

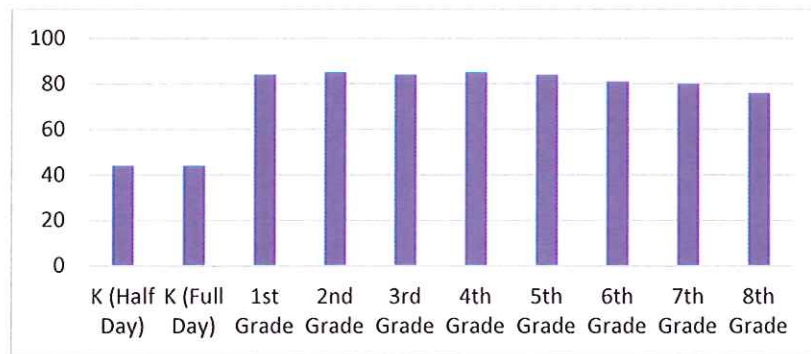
FOUNDATIONS ACADEMY

Foundations Academy

Peg Kastburg – Principal

Charter School Board of Directors

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



	October	Current	Projected	Waitlisted	Offered Seats
K (Half Day)	44	44	44	24	44
K (Full Day)	45	44	45	57	44
1st Grade	84	84	84	60	84
2nd Grade	84	85	84	61	84
3rd Grade	84	84	84	60	84
4th Grade	84	85	84	59	84
5th Grade	83	84	84	41	81
6th Grade	85	81	84	50	81
7th Grade	84	80	84	3	81
8th Grade	75	76	81	12	81
Total	752	747	758	427	748

Current Staff	
Teachers	34
New Teachers	0
Additional Support Staff	9
Admin	5

Previous Years Suspensions	15
Previous Years Expulsions	1
Current Years Suspensions	20
Current Year Expulsions	0

FOUNDATIONS ACADEMY
BOARD OF DIRECTORS

2015-2016 BOARD CALENDAR

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

on the following dates:

Monday, August 10, 2015

Monday, September 14, 2015

Monday, October 12, 2015

Monday, November 2, 2015

Monday, January 11, 2016

Monday, February 8, 2016

Monday, March 14, 2016

Monday, April 11, 2016

***Monday, May 9, 2016**

Monday, June 13, 2016

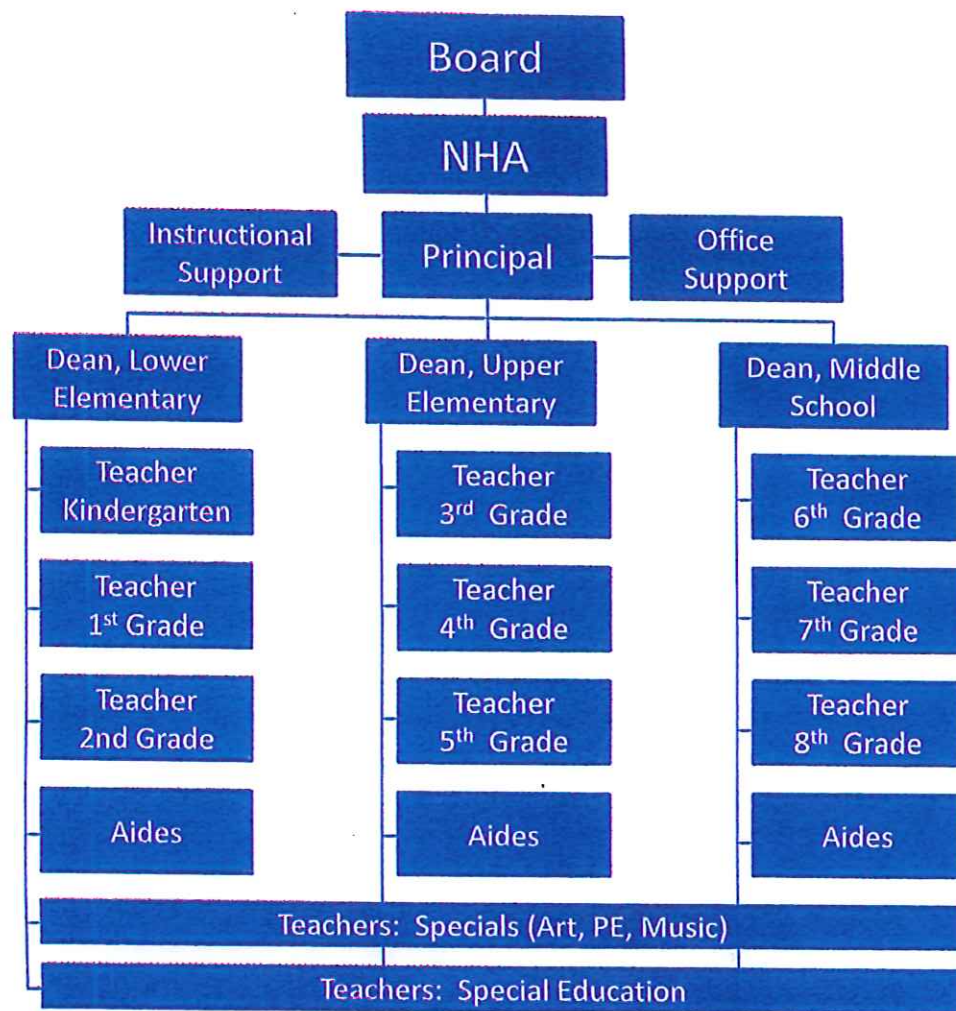
***NOTE: ANNUAL MEETING INCLUDING DISCUSSION AND APPROVAL OF BUDGET**

Created by Jeff Henders on 6-23-15 at 1:00pm.

Posted at Foundations Academy by Shirley Szfrancic on
6-25-15 at 9:15 am SO

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

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
Performance	at or above 59%
Improvement	at or above 47% - below 59%
Priority Improvement	at or above 37% - below 47%
Turnaround	below 37%

Framework points are calculated using the percentage of points earned out of points eligible. For schools with data on all indicators, the total points possible are: 25 points for Academic Achievement, 50 for Academic Growth, and 25 for Academic Growth Gaps.

Performance Indicators	Rating	% of Points Earned out of Points Eligible ²			
Academic Achievement	Meets	75.0%	(18.8 out of 25 points)		
Academic Growth	Meets	70.8%	(35.4 out of 50 points)		
Academic Growth Gaps	Approaching	57.5%	(14.4 out of 25 points)		
Test Participation ³	Meets 95% Participation Rate				
TOTAL		68.6%	(68.6 out of 100 points)		

²Schools 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.

³Schools 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	Middle	High	Overall	Elem	Middle	High	Overall	Elem	Middle	High	Overall
Reading	99.6%	99.7%	-	99.7%	Meets	Meets	-	Meets	818	394	-	1212	821	395	-	1216
Mathematics	99.6%	99.5%	-	99.6%	Meets	Meets	-	Meets	818	393	-	1211	821	395	-	1216
Writing	99.4%	99.2%	-	99.3%	Meets	Meets	-	Meets	815	392	-	1207	820	395	-	1215
Science	99.6%	100.0%	-	99.7%	Meets	Meets	-	Meets	249	75	-	324	250	75	-	325
Social Studies	100.0%	100.0%	-	100.0%	Meets	Meets	-	Meets	84	80	-	164	84	80	-	164
Colorado ACT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Performance Indicators							Level: Elementary	
School: FOUNDATIONS ACADEMY - 2945							District: SCHOOL DISTRICT 27J - 0040 (3 Year)	
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							Level: Middle	
School: FOUNDATIONS ACADEMY - 2945							District: SCHOOL DISTRICT 27J - 0040 (3 Year)	
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	The school's percentage of students scoring proficient or advanced was:			TCAP		16 (4 for each content area)	25
	• at or above the 90th percentile of all schools (using 2009-10 baseline).		Exceeds	4			
	• below the 90th percentile but at or above the 50th percentile of all schools (using 2009-10 baseline).		Meets	3			
	• below the 50th percentile but at or above the 15th percentile of all schools (using 2009-10 baseline).		Approaching	2			
	• below the 15th percentile of all schools (using 2009-10 baseline).		Does Not Meet	1			
Academic Growth	Made AGP	Did Not Make AGP		TCAP	ACCESS	14 (4 for each subject area and 2 for English language proficiency)	50
	• at or above 60.	• at or above 70.	Exceeds	4	2		
	• below 60 but at or above 45.	• below 70 but at or above 55.	Meets	3	1.5		
	• below 45 but at or above 30.	• below 55 but at or above 40.	Approaching	2	1		
	• below 30.	• below 40.	Does Not Meet	1	0.5		
Academic Growth Gaps	Made AGP	Did Not Make AGP		TCAP		60 (4 for each of 5 subgroups in 3 subject areas)	25
	• at or above 60.	• at or above 70.	Exceeds	4			
	• below 60 but at or above 45.	• below 70 but at or above 55.	Meets	3			
	• below 45 but at or above 30.	• below 55 but at or above 40.	Approaching	2			
	• below 30.	• below 40.	Does Not Meet	1			

