

## Appendix H:

# 2014 Audited Financial Statements

**ODYSSEY CHARTER SCHOOL**

**ANNUAL FINANCIAL REPORT**

***Year Ended June 30, 2014***

## **INTRODUCTORY SECTION**

## TABLE OF CONTENTS

|  | <u>Page No.</u> |
|--|-----------------|
| INTRODUCTORY SECTION   |                 |
| Table of Contents .....  | 1               |
| FINANCIAL SECTION  |                 |
| Independent Auditors' Report .....   | 3               |
| Management's Discussion and Analysis (Unaudited).....  | 5               |
| Basic Financial Statements   |                 |
| <b><i>Government-Wide Financial Statements</i></b>   |                 |
| Statement of Net Position .....  | 11              |
| Statement of Activities .....  | 12              |
| <b><i>Fund Financial Statements</i></b>  |                 |
| <i>Governmental Fund</i>   |                 |
| Balance Sheet .....  | 13              |
| Reconciliation of Total Governmental Fund Balance to Net Position of<br>Governmental Activities .....  | 14              |
| Statement of Revenues, Expenditures and Changes in Fund Balance.....   | 15              |
| Reconciliation of the Governmental Fund Statement of Revenues,<br>Expenditures and Changes in Fund Balance to the Statement of<br>Activities ..... | 16              |
| <b><i>Notes to the Basic Financial Statements</i></b> .....  | 17              |
| Required Supplementary Information   |                 |
| Budgetary Comparison Schedule .....  | 29              |
| Notes to the Required Supplementary Information .....  | 31              |

## TABLE OF CONTENTS

|  | <u>Page No.</u> |
|--|-----------------|
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER<br>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> ..... | 32              |
| SCHEDULE OF FINDINGS AND RESPONSES.....  | 34              |

## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Directors  
Odyssey Charter School  
Wilmington, Delaware

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Odyssey Charter School (a component unit of the State of Delaware) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Odyssey Charter School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 fund of the Odyssey Charter School as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and budgetary comparison information on pages 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

West Chester, Pennsylvania  
\_\_\_\_\_, 2014



**ODYSSEY CHARTER SCHOOL****STATEMENT OF NET POSITION***June 30, 2014*

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>                          |                                    |
| Cash and cash equivalents              | \$ 414,634                         |
| Receivables                            | <u>13,874</u>                      |
| Prepaid expenses                       | <u>261,938</u>                     |
| Capital assets                         |                                    |
| Nondepreciable                         | 873,649                            |
| Depreciable                            | 4,066,639                          |
| Accumulated depreciation               | <u>(1,041,764)</u>                 |
| TOTAL CAPITAL ASSETS                   | <u>3,898,524</u>                   |
| <br>TOTAL ASSETS                       | <br>\$ <u><u>4,588,970</u></u>     |
| <b>LIABILITIES AND NET POSITION</b>    |                                    |
| <b>LIABILITIES</b>                     |                                    |
| Accounts payable and accrued expenses  | \$ 1,227,936                       |
| Loans payable                          |                                    |
| Portion due or payable within one year | 154,251                            |
| Portion due or payable after one year  | 2,913,258                          |
| Accrued interest                       | 7,646                              |
| Unearned revenue                       | <u>70,894</u>                      |
| TOTAL LIABILITIES                      | <u>4,373,985</u>                   |
| <b>NET POSITION</b>                    |                                    |
| Net investment in capital assets       | 898,338                            |
| Unrestricted                           | <u>(683,353)</u>                   |
| TOTAL NET ASSETS                       | <u>214,985</u>                     |
| <br>TOTAL LIABILITIES AND NET POSITION | <br>\$ <u><u>4,588,970</u></u>     |

