

AMERICAN ACADEMY

FINANCIAL STATEMENTS

June 30, 2009

AMERICAN ACADEMY

ROSTER OF SCHOOL OFFICIALS

June 30, 2009

BOARD OF DIRECTORS

President	Erin Kane
Vice-President	Jackie Santos
Secretary	Chad King
Treasurer	Denese Gardner
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Director	Dave Romero

SCHOOL MANAGEMENT

Roberta Harrell, Chief Administrative Officer

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Board of Directors
American Academy
Lone Tree, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the American Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the American Academy, as listed in the table of contents. These financial statements are the responsibility of the American Academy's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the American Academy as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Swanhorst & Company LLC

October 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2009

The subsequent Management Discussion and Analysis (MD&A) of American Academy financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2009. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should also review Financial Statements, including the Notes to Financial Statements, to expand understanding of the school's financial performance.

Financial Highlights

The period from July 1, 2008 through June 30, 2009 is the fourth year of operation for American Academy. As of June 30, 2009, net assets are \$1,573,711. Basic school operations are primarily supported by funding providing in the Colorado State School Finance Act. Tax revenue for the year July 1, 2008 – June 30, 2009 was \$3,360,751 compared with \$3,139,068 during the prior year.

As of December 1, 2008, the foundation that operates to support the school secured financing for a new 83,000 sq. ft. permanent facility that will include four state-of-the-art science labs, flexible grouping classrooms, a library, dedicated art and music rooms, a gymnasium and a cafeteria. American Academy anticipates 50% growth in funded student count for the 2009/10 school year; students will enter the new facility mid-September, 2009 for a K-8 Core Knowledge education with a STEM (Science, Technology, Engineering and Math) focus.

Overview of Financial Statements

This financial review is intended to serve as an introduction to American Academy's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school's financial reporting in similar format to private-sector business. The statement of net assets presents information related to assets and liabilities and remaining assessment of financial value. With historical data, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The statement of activities, or income statement, presents information showing how the School's net assets changed during the year. Changes to net value are reported at the primary occurrence, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

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, as designated by Colorado state statute. American Academy monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2009

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

American Academy adopts an annual budget for the general fund and the capital reserve fund. A budgetary comparison has been provided for each fund to demonstrate compliance with these budgets as part of the required supplementary information included in the audited financial statements.

The American Academy Foundation is considered a component unit of the American Academy school and is reported as a proprietary fund. Information is presented in the statement of net assets, statement of revenues, expenses and changes in net assets and the statement of cash flows.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

For the year ending June 30, 2009, the governmental activities net assets of American Academy totaled \$715,949. The school recognized \$594,949 of unrestricted funds to meet the ongoing financial obligations and \$121,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The new facility is still under construction; as of June 30, 2009, negative \$1,173,391 was invested in capital assets and \$1,723,060 was restricted for debt service. The Foundation recognized total net assets of \$857,762, with \$308,093 of this amount unrestricted.

Table I: Net Assets

	2009 Governmental Activities	2008 Governmental Activities	2009 Business Type Activities	2008 Business Type Activities
ASSETS				
Capital Assets, Net	-	-	11,785,610	551,322
Other Assets	929,887	997,187	8,320,606	(434,276)
Total Assets	929,887	997,187	20,106,216	117,046
LIABILITIES				
Long Term Liabilities	-	-	16,881,293	-
Other Liabilities	213,938	184,376	2,367,161	-
Total Liabilities	213,938	184,376	19,248,454	-
NET ASSETS				
Invested in Capital Assets	-	-	-1,173,391	551,322
Restricted for Debt Service	-	-	1,723,060	-
Restricted for Capital Purposes	-	128,236	-	-
Restricted for Emergencies	121,000	98,000	-	-
Unrestricted	594,949	586,575	308,093	(434,276)
Total Net Assets	715,949	812,811	857,762	117,046

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Required Supplementary Information (RSI)
 June 30, 2009