Cut-Points for Each 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.	
Achievement; Growth; Growth Gaps	• at or above 87.5%	Exceeds	Total Framework Points	• at or above 59%	Performance
	• at or above 62.5% - below 87.5%	Meets		• at or above 47% - below 59%	Improvement
	• at or above 37.5% - below 62.5%	Approaching		• at or above 37% - below 47%	Priority Improvement
	• below 37.5%	Does Not Meet		• below 37%	Turnaround

School Plan Type Assignments

	Plan description	
Performance Plan	The school is required to adopt and implement a Performance 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.
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.	

Reference

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 TCAP and 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 (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 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

The Academic Growth Gaps Indicator disaggregates the results of the Academic Growth Indicator, measuring the academic progress of historically disadvantaged student groups (students eligible for free/reduced lunch, minority students, students with disabilities, English learners) and students needing to catch up.

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



SCHOOL DISTRICT 27J
"Reaching Out In All Directions"
18551 East 160th Avenue
Brighton, CO 80601-3295

Janet K. Wyatt, Esq.
General Counsel
(303) 655-2994
Fax (303) 655-2966

February 9, 2015

Yvette Martinez
Foundations Academy Board President
340 S. 45th Ave.
Brighton, CO 80601

RE: Foundations Academy – Enrollment Progress Compliance Report

Ms. Martinez,

As I am sure you are aware, when negotiating the contract between SD27J and Foundations Academy to authorize the operation of a new charter school, we specifically stated, in Section 5.4.1 (enclosed), that it be "the continuing intention to serve children who would qualify for a free-and-reduced lunch program in substantially the same percentages as surrounding District schools educating other 27J kindergarten through eighth grade students." Four specific steps were outlined by Foundations Academy in order to help ensure that this goal was met, as well as allowing "for regular assessments of the progress toward this goal."

It is the position of the District that Foundations Academy is out of compliance with this section of their contract as of October 1, 2014. This position is based on the following statistics which were provided to the Colorado Department of Education as part of the statutorily required October attendance/enrollment count. The percent of students enrolled in the Free/Reduced Lunch Program at Foundations Academy, and the district schools closest in proximity to Foundations are as follows:

Foundations Academy:	13.18%	Northeast Elementary:	55.73%
Pennock Elementary:	40.03%	Southeast Elementary:	53.16%

According to the CDE October report from 2013, Foundations Academy had a Free/Reduced Lunch enrollment percentage of 18.31%. The 2014 report of 13.18% shows a decrease of 5.13% as well as a large disparity between even the smallest of the district numbers and Foundations' numbers. Therefore, Foundations Academy is not "serving children who would qualify for a free-and-reduced lunch program in substantially the same percentages...."

Please respond in writing to this finding no later than March 14, 2015 as to the steps your organization will be taking throughout the remainder of this school year and into the enrollment and registration period for the 2015-2016 school year to achieve compliance with this section of the contract.