*See accompanying notes to the basic financial statements.*

**ODYSSEY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
*Year Ended June 30, 2014*

| Functions/Programs   | Expenses            | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|--|---------------------|-------------------------|--|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <b>GOVERNMENTAL ACTIVITIES</b>                               |                     |                         |  |  |  |
| Instructional services                                       | \$ 6,703,715        | \$ 272,211              | \$ 258,614                               | \$ -                                   | \$ (6,172,890)   |
| Supporting services  |                     |                         |  |  |  |
| Transportation   | 431,589             | -                       | -  | -                                      | (431,589)  |
| Operation and maintenance of<br>facilities                   | 1,650,004           | -                       | -  | -                                      | (1,650,004)  |
| Interest on long-term debt                                   | 187,461             | -                       | -  | -                                      | (187,461)  |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES</b>                     | <b>\$ 8,972,769</b> | <b>\$ 272,211</b>       | <b>\$ 258,614</b>                        | <b>\$ -</b>                            | <b>(8,441,944)</b>   |
| <b>GENERAL REVENUES</b>                                      |                     |                         |  |  |  |
| Charges to school districts                                  |                     |                         |  |  | 2,578,910  |
| Grants and contributions not restricted to specific programs |                     |                         |  |  | 4,710,370  |
| Miscellaneous  |                     |                         |  |  | 33,590   |
| <b>TOTAL GENERAL REVENUES</b>                                |                     |                         |  |  | <b>7,322,870</b>   |
| <b>SPECIAL ITEM</b>  |                     |                         |  |  |  |
| Loss on sale of property                                     |                     |                         |  |  | (181,502)  |
| <b>CHANGE IN NET POSITION</b>                                |                     |                         |  |  | <b>(1,300,576)</b>   |
| <b>NET POSITION AT BEGINNING OF YEAR</b>                     |                     |                         |  |  | <b>1,515,561</b>   |
| <b>NET POSITION AT END OF YEAR</b>                           |                     |                         |  |  | <b>\$ 214,985</b>  |

See accompanying notes to the basic financial statements.

**ODYSSEY CHARTER SCHOOL****BALANCE SHEET****GOVERNMENTAL FUND***June 30, 2014*

|   | <u>General<br/>Fund</u>  |
|---|--------------------------|
| <b>ASSETS</b>                             |                          |
| Cash and cash equivalents                 | \$ 414,634               |
| Receivables                               | 13,874                   |
| Prepaid expenses                          | <u>261,938</u>           |
| <b>TOTAL ASSETS</b>                       | <b>\$ <u>690,446</u></b> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                          |
| <b>LIABILITIES</b>                        |                          |
| Accounts payable                          | \$ 176,971               |
| Accrued salaries and related costs        | 1,050,965                |
| Accrued interest                          | 7,646                    |
| Unearned revenue                          | <u>70,894</u>            |
| <b>TOTAL LIABILITIES</b>                  | <b><u>1,306,476</u></b>  |
| <b>FUND BALANCE</b>                       |                          |
| Nonspendable, prepaid items               | 261,938                  |
| Unassigned                                | <u>(877,968)</u>         |
| <b>TOTAL FUND BALANCE</b>                 | <b><u>(616,030)</u></b>  |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ <u>690,446</u></b> |

*See accompanying notes to the basic financial statements.*

# ODYSSEY CHARTER SCHOOL

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2014

TOTAL GOVERNMENTAL FUND BALANCE \$ (616,030)

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund. These assets consist of:

|                          |             |
|--------------------------|-------------|
| Nondepreciable           | 873,649     |
| Depreciable              | 4,066,639   |
| Accumulated depreciation | (1,041,764) |

Some liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:

|                           |                    |
|---------------------------|--------------------|
| Loans payable             |                    |
| Due within one year       | (154,251)          |
| Due in more than one year | <u>(2,913,258)</u> |

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 214,985

See accompanying notes to the basic financial statements.