Table II: Change in Net Assets

	2009 Governmental Activities	2008 Governmental Activities	2009 Business Type Activities	2008 Business Type Activities
REVENUES				
<i>General Revenues</i>				
Per Pupil Revenue	3,360,751	3,139,068	-	-
Mill Levy	48,305	48,886	-	-
DCSD Capital Funding	141,878	128,236	-	-
Capital Construction Funding	54,873	56,670	-	-
Grants	12,834	108,146	214,093	10,000
Investment Earnings	9,445	13,739	2,840	2,629
Other	84,719	54,264	-	-
<i>Program Revenues</i>				
Charges for Services: Instruction	237,358	210,080	-	-
Charges for Services: Supporting Services	18,149	15,773	-	-
Operating Grants & Contributions: Supporting Services	5,429	6,184	-	-
Capital Grants & Contributions: Foundation	-	-	192,876	-
Total Revenue	3,973,741	3,781,046	409,809	12,629
EXPENSES				
Instruction	2,291,799	2,038,880	-	-
Supporting Services	1,406,346	1,223,738	-	-
Foundation	-	-	41,551	2,751
Total Expenses	3,698,145	3,262,618	41,551	2,751
Transfers	-372,458	-	372,458	-
Change in Net Assets	-96,862	518,428	740,716	9,878
Net Assets, Beginning	812,811	294,383	117,046	107,168
Net Assets, Ending	715,949	812,811	857,762	117,046

Fund Financial Analysis

General Fund

Income – Total gross income for the period of July 1, 2008 – June 30, 2009 was \$3,918,868. The majority of income was received in the form of Per Pupil Revenue allocated to American Academy from the state of Colorado through the charter authorized by Douglas County School District. Mill Levy Override was received through Douglas County School District as a component of local revenue. Douglas County School District allocated additional capital funds in the amount of \$141,878 that was utilized for capital improvements for the new school facility. Earnings on Investments, the American Academy Full-Day Kindergarten Tuition Program and Student Fees were received in support of the general operation of the school. Field Trip and Community Service Activities were processed through the school's general fund with minimal impact to ending fund balance increase. Total revenue increased 5% from prior-year reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2009

Expenditures - Total expenditures for the period of July 1, 2008 – June 30, 2009 were \$3,272,750. Salaries were \$1,726,423; benefits were \$338,084; purchased services were \$997,667, materials and supplies were \$183,717, property was \$21,091 and other expenses were \$5,768. Total expenses increased 15% from prior-year reporting.

Net Income – As of June 30th American Academy General Fund recorded a net loss of \$96,862. This was a planned decrease to General Fund balance as per the new facility building project.

Capital Reserve Fund

Income – There were two sources of income in the Capital Reserve Fund during the period of July 1, 2008 and June 30, 2009. The first was receipt of Capital Construction funds from the state of Colorado in the amount of \$54,873. The second source of income in the Capital Reserve Fund was a transfer from the General Fund necessary to support 100% of the school's facility rental payment costs in this fund.

Expenditures - Total expenses for the period of July 1, 2008 – June 30, 2009 were \$435,475; this amount represents 100% of the school's facility rental payment costs.

Net Income – As of June 30th American Academy Capital Reserve Fund recorded net income of \$0.

American Academy Foundation

Income – Total gross income for the period of July 1, 2008 – June 30, 2009 was \$782,267. This included investment income, contributions and donations and transfers in from the General Fund.

Expenditures - Total expenses for the period of July 1, 2008 – June 30, 2009 were \$41,551 for various operating needs.

Net Income – As of June 30th American Academy Foundation recorded change in net assets of \$740,716.

Analysis of Significant Budget Variations: General Fund

The original budget for the American Academy General Fund was adopted in the spring of 2008 for the 2008-09 school year. At the time of the original budget adoption, actual student count and per pupil revenue amounts had not yet been finalized. The final budget adopted for the school included the corrected amounts for each of these major revenue assumptions.