Cordially,

Janet Wyatt, 27J Charter School Liaison

Cc: Dr. Chris Fiedler, Superintendent
Peg Kastberg, Principal, Foundations Academy

Patrick Day, President, 27J Board of Education
Matt Cawood, Director of Partner Relations, NHA



FOUNDATIONS ACADEMY

Dr. Chris Fiedler
Superintendent
School District 27J
18551 East 160th Avenue
Brighton, CO 80601

March 10, 2015

Dear Dr. Fiedler:

We are in receipt of Ms. Wyatt's letter of February 9, 2015, informing us that it is the District's position that Foundations Academy is not in compliance with *Section 5.4.1* of our charter contract. Ms. Wyatt accurately quotes section 5.4.1, but provides no evidence or even a suggestion that it is not our "continuing intent to serve children who would qualify for a free-and-reduced lunch program...." Such a finding is the only basis for declaring us noncompliant. It is our position that we are in compliance.

As you are aware, we addressed similar allegations in June and September, 2011. At that time, we responded with detailed letters and attachments articulating the commitment and efforts that both Foundations Academy and National Heritage Academies had put forth in the service of this element of our contract. Those letters and attachments explained in detail our compliance with all contract requirements and particularly the four specific programs that we should pursue in support of the goal of increasing our FRLP-eligible student enrollment. These efforts far exceeded all contractual or practical expectations, and they continue to date. It is a matter of pride within the National Heritage Academies enterprise that nationally its FRLP-eligible counts are in excess of 60% of the 54,000 enrolled students; certainly there has been no failure at Foundations to pursue such students.

To say that we are noncompliant because our actual count of students who are receiving free or reduced lunch is below other schools or the District is to create a contractual construct that does not exist in fact. While all of us, District Board Members and Staff, as well as the Foundations Academy Board may wish that the numbers were higher, our enrollment figures are what they are and have resulted from the very enrollment and lottery policies approved by Colorado state law and incorporated in our contract. Please note that our enrollment process is regulated under our contract (*Section 5.4.3*) and under State law.



FOUNDATIONS ACADEMY

We continue as always to be more than willing to work with the District on lawful practices that would increase the number of at risk students served at Foundations Academy. Please reference the following attachments that show the steps/marketing efforts we are planning, to achieve compliance in the coming 2015-2016 school year:

- 2015-16 Quarterly Marketing Strategies
- 2015-16 Marketing Activities and Community Outreach
- Listing of business/community organizations – flyer delivery (sample included)

A *new step* we'll take this year is to include 27J Free and Reduced Lunch information (with a self-addressed, stamped envelope) in our New Student Packets. Foundations Academy just completed its lottery process for new student enrollment, 2015-16, last evening. This process also created the student waitlists per grade level.

I look forward to our meeting on April 1st at 12:00 PM with you, Ms. Wyatt and our Principal, Peg Kastberg as a follow up to this letter. Thank you for our partnership as we "*challenge EACH child to achieve*"!

Sincerely,

Xvette Martinez,
Board President
Foundations Academy

Enclosures (4)

Cc: Janet Wyatt, 27J Charter School Liaison
Peg Kastberg, Principal, Foundations Academy