**ODYSSEY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
*Year Ended June 30, 2014*

|   | <u>General<br/>Fund</u>    |
|---|----------------------------|
| <b>REVENUES</b>                                 |                            |
| State support                                   | \$ 4,710,370               |
| Federal support                                 | 164,534                    |
| Charges to school districts                     | 2,578,910                  |
| Charges for services and contributions          | 366,291                    |
| Miscellaneous                                   | <u>33,590</u>              |
| <b>TOTAL REVENUES</b>                           | <u>7,853,695</u>           |
| <b>EXPENDITURES</b>                             |                            |
| Current   |                            |
| Instructional services                          | 6,369,785                  |
| Supporting services                             |                            |
| Operation and maintenance of facilities         | 1,526,508                  |
| Transportation                                  | 431,589                    |
| Debt service                                    |                            |
| Interest and other charges                      | 187,461                    |
| Principal                                       | 2,347,704                  |
| Capital outlays                                 | <u>763,688</u>             |
| <b>TOTAL EXPENDITURES</b>                       | <u>11,626,735</u>          |
| <b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b> | (3,773,040)                |
| <b>OTHER FINANCING SOURCES AND (USES)</b>       |                            |
| Proceeds from long-term debt                    | 775,000                    |
| Proceeds for sale of property                   | 2,000,000                  |
| Loss from sale of property                      | <u>(181,502)</u>           |
| <b>TOTAL FINANCING SOURCES</b>                  | 2,593,498                  |
| <b>NET CHANGE IN FUND BALANCE</b>               | (1,179,542)                |
| <b>FUND BALANCE AT BEGINNING OF YEAR</b>        | <u>563,512</u>             |
| <b>FUND BALANCE AT END OF YEAR</b>              | <u><u>\$ (616,030)</u></u> |

*See accompanying notes to the basic financial statements.*

# ODYSSEY CHARTER SCHOOL

## RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ (1,179,542)

Capital outlays are reported in the Governmental Fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

|                               |           |
|-------------------------------|-----------|
| Capital outlays               | 763,688   |
| Depreciation and amortization | (457,426) |

Proceeds from notes payable is a revenue item in the Governmental Fund, but this amount increases the long-term liabilities in the statement of net position. (775,000)

Repayment of debt is an expenditure in the Governmental Fund, but the repayment reduces long-term liabilities in the statement of net position. 2,347,704

Proceeds from sale of property is a revenue in the Governmental Fund, but resulted in reduction of capital assets in the statement of net position. (2,000,000)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,300,576)

See accompanying notes to the basic financial statements.

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Charter School**

Odyssey Charter School's (the "School") mission is to prepare students for a lifelong enthusiasm for learning, a keen awareness of world citizenship and an ability to think independently and creatively through participation in a focused foreign language immersion program. The curriculum integrates the learning of a second language, along with the English language, to teach a rigorous curriculum of reading, writing, math, science and social studies. The School currently serves grades K to 6.

The School is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions--most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state and federal funds, they may not charge tuition.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

**Reporting Entity**

The School, which opened in September 2006, was established to provide a unique learning environment to students. The School is considered to be a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's (the "State") operations. The School has no component units for which it is considered to be financially accountable.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School.

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

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

Separate financial statements are provided for the Governmental Fund.

**Measurement Focus, Basis of Accounting and Financial Statement Preparation**

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The School reports the following major Governmental Fund:

- The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

**Cash and Cash Equivalents**

Except for the fund-raising cash account, cash and cash equivalents of the School are controlled by the State Treasurer's Office in Dover, Delaware. The fund-raising cash account is controlled by the School.

**Capital Assets**

It is the School's policy to capitalize items of equipment and furnishings that have a per unit acquisition cost of \$1,000 or more, computer hardware having a per unit price of \$25 or more and textbook or library books. The cost of normal repairs and maintenance that does not add to the value of the asset or materially extend the life of the asset is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.



**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

For leasehold improvements acquired in connection with the operating lease on the school building, the amortization period is the shorter of the useful life of the leasehold improvement or the lease term (including reasonably assured renewal periods), which is 22 years.