Expense considerations that were adjusted between the original and final budget adoptions included minor adjustments for salary and benefits. Purchased services, supplies and materials, property and other were all adjusted based on detailed considerations not formally considered during the preliminary and original budget adoptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2009

There were some significant variations between the final budget amount approved by the American Academy Board of Directors and the actual budget result. The first deviation was in the Capital Reserve Fund where only 52% of Capital Construction funds that were budgeted were received which resulted in an increase to the amount transferred out of the General Fund into the Capital Reserve Fund. The purchased service category was over-budget due to an increase in technology support expenses in preparation for the increased student count expected 2009/10. Supplies were under-budget due to an increased culture of fiscal conservatism in advance of the move to the new facility. Property was significantly under budget as General Fund expenses for the new facility were posted as a transfer to the Foundation and not recognized as expenses in the General Fund as the budget planned. There are no known variations that are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

As of December 1, 2008, the foundation that operates to support the school secured financing for the new 83,000 sq. ft. permanent facility that will include four state-of-the-art science labs, flexible grouping classrooms, a library, dedicated art and music rooms, a gymnasium and a cafeteria. American Academy anticipates 50% growth in funded student count for the 2009/10 school year; new students will enter the facility mid-September, 2009.

Capital assets - American Academy investment in capital assets as of June 30, 2009, amounts to negative \$11,785,610. These assets account for land and Construction in Progress for the new facility that will be completed by the fall of 2009.

Long-term debt - As of June 30, 2009, the School had outstanding debt of \$16,881,293.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the school is student enrollment and financing of the new facility. Enrollment for the 2009-2010 school year is projected to be 759.5 FTE, an increase from prior year of 252.5 funded students. While the majority of funds for the facility will be received from the CECFA issuance, American Academy plans capital fundraising and to draw from reserves to assist with completing the building project. Student growth, facility financing costs and additional considerations specific to the new facility were all considered in the strategic 5 year budgeting process for 2009/10 – 2013/14.

Requests for Information

The financial report is designed to provide a general overview of American Academy's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

American Academy
6971 Mira Vista Lane
Castle Pines North, CO 80108

BASIC FINANCIAL STATEMENTS

AMERICAN ACADEMY

STATEMENT OF NET ASSETS

June 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
			2009	2008
ASSETS				
Cash and Investments	\$ 863,990	\$ 308,543	\$ 1,172,533	\$ 502,614
Restricted Cash and Investments	-	7,632,466	7,632,466	-
Accounts Receivable	4,690	-	4,690	10,041
Deposits	12,000	-	12,000	13,700
Prepaid Expenses	49,207	-	49,207	32,556
Debt Issuance Costs	-	379,597	379,597	4,000
Capital Assets, Not Being Depreciated	-	11,785,610	11,785,610	551,322
TOTAL ASSETS	929,887	20,106,216	21,036,103	1,114,233
LIABILITIES				
Accounts Payable	45,277	1,627,503	1,672,780	68,236
Retainage Payable	-	633,902	633,902	-
Accrued Salaries and Benefits	117,621	-	117,621	101,156
Deferred Revenue	51,040	-	51,040	14,984
Accrued Interest Payable	-	105,756	105,756	-
Noncurrent Liabilities Due in More Than One Year	-	16,881,293	16,881,293	-
TOTAL LIABILITIES	213,938	19,248,454	19,462,392	184,376
NET ASSETS				
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	-	(1,173,391)	(1,173,391)	551,322
Restricted for Capital Purposes	-	1,723,060	1,723,060	-
Restricted for Emergencies	121,000	-	121,000	98,000
Unrestricted	594,949	308,093	903,042	152,299
TOTAL NET ASSETS	\$ 715,949	\$ 857,762	\$ 1,573,711	\$ 929,857

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

AMERICAN ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 2,291,799	\$ 237,358	\$ -	\$ -
Supporting Services	1,406,346	18,149	5,429	-
Total Governmental Activities	3,698,145	255,507	5,429	-
Business-Type Activities				
Foundation	41,551	-	-	192,876
TOTAL PRIMARY GOVERNMENT	\$ 3,739,696	\$ 255,507	\$ 5,429	\$ 192,876

GENERAL REVENUES

Per Pupil Revenue
 Mill Levy
 District Capital Funding
 Capital Construction
 Grants and Contributions not Restricted
 to Specific Programs
 Investment Income
 Other

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET ASSETS, Beginning, As Restated