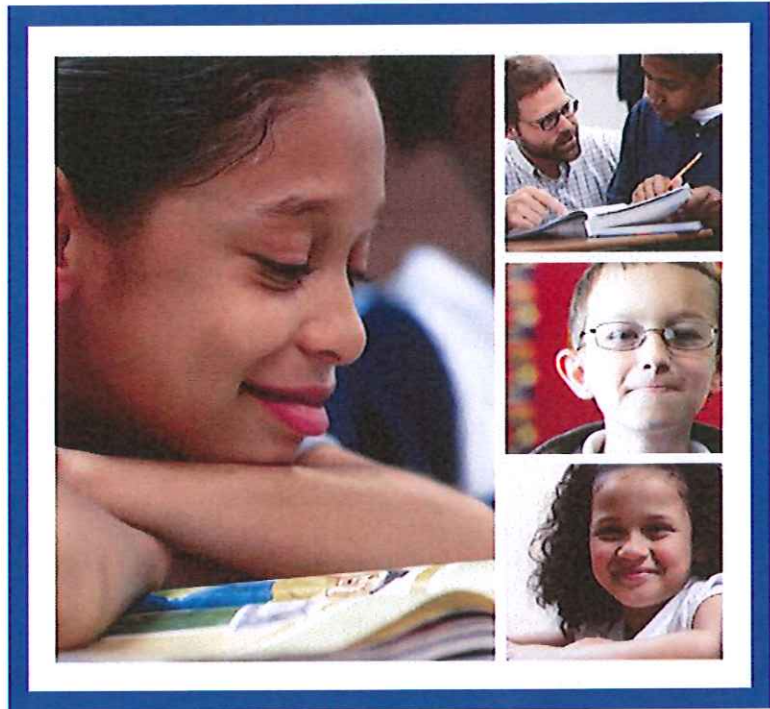
Patrick Day, 27J Board of Education
Matt Cawood, Director of Partner Relations, NHA

Foundations Marketing Activities and Community Outreach

2015-2016 Enrollment Season

- Participation in community organizations such as the Brighton Chamber of Commerce. Foundations Academy has been a member for 2 years now. Participate in the Chamber's **Welcome Bag Program** at least 2x per year.
- Students have presented information throughout the community about their experiences
- Information about the school distributed before end of open enrollment, invitations to visit school and tour (list of area businesses and organizations attached)
- Installed large monitor in entry hall of school to promote school achievements and activities to community groups who use the school's facilities
- Public access to school's Facebook page
<https://www.facebook.com/#!/pages/Foundations-Academy/379651270227>
- School newsletters posted on school website, available to the public
- Continuing effort to reach out to businesses and organizations to communicate opportunities at the school and create partnerships

FOUNDATIONS ACADEMY



Financial Statements as of and for the Year
Ended June 30, 2014, Required
Supplemental Information for the Year
Ended June 30, 2014, and Independent
Auditor's Reports

FOUNDATIONS ACADEMY

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Independent Auditor's Report

To the Board of Directors
Foundations Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Foundations Academy (the "Academy"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Foundations Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Foundations Academy as of June 30, 2014 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.

To the Board of Directors
Foundations Academy

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014 on our consideration of Foundations 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundations Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 24, 2014

FOUNDATIONS ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. It should be read in conjunction with the financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant fund — the General Fund — with the other fund presented in one column as the major Grant Fund.

Management's Discussion and Analysis
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for the Governmental Funds

Reporting the Academy as a whole — Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The Academy's Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy's financial position. The relationship between revenues and expenses is the Academy's operating results. The Academy's goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all the Academy's services, including instruction and support services. Per-pupil operating revenue and property taxes passed through the Brighton School District 27J (the "District") and state and federal grants finance most of these activities. 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.

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds — not the Academy as a whole. Some funds are required to be established by state law. However, the Academy establishes other funds to help it control and manage money for particular purposes or as required by state law (the Grant Fund is an example). The governmental funds of the Academy use the following accounting approach:

Governmental Funds — All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

The Academy as a Whole

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:

	2014	2013
Assets:		
Current assets	\$ 261,796	\$ 232,160
Capital assets, net of accumulated depreciation	<u>38,304</u>	<u>42,914</u>
Total assets	300,100	275,074
Liabilities - current	<u>88,914</u>	<u>76,461</u>
Net position:		
Net investment in capital assets	38,304	42,914
Restricted	<u>172,882</u>	<u>155,699</u>
Total net position	<u>\$ 211,186</u>	<u>\$ 198,613</u>

The restricted net position of governmental activities represent the reserve required under the Taxpayer's Bill of Rights ("TABOR"). 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 summarized Statements of Activities (below), which shows the changes in net position for the periods ended June 30:

