<u>76,461</u>
Total assets	157,129	75,031	232,160
DEFERRED OUTFLOWS OF RESOURCES — Prepaid expenses	<u>12,355</u>	<u>-</u>	<u>12,355</u>
Total assets and deferred outflows of resources	<u>\$ 169,484</u>	<u>\$ 75,031</u>	<u>\$ 244,515</u>
<b>LIABILITIES AND FUND BALANCE</b>			
LIABILITIES — Unearned revenue	\$ 12,355	\$ -	\$ 12,355
DEFERRED INFLOWS OF RESOURCES — Unavailable revenue	<u>1,430</u>	<u>75,031</u>	<u>76,461</u>
Total liabilities and deferred inflows of resources	13,785	75,031	88,816
FUND BALANCE — Restricted	<u>155,699</u>	<u>-</u>	<u>155,699</u>
TOTAL	<u>\$ 169,484</u>	<u>\$ 75,031</u>	<u>\$ 244,515</u>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>			
Total governmental fund balance			<u>\$ 155,699</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Capital assets cost			46,098
Accumulated depreciation			<u>(3,184)</u>
			42,914
Due from governmental revenue sources not available to pay current-year expenditures, therefore, deferred in the funds			76,461
Contracted service fee payable not due and payable in the current year and not reported in the funds			<u>(76,461)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 198,613</u>

See notes to financial statements.

# FOUNDATIONS ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Grant Fund	Total
REVENUES:			
Federal sources	\$ -	\$ 178,403	\$ 178,403
Per-pupil levy	3,354,852	-	3,354,852
Mill levy	41,568	-	41,568
Capital construction	549,226	-	549,226
Other state sources	69,292	-	69,292
Charges for services	104,380	-	104,380
Other sources	117,455	-	117,455
Private sources — NHA	681,131	-	681,131
Total revenues	<u>4,917,904</u>	<u>178,403</u>	<u>5,096,307</u>
EXPENDITURES — Contracted service fee:			
Instruction	2,061,036	178,403	2,239,439
Support services	2,850,658	-	2,850,658
Food services	5,900	-	5,900
Total expenditures	<u>4,917,594</u>	<u>178,403</u>	<u>5,095,997</u>
REVENUES OVER EXPENDITURES	310	-	310
FUND BALANCE — Beginning of year	<u>155,389</u>	<u>-</u>	<u>155,389</u>
FUND BALANCE — End of year	<u>\$ 155,699</u>	<u>\$ -</u>	<u>\$ 155,699</u>
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES			
Net change in fund balance — total governmental funds			\$ 310
Governmental funds report capital outlays as expenditures in the statement of activities — these costs are allocated over their useful lives as depreciation			42,914
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds			76,461
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years			(9,918)
Contracted service fee recognized consistent with the revenue policy			<u>(66,543)</u>
Change in net position of governmental activities			<u>\$ 43,224</u>

See notes to financial statements.



# FOUNDATIONS ACADEMY

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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### 1. NATURE OF OPERATIONS

Foundations Academy (the "Academy") was incorporated on October 19, 2008, and began operations on July 1, 2010. The Academy is a component of the Brighton School District 27J of the State of Colorado (the "District"), which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parents, to students in kindergarten through the eighth grade. The Academy offers half-day kindergarten at no cost; however, tuition fee is charged if the parents elect full-day kindergarten for their children. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter approved by the District, which is responsible for oversight of the Academy's operations. The charter expires on June 30, 2039.

The majority of the Academy's funding is provided by the State of Colorado and passed through the District.

The board of directors of the Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until termination of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. *General revenues — Private sources — NHA* represent a contribution by NHA for the excess of Academy expenditures over revenue available.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements or interpretations issued after November 30, 1989.

**Academy-Wide and Fund Financial Statements** — The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type



activities, which rely to a significant extent on fees and charges for support. All the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as purpose revenue.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Academy-Wide Statements* — The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes, which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order — committed, assigned, and unassigned.

*Fund-Based Statements* — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

*Fund Classification* — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*General Fund* — General fund is used to account for the general educational programs of the Academy. Its revenues are derived primarily from the State of Colorado and passed through the District.

*Grant Fund* — Grant fund is used to account for the educational programs of the Academy. Its revenues are derived primarily from federal sources.



*Capital Assets* — Capital assets, which include other equipment, are reported in the applicable governmental column in the Academy-wide financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year.

Other equipment is depreciated using the straight-line method over useful lives of three to 10 years.

*Estimates* — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

*Cash* — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2013, all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The Academy does not have amounts on deposit in excess of federal insurance levels.

Cash as of June 30, 2013, represents bank deposits, which are covered by federal depository insurance. Accordingly, there are no investments, which are required to be categorized according to risk.