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2009	2008
\$ (2,054,441)	\$ -	\$ (2,054,441)	\$ (1,828,800)
<u>(1,382,768)</u>	<u>-</u>	<u>(1,382,768)</u>	<u>(1,201,781)</u>
<u>(3,437,209)</u>	<u>-</u>	<u>(3,437,209)</u>	<u>(3,030,581)</u>
<u>-</u>	<u>151,325</u>	<u>151,325</u>	<u>(2,751)</u>
<u>(3,437,209)</u>	<u>151,325</u>	<u>(3,285,884)</u>	<u>(3,033,332)</u>
3,360,751	-	3,360,751	3,139,068
48,305	-	48,305	48,886
141,878	-	141,878	128,236
54,873	-	54,873	56,670
12,834	214,093	226,927	118,146
9,445	2,840	12,285	16,368
84,719	-	84,719	54,264
<u>(372,458)</u>	<u>372,458</u>	<u>-</u>	<u>-</u>
<u>3,340,347</u>	<u>589,391</u>	<u>3,929,738</u>	<u>3,561,638</u>
<u>(96,862)</u>	<u>740,716</u>	<u>643,854</u>	<u>528,306</u>
<u>812,811</u>	<u>117,046</u>	<u>929,857</u>	<u>401,551</u>
<u>\$ 715,949</u>	<u>\$ 857,762</u>	<u>\$ 1,573,711</u>	<u>\$ 929,857</u>

AMERICAN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2009

	GENERAL	CAPITAL RESERVE	TOTALS	
			2009	2008
ASSETS				
Cash and Investments	\$ 863,990	\$ -	\$ 863,990	\$ 389,568
Accounts Receivable	4,690	-	4,690	10,041
Interfund Receivable	-	-	-	551,322
Deposits	12,000	-	12,000	13,700
Prepaid Expenditures	49,207	-	49,207	32,556
TOTAL ASSETS	<u>\$ 929,887</u>	<u>\$ -</u>	<u>\$ 929,887</u>	<u>\$ 997,187</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 45,277	\$ -	\$ 45,277	\$ 68,236
Accrued Salaries and Benefits	117,621	-	117,621	101,156
Deferred Revenue	51,040	-	51,040	14,984
TOTAL LIABILITIES	<u>213,938</u>	<u>-</u>	<u>213,938</u>	<u>184,376</u>
FUND BALANCES				
Reserved for Deposits	12,000	-	12,000	13,700
Reserved for Prepaid Expenditures	49,207	-	49,207	32,556
Reserved for Capital Purposes	-	-	-	128,236
Reserved for Emergencies	121,000	-	121,000	98,000
Unreserved, Reported in General Fund	533,742	-	533,742	540,319
TOTAL FUND BALANCES	<u>715,949</u>	<u>-</u>	<u>715,949</u>	<u>812,811</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 929,887</u>	<u>\$ -</u>	<u>\$ 929,887</u>	<u>\$ 997,187</u>

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

AMERICAN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	GENERAL	CAPITAL RESERVE	TOTALS	
			2009	2008
REVENUES				
Local Sources	\$ 3,913,439	\$ -	\$ 3,913,439	\$ 3,632,471
State Sources	-	54,873	54,873	56,670
Federal Sources	5,429	-	5,429	91,905
TOTAL REVENUES	3,918,868	54,873	3,973,741	3,781,046
EXPENDITURES				
Instruction	2,291,799	-	2,291,799	2,033,342
Supporting Services	980,951	435,475	1,416,426	1,214,589
TOTAL EXPENDITURES	3,272,750	435,475	3,708,225	3,247,931
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	646,118	(380,602)	265,516	533,115
OTHER FINANCING SOURCES (USES)				
Transfers In	-	380,602	380,602	340,871
Transfers Out	(742,980)	-	(742,980)	(340,871)
TOTAL OTHER FINANCING SOURCES (USES)	(742,980)	380,602	(362,378)	-
NET CHANGE IN FUND BALANCES	(96,862)	-	(96,862)	533,115
FUND BALANCES, Beginning	812,811	-	812,811	279,696
FUND BALANCES, Ending	\$ <u>715,949</u>	\$ <u>-</u>	\$ <u>715,949</u>	\$ <u>812,811</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds		\$ (96,862)	\$ 533,115
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense for the current year.		-	(14,687)
Change in Net Assets of Governmental Activities		\$ <u>(96,862)</u>	\$ <u>518,428</u>