	2014	2013
Program revenue:		
Charges for services	109,688	\$ 104,380
Operating grants	<u>783,518</u>	<u>870,290</u>
Total program revenue	<u>893,206</u>	<u>\$ 974,670</u>
General revenue:		
Per-pupil operating levy	3,962,318	3,355,498
Mill levy revenue	34,775	31,650
Other state sources	10,098	-
Other	101,001	119,901
Private sources - NHA	<u>80,842</u>	<u>614,588</u>
Total general revenue	<u>4,189,034</u>	<u>4,121,637</u>
Total revenues	<u>5,082,240</u>	<u>5,096,307</u>
Expenses—		
Contracted service fee:		
Instruction	2,254,173	2,239,439
Support services	2,804,981	2,804,560
Food services	5,903	5,900
Depreciation (unallocated)	<u>4,610</u>	<u>3,184</u>
Total expenses	<u>5,069,667</u>	<u>5,053,083</u>
Change in net position	<u>\$ 12,573</u>	<u>\$ 43,224</u>

As reported in the Statement of Activities, the cost of governmental activities was \$5,069,667. 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, which are included in operating grants, and the Academy utilized these funds for a portion of the facility lease expense. *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 \$12,573 in 2014. Under the terms of the agreement with NHA, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 11.

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 Grant Fund represents grant activities. The Academy's combined fund balance was \$172,882 at June 30, 2014.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 10.

Budgetary Highlights

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. The Academy adopts an annual budget for its general fund and grants fund. Budgetary comparison statements have been provided for the general fund and grants fund to demonstrate compliance with the budget.

Budgeted revenues for the General Fund were decreased by \$100,524 from the original budget. Revenues were changed to reflect an increase in state aid, other state sources, local sources, and other sources, and a decrease in private sources from NHA. Budgeted expenditures for the General Fund were decreased by \$100,524. This change was to reflect the change in anticipated funding. Budgeted revenues for the Grant Fund was amended to reflect an increase in federal funding by \$11,703 from the original budget. Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements.

Capital Assets

At June 30, 2014, the Academy had \$38,304 invested in capital assets, including other equipment. Capital assets are primarily provided as part of the agreement with NHA.

General Economic Factors and Next Year's Budgets

In November of 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 JUNE 30, 2014

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 172,708
Due from governmental revenue sources	<u>89,088</u>
Total current assets	<u>261,796</u>
NON-CURRENT ASSETS:	
Capital assets	46,098
Less accumulated depreciation	<u>(7,794)</u>
Total capital assets, net of accumulated depreciation	<u>38,304</u>
TOTAL	<u><u>\$ 300,100</u></u>
 LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	\$ 10,776
Contracted service fee payable	<u>78,138</u>
Total liabilities	<u>88,914</u>
NET POSITION:	
Net investment in capital assets	38,304
Restricted	<u>172,882</u>
Total net position	<u>211,186</u>
TOTAL	<u><u>\$ 300,100</u></u>

See notes to financial statements.

FOUNDATIONS ACADEMY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

		Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS —				
Governmental activities:				
Contracted service fee:				
Instruction	\$ 2,254,173	\$ 109,688	\$ 151,685	\$ (1,992,800)
Support services	2,804,981	-	631,833	(2,173,148)
Food services	5,903	-	-	(5,903)
Depreciation (unallocated)	4,610	-	-	(4,610)
Total governmental activities	<u>\$ 5,069,667</u>	<u>\$ 109,688</u>	<u>\$ 783,518</u>	(4,176,461)
GENERAL PURPOSE REVENUES:				
Per-pupil operating levy				3,962,318
Mill levy revenue				34,775
Other state sources				10,098
Other				101,001
Private sources - NHA				<u>80,842</u>
Total general purpose revenue				<u>4,189,034</u>
CHANGE IN NET POSITION				12,573
NET POSITION:				
Beginning of year				<u>198,613</u>
End of year				<u>\$ 211,186</u>

See notes to financial statements.