*Unavailable and Unearned Revenue* — Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services, which have not been performed and is therefore not yet earned. As of June 30, 2013, deferred inflows for unavailable revenue were recognized for \$76,461 and a liability for unearned revenue was recognized for \$12,355.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2013, represents a timing difference between funds received from governmental sources and amounts paid to NHA in accordance with the agreement.

*Fund Balance* — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The Academy believes it is in compliance with the requirements of the Amendment. The Amendment requires state and local governments to



establish an emergency reserve representing 3% of qualifying expenditures. At June 30, 2013, the Academy's fund balance of \$155,699 was reported as restricted fund balance in the general fund.

*Budgetary Information* — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

*Accounting Change* — Effective July 1, 2012, the Academy implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB statements and interpretations, Accounting Principles Board opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the Academy's financial statements.

Effective July 1, 2012, the Academy implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concept Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement affected the format and report of the balance sheet at the government-wide level and also at the fund level.

Also effective July 1, 2012, the Academy implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. This statement impacted the format and report of the balance sheet at the government-wide level and also at the fund level.

### **3. DUE FROM GOVERNMENTAL REVENUE SOURCES**

Receivables as of June 30, 2013, for the Academy included \$646 in state aid receivable, \$784 in local revenue receivable, and \$75,031 in federal grants receivable. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

### **4. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2013, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.



## 5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities as of June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities — other equipment	\$ -	\$ 46,098	\$ -	\$ 46,098
Total capital assets at historical cost	-	46,098	-	46,098
Less accumulated depreciation — other equipment	-	3,184	-	3,184
Total accumulated depreciation	-	3,184	-	3,184
Governmental activities capital assets — net	\$ -	\$ 42,914	\$ -	\$ 42,914

## 6. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

## 7. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2012 through June 30, 2013. Annual rental payments required by the lease are \$995,364, payable in 12 monthly payments of \$82,947. This lease is renewable on a year-to-year basis.

The Academy subsequently renewed the sublease with NHA for the period from July 1, 2013 through June 30, 2014, at an increased annual rental rate of \$1,008,480.

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## **REQUIRED SUPPLEMENTAL INFORMATION**



# FOUNDATIONS ACADEMY

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Amended Budget	Actual	Over (under) Final Budget
REVENUES:				
State aid	\$ 3,839,573	\$ 3,913,880	\$ 3,904,078	\$ (9,802)
Other state sources	48,345	48,857	69,292	20,435
Other sources	127,983	119,083	263,403	144,320
Private sources — NHA	531,941	599,885	681,131	81,246
Total revenues	4,547,842	4,681,705	4,917,904	236,199
EXPENDITURES — Contracted service fee:				
Instruction:				
Basic instruction	1,517,911	1,552,514	1,847,803	295,289
Special Education	128,324	210,228	213,233	3,005
Support services:				
Pupil services	143,406	138,760	175,643	36,883
Instructional staff services	490,720	540,425	521,069	(19,356)
Board of education	60,626	60,471	55,851	(4,620)
Executive administration	142,562	160,376	170,231	9,855
Grant procurement	15,013	16,784	14,800	(1,984)
Office of the principal	276,048	267,707	252,388	(15,319)
Other school administration	111,346	85,769	79,366	(6,403)
Business support services	68,914	65,451	63,109	(2,342)
Operations and maintenance	1,374,374	1,373,628	1,327,629	(45,999)
Central services	212,698	203,692	190,572	(13,120)
Food services	5,900	5,900	5,900	-
Total expenditures	4,547,842	4,681,705	4,917,594	235,889
REVENUES OVER EXPENDITURES	-	-	310	310
FUND BALANCE — Beginning of year	-	155,389	155,389	-
FUND BALANCE — End of year	\$ -	\$ 155,389	\$ 155,699	\$ 310

See auditors' report on supplemental information.

## FOUNDATIONS ACADEMY

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

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#### 1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information** — Budgets are required by Colorado State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles in the United States of America.

Landmark Academy at Reunion adheres to the following procedures in establishing budgetary data reflected in the financial statements.

- Prior to June 30, management submits to the board of directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means for financing them. All budgets lapse at year-end.
- By June 30, the budget is adopted by the board of directors.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the board of directors.



## **INDIVIDUAL FUND SCHEDULE**

# FOUNDATIONS ACADEMY

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GRANT FUND FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Amended Budget	Actual	Over (under) Final Budget
REVENUES — Federal sources	\$ 242,638	\$ 254,205	\$ 178,403	\$ (75,802)
EXPENDITURES — Contracted service fee — instruction	<u>242,638</u>	<u>254,205</u>	<u>178,403</u>	<u>(75,802)</u>
REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCE — Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE — End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditors' report on supplemental information.



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

To the Board of Directors of  
Foundations Academy  
Brighton, Colorado

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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated September 27, 2013.

### Internal Control over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Deloitte & Touche LLP*

September 27, 2013