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

AMERICAN ACADEMY

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2009

	FOUNDATION	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 308,543	\$ 113,046
Restricted Cash and Investments	7,632,466	-
TOTAL CURRENT ASSETS	7,941,009	113,046
NONCURRENT ASSETS		
Debt Issuance Costs	379,597	4,000
Capital Assets, Not Being Depreciated	11,785,610	551,322
TOTAL NONCURRENT ASSETS	12,165,207	555,322
TOTAL ASSETS	20,106,216	668,368
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	1,627,503	-
Retainage Payable	633,902	-
Interfund Payable	-	551,322
Accrued Interest Payable	105,756	-
TOTAL CURRENT LIABILITIES	2,367,161	551,322
NONCURRENT LIABILITIES		
Loan Payable	16,881,293	-
TOTAL LIABILITIES	19,248,454	551,322
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(1,173,391)	551,322
Restricted for Debt Service	1,723,060	-
Unrestricted	308,093	(434,276)
TOTAL NET ASSETS	\$ 857,762	\$ 117,046

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

AMERICAN ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
 Year Ended June 30, 2009

	FOUNDATION	
	2009	2008
OPERATING REVENUES		
Lease Revenue	\$ 10,080	\$ -
Contributions	214,093	10,000
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	224,173	10,000
	<hr/>	<hr/>
OPERATING EXPENSES		
Purchased Services	19,250	2,751
Debt Service		
Fees	22,301	-
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	41,551	2,751
	<hr/>	<hr/>
NET OPERATING INCOME	182,622	7,249
	<hr/>	<hr/>
NONOPERATING INCOME		
Investment Income	2,840	2,629
	<hr/>	<hr/>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	185,462	9,878
	<hr/>	<hr/>
Capital Contributions	192,876	-
Transfers In	362,378	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	740,716	9,878
	<hr/>	<hr/>
NET ASSETS, Beginning	117,046	107,168
	<hr/>	<hr/>
NET ASSETS, Ending	\$ 857,762	\$ 117,046
	<hr/> <hr/>	<hr/> <hr/>

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

AMERICAN ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2009

	<u>FOUNDATION</u>	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Lease Payments Received from Other Funds	\$ 10,080	\$ -
Contributions Received	214,093	10,000
Loan Fees Paid	(22,301)	-
Cash Paid to Suppliers	<u>(19,250)</u>	<u>(2,751)</u>
Net Cash Provided by Operating Activities	<u>182,622</u>	<u>7,249</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan Proceeds	16,881,293	-
Debt Issuance Costs Paid	(375,597)	(4,000)
Loans from Other Funds	-	551,322
Payments on Loans from Other Funds	(551,322)	-
Acquisition and Construction of Capital Assets	(8,061,468)	(551,322)
Transfers from Other Funds	362,378	-
Investment Earnings Received and Capitalized	18,229	-
Loan Interest Paid and Capitalized	<u>(631,012)</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>7,642,501</u>	<u>(4,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings Received	<u>2,840</u>	<u>2,629</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,827,963	5,878
CASH AND CASH EQUIVALENTS, Beginning	<u>113,046</u>	<u>107,168</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 7,941,009</u>	<u>\$ 113,046</u>
NONCASH TRANSACTIONS		
Land Contributed by Developer	<u>\$ 192,876</u>	<u>\$ -</u>

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

AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the “District”). The Academy began operations in the Fall of 2005.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant accounting policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the Academy.

The Academy includes the American Academy Foundation (the “Foundation”) within its reporting entity. The Foundation was formed exclusively to support the educational program of the Academy through grant applications and other fundraising activities, and for the purpose of holding title to real and personal property and to make same available for use by the Academy and to otherwise provide facilities, equipment, and other physical plant and related support to the Academy. The Foundation is blended into the Academy’s financial statements as an enterprise fund. The Foundation does not issue separate financial statements.

The Academy is a component unit of the District. The majority of the Academy’s funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Academy. 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Academy has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

The Academy reports the following major governmental funds:

General Fund - This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund - This fund is used to account for specific revenue sources restricted for capital purposes, and the related expenditures.

The Academy reports one major proprietary fund, as follows:

Foundation - This fund is used to account for the financial activities of the Foundation, including fundraising and facilities acquisition and construction.

Assets, Liabilities and Fund Balances/Net Assets

Cash and Investments - Investments are reported at fair value. Cash equivalents are defined as investments with an original maturity of ninety days or less.

AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets (Continued)

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables/Payables - Receivables and payables between individual funds are classified in the fund financial statements as *interfund receivables* and *interfund payables*.

Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings and Improvements	45 years
Equipment and Furniture	3 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Deferred Revenue - Deferred revenues include resources received by the Academy before it has a legal claim to them and grant funds which have been collected but corresponding expenditures have not been incurred.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt issuance costs are deferred and amortized over the life of the debt using the straight-line method.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences - The Academy's policy allows employees to use ten days of personal and sick leave during each school year. Employees are compensated for any unused leave prior to year end at the rate of \$100 per day. Therefore, no liability for accumulated personal and sick leave is reported in the financial statements.

AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balances/Net Assets (Continued)

Net Assets/Fund Balances - In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial insurance for these risks of loss.

Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2009, cash and investments consisted of the following:

Petty Cash	\$ 400
Cash Deposits	1,169,941
Investments	<u>7,634,658</u>
Total	<u>\$ 8,804,999</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,172,533
Restricted Cash and Investments	<u>7,632,466</u>
Total	<u>\$ 8,804,999</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2009, the Academy had bank deposits of \$660,341 collateralized with securities held by the financial institution's agent but not in the Academy's name. The Foundation had uninsured, uncollateralized deposits of \$58,543.

AMERICAN ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity date of investments to five years from the date of purchase, unless the governing board authorizes an investment in excess of five years. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Local Government Investment Pool - At June 30, 2009, the Academy and the Foundation had \$2,192 and \$7,632,466, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2009, the Foundation has reported cash and investments of \$7,632,466 restricted for the building project and future debt service.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is summarized below.

	<u>Balances</u> 6/30/08	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/09
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment and Furniture	\$ 44,067	\$ -	\$ -	\$ 44,067
Accumulated Depreciation	(44,067)	-	-	(44,067)
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ -	\$ 192,876	\$ -	\$ 192,876
Construction in Progress	551,322	11,041,412	-	11,592,734
Business-Type Activities Capital Assets, Net	<u>\$ 551,322</u>	<u>\$ 11,234,288</u>	<u>\$ -</u>	<u>\$ 11,785,610</u>

AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE 4: LONG-TERM DEBT

Following is a summary of the long-term debt transactions for the year ended June 30, 2009:

	<u>Balances</u> 6/30/08	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/09	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Building Loan	\$ -	\$ 17,030,000	\$ -	\$ 17,030,000	\$ -
Discount	<u>-</u>	<u>(148,707)</u>	<u>-</u>	<u>(148,707)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 16,881,293</u>	<u>\$ -</u>	<u>\$ 16,881,293</u>	<u>\$ -</u>

In December, 2008, the Colorado Educational and Cultural Facilities Authority (“CECFA”) issued \$17,030,000 Charter School Revenue Bonds, Series 2008. Bond proceeds were loaned to the Foundation to construct educational facilities. The Academy is obligated under a lease agreement to make monthly lease payments to the Foundation for use of the facilities. The Foundation is required to make equal lease payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 6.25% to 7.125%. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2040. Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 1,269,075	\$ 1,269,075
2011	155,000	1,264,232	1,419,232
2012	165,000	1,254,232	1,419,232
2013	175,000	1,243,606	1,418,606
2014	185,000	1,232,357	1,417,357
2015 - 2019	1,110,000	5,967,875	7,077,875
2020 - 2024	1,545,000	5,519,875	7,064,875
2025 - 2029	2,215,000	4,839,417	7,054,417
2030 - 2034	3,150,000	3,880,755	7,030,755
2035 - 2039	4,535,000	2,450,576	6,985,576
2040 - 2041	<u>3,795,000</u>	<u>361,919</u>	<u>4,156,919</u>
Total	<u>\$ 17,030,000</u>	<u>\$ 29,283,919</u>	<u>\$ 46,313,919</u>

NOTE 5: INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2009, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	
Capital Reserve Fund	General Fund	\$ 380,602
Foundation	General Fund	<u>362,378</u>
Total		<u>\$ 742,980</u>