FOUNDATIONS ACADEMY

BALANCE SHEET — GOVERNMENTAL FUNDS JUNE 30, 2014

	General Fund	Grant Fund	Total Governmental Funds
ASSETS			
Cash	\$ 172,708	\$ -	\$ 172,708
Contracted service fee receivable	10,485	-	10,485
Due from governmental revenue sources	15,558	73,530	89,088
TOTAL	<u>\$ 198,751</u>	<u>\$ 73,530</u>	<u>\$ 272,281</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Unearned revenue	\$ 10,776	\$ -	\$ 10,776
Total liabilities	<u>10,776</u>	<u>-</u>	<u>10,776</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	<u>15,093</u>	<u>73,530</u>	<u>88,623</u>
Total liabilities and deferred inflows of resources	<u>25,869</u>	<u>73,530</u>	<u>99,399</u>
FUND BALANCE:			
Committed	12,592	-	12,592
Restricted	<u>160,290</u>	<u>-</u>	<u>160,290</u>
Total fund balance	<u>172,882</u>	<u>-</u>	<u>172,882</u>
TOTAL	<u>\$ 198,751</u>	<u>\$ 73,530</u>	<u>\$ 272,281</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total governmental fund balance		\$ 172,882
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>(7,794)</u>	<u>38,304</u>
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds		88,623
Contracted service fee payable not due and payable in the current period and not reported in the funds		<u>(88,623)</u>
Net position of governmental activities		<u>\$ 211,186</u>

See notes to financial statements.

FOUNDATIONS ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	General Fund	Grant Fund	Total Governmental Funds
REVENUES:			
Federal sources	\$ -	\$ 69,198	\$ 69,198
Per-pupil levy	3,962,964	-	3,962,964
Mill levy	23,291	-	23,291
Capital construction	631,833	-	631,833
Other state sources	91,261	-	91,261
Charges for services	109,688	-	109,688
Other sources	101,001	-	101,001
Private sources - NHA	93,004	-	93,004
Total revenues	5,013,042	69,198	5,082,240
EXPENDITURES — Contracted service fee:			
Instruction	2,184,975	69,198	2,254,173
Support services	2,804,981	-	2,804,981
Food services	5,903	-	5,903
Total expenditures	4,995,859	69,198	5,065,057
REVENUES OVER EXPENDITURES	17,183	-	17,183
NET CHANGE IN FUND BALANCE	17,183	-	17,183
FUND BALANCE — Beginning of year	155,699	-	155,699
FUND BALANCE — End of year	\$ 172,882	\$ -	\$ 172,882

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	\$ 17,183
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation	(4,610)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	88,623
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(76,461)
Contracted service fee recognized consistent with the revenue policy	(12,162)
Change in net position of governmental activities	\$ 12,573

See notes to financial statements.

FOUNDATIONS ACADEMY

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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 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 District receives \$190 per pupil based on average daily membership as an administrative fee. The total administrative fee for the year ended June 30, 2014 paid to the District was \$134,148.

The Academy is organized as a public school pursuant to C.R.S. 22-30,5-101 et. seq., which authorizes the formation of charter schools. The Academy operates as an organization exempt from federal income tax as a governmental entity pursuant to Colorado laws applicable to Colorado public schools.

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. *Revenues — Private sources — NHA* represent a contribution by NHA for the excess of Academy expenditures over revenue available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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 general 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.

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 — The 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 — The 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, consists of assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, and are reported in the applicable governmental column in the Academy-wide financial statements.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 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, 2014, 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, 2014 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 \$88,623 and a liability for unearned revenue was recognized for \$10,776.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2014, 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. At June 30, 2014, the Academy had \$12,592 in committed fund balance and \$160,290 in restricted fund balance. The committed fund balance has been committed by resolutions of the Board of Directors for student, parent and staff appreciation, staff retreat, athletics, and board training and development.

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, 2014, \$160,290 of the Academy's fund balance was reported as restricted fund balance in the General Fund.

Budgetary Information — Annual 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 for the general and grant funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by June 30. The budgets can be amended by the Board of Directors as considered necessary prior to January 31. The budgets were amended to decrease both budgeted revenues and expenditures for the General Fund by \$100,524, and to increase both budgeted revenues and expenditures for the Grant Fund by \$11,703.