The Academy is required by State statute to allocate \$298 per funded pupil for insurance and capital expenditures, and complied with this requirement through a transfer to the Capital Reserve Fund. The General Fund contributed \$362,378 to the Foundation to assist with construction of the new facilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description - The Academy contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - Plan members and the Academy are required to contribute at a rate set by State statute. The contribution requirements of Plan members and the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8%. The Academy's contribution rate for calendar years 2007, 2008 and 2009 was 11.15%, 12.05% and 12.95% of covered salaries, respectively. A portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The Academy's contributions to the SDTF for the years ended June 30, 2009, 2008 and 2007 were \$192,477, \$160,188 and \$138,935, respectively, equal to the required contributions for each year.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The Academy is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF established under Title 24, Article 51, Section 208 of the CRS, as amended. The Academy's contributions to the HCTF for the years ended June 30, 2009, 2008 and 2007 were \$15,702, \$14,076 and \$13,001, respectively, equal to the required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Lease Commitment

In March 2008, the Academy entered into an operating lease for school facilities through October 31, 2009. In accordance with the lease, the School has provided a security deposit of \$12,000. Future minimum payments under the lease are as follows.

Year Ended June 30,

2010	<u>\$ 107,158</u>
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AMERICAN ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. At June 30, 2009, significant amounts of grant expenditures have not been audited but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenues received in excess of the limitations may be required to be refunded. The Academy believes it is in compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2009, the reserve, in the amount of \$121,000, was reported as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,429,527	\$ 3,369,659	\$ 3,360,751	\$ (8,908)
Mill Levy	51,585	48,353	48,305	(48)
District Capital Funding	128,236	141,878	141,878	-
Contributions	15,000	10,000	12,834	2,834
Tuition and Fees	340,075	281,010	255,507	(25,503)
Community Services	53,148	55,000	49,653	(5,347)
Investment Income	-	7,200	9,445	2,245
Other	1,000	5,000	35,066	30,066
Total Local Sources	<u>4,018,571</u>	<u>3,918,100</u>	<u>3,913,439</u>	<u>(4,661)</u>
Federal Sources				
Improving Teacher Quality	6,199	5,429	5,429	-
TOTAL REVENUES	<u>4,024,770</u>	<u>3,923,529</u>	<u>3,918,868</u>	<u>(4,661)</u>
EXPENDITURES				
Salaries	1,705,247	1,732,488	1,726,423	6,065
Employee Benefits	407,797	366,287	338,084	28,203
Purchased Services	876,691	984,613	997,667	(13,054)
Supplies and Materials	241,926	268,802	183,717	85,085
Property	67,000	397,378	21,091	376,287
Other	3,500	26,206	5,768	20,438
TOTAL EXPENDITURES	<u>3,302,161</u>	<u>3,775,774</u>	<u>3,272,750</u>	<u>503,024</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	722,609	147,755	646,118	498,363
OTHER FINANCING SOURCES (USES)				
Transfers Out	(446,475)	(330,526)	(742,980)	(412,454)
NET CHANGE IN FUND BALANCE	276,134	(182,771)	(96,862)	85,909
FUND BALANCE, Beginning	<u>824,087</u>	<u>812,811</u>	<u>812,811</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,100,221</u>	<u>\$ 630,040</u>	<u>\$ 715,949</u>	<u>\$ 85,909</u>

See the accompanying Independent Auditors' Report.

AMERICAN ACADEMY

BUDGETARY COMPARISON SCHEDULE

CAPITAL RESERVE FUND

Year Ended June 30, 2009

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
State Sources				
Capital Construction	\$ 104,949	\$ 104,949	\$ 54,873	\$ (50,076)
TOTAL REVENUES	<u>104,949</u>	<u>104,949</u>	<u>54,873</u>	<u>(50,076)</u>
EXPENDITURES				
Supporting Services				
Facilities Rent	<u>435,475</u>	<u>435,475</u>	<u>435,475</u>	<u>-</u>
TOTAL EXPENDITURES	<u>435,475</u>	<u>435,475</u>	<u>435,475</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(330,526)	(330,526)	(380,602)	(50,076)
OTHER FINANCING SOURCES				
Transfers In	<u>330,526</u>	<u>330,526</u>	<u>380,602</u>	<u>50,076</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds of the Academy on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year end.

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.