During the year, the Academy incurred certain expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Instruction:		
Added needs	\$ -	\$ 1,516
Special education	223,042	247,709
Support services:		
Pupil transportation services	-	8,027

The Academy 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.

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

Receivables as of June 30, 2014 for the Academy included \$4,255 in state aid receivable, \$11,303 in local revenue receivable and \$73,530 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 2014, 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 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities —				
Other equipment	\$ 46,098	\$ -	\$ -	\$ 46,098
Total capital assets at historical cost	<u>46,098</u>	<u>-</u>	<u>-</u>	<u>46,098</u>
Less accumulated depreciation —				
Other equipment	<u>3,184</u>	<u>4,610</u>	<u>-</u>	<u>7,794</u>
Total accumulated depreciation	<u>3,184</u>	<u>4,610</u>	<u>-</u>	<u>7,794</u>
Total governmental activities capital assets, net	<u>\$ 42,914</u>	<u>\$ (4,610)</u>	<u>\$ -</u>	<u>\$ 38,304</u>

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, 2013 through June 30, 2014. Annual rental payments required by the lease are \$1,008,480, payable in 12 monthly payments of \$84,040. This lease is renewable on a year-to-year basis.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2014 through June 30, 2015, at the same rental rate.

* * * * *

REQUIRED SUPPLEMENTAL INFORMATION

FOUNDATIONS ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2014

	Original Budget	Final Amended Budget	Actual	Over (Under) Final Budget
REVENUES:				
State Aid	\$ 4,556,670	\$ 4,593,876	\$ 4,594,797	\$ 921
Other State Sources	66,183	70,948	91,261	20,313
Local Sources	19,083	31,650	23,291	(8,359)
Other Sources	108,900	114,300	210,689	96,389
Private Sources - NHA	254,096	93,634	93,004	(630)
Total Revenues	5,004,932	4,904,408	5,013,042	108,634
EXPENDITURES - Contracted Service fee:				
Instruction:				
Basic Instruction	1,840,638	1,796,155	1,935,750	139,595
Added Needs	-	-	1,516	1,516
Special Education	240,108	223,042	247,709	24,667
Support Services:				
Pupil Services	169,070	148,871	139,121	(9,750)
Instructional Staff Services	461,360	452,243	440,090	(12,153)
Board of Education	96,050	80,534	54,784	(25,750)
Executive Administration	191,147	170,959	187,363	16,404
Grant Procurement	18,269	18,895	19,016	121
Office of the Principal	268,283	269,896	273,623	3,727
Other School Administration	89,393	94,979	88,963	(6,016)
Business Support Services	65,454	63,726	64,894	1,168
Central Services	220,582	228,432	191,929	(36,503)
Pupil Transportation Services	-	-	8,027	8,027
Operations and Maintenance	1,338,678	1,350,776	1,337,171	(13,605)
Food services	5,900	5,900	5,903	3
Total Expenditures	5,004,932	4,904,408	4,995,859	91,451
REVENUES OVER EXPENDITURES	-	-	17,183	17,183
NET CHANGE IN FUND BALANCE	-	-	17,183	17,183
FUND BALANCE - Beginning of year	-	155,699	155,699	-
FUND BALANCE - End of year	\$ -	\$ 155,699	\$ 172,882	\$ 17,183

FOUNDATIONS ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE GRANT FUND YEAR ENDED JUNE 30, 2014

	Original Budget	Final Amended Budget	Actual	Under Final Budget
REVENUES - Federal Sources	<u>60,803</u>	<u>72,506</u>	<u>69,198</u>	<u>(3,308)</u>
EXPENDITURES - Contracted Service Fee - instruction	<u>60,803</u>	<u>72,506</u>	<u>69,198</u>	<u>(3,308)</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>



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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*

Independent Auditor's Report

To Management and the Board of Directors
Foundations Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of Foundations Academy (the "Academy") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foundations 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.

To Management and the Board of Directors
Foundations Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foundations 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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

Grand Rapids, Michigan
September 24, 2014