For office and school furniture, the useful life is five years.

For books and educational materials, the useful life is three years.

All assets are depreciated using the straight-line method and a half-year convention.

**Compensated Absences**

Vacation and sick pay plus related payroll taxes are accrued when earned in the government-wide financial statements.

**Vacation** - Vacation must be taken and cannot be accumulated from year to year. Employees are paid for unused vacation upon termination, retirement, etc., at the current rate of pay.

**Sick Leave** - Sick leave allowances cannot be accumulated from year to year.

There were no compensated absences as of June 30, 2014.

**Fund Balance**

In the fund financial statements, the Governmental Fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the Governmental Fund can be spent. The classifications used in the Governmental Fund financial statements are as follows:

- **Nonspendable** - This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** - This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School has classified deferred grant revenue as being restricted because its use is restricted by the federal government.

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

- **Committed** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2014.
- **Assigned** - This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to the School management through the budgetary process. The School did not have any assigned fund balance as of June 30, 2014.
- **Unassigned** - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

**Income Tax**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The School believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The School's federal Return of Organization Exempt From Income Tax (Form 990) for tax years 2010, 2011 and 2012 is subject to examination by the IRS, generally for three years after the tax returns were filed; however, there are currently no audits in progress for any tax periods.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE B CASH AND CASH EQUIVALENTS**

At June 30, 2014, the School has a cash and cash equivalents balance of \$414,634. Of that amount, \$(883) is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware. All investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the state investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

The bank balance of cash deposits is insured by the Federal Deposit Insurance Corporation (FDIC), and, therefore, there is no custodial credit risk for these cash deposits.

**NOTE C CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is as follows:

|  | Beginning<br>Balance | Increases         | Decreases           | Ending<br>Balance   |
|--|----------------------|-------------------|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                         |                      |                   |                     |                     |
| Capital assets not being depreciated                   |                      |                   |                     |                     |
| Land   | \$ 2,014,641         | \$ -              | \$ 1,821,696        | \$ 192,945          |
| Construction in progress                               | 272,691              | 619,991           | 211,978             | 680,704             |
| <b>TOTAL CAPITAL ASSETS<br/>NOT BEING DEPRECIATED</b>  | <b>2,287,332</b>     | <b>619,991</b>    | <b>2,033,674</b>    | <b>873,649</b>      |
| Capital assets being depreciated                       |                      |                   |                     |                     |
| Building and leasehold improvements                    | 3,896,647            | 2,750             | 635,606             | 3,263,791           |
| Furniture and equipment                                | 307,050              | 113,047           | -                   | 420,097             |
| Books  | 354,851              | 27,900            | -                   | 382,751             |
| <b>TOTAL CAPITAL ASSETS<br/>BEING DEPRECIATED</b>      | <b>4,558,548</b>     | <b>143,697</b>    | <b>635,606</b>      | <b>4,066,639</b>    |
| Accumulated depreciation                               |                      |                   |                     |                     |
| Building and leasehold improvements                    | (747,319)            | (352,090)         | (635,606)           | (463,803)           |
| Furniture and equipment                                | (206,284)            | (49,848)          | -                   | (256,132)           |
| Books  | (265,231)            | (56,598)          | -                   | (321,829)           |
| <b>TOTAL ACCUMULATED<br/>DEPRECIATION</b>              | <b>(1,218,834)</b>   | <b>(458,536)</b>  | <b>(635,606)</b>    | <b>(1,041,764)</b>  |
| <b>TOTAL CAPITAL ASSETS<br/>BEING DEPRECIATED, net</b> | <b>3,339,714</b>     | <b>(314,839)</b>  | <b>-</b>            | <b>3,024,875</b>    |
| <b>GOVERNMENTAL ACTIVITIES<br/>CAPITAL ASSETS, net</b> | <b>\$ 5,627,046</b>  | <b>\$ 305,152</b> | <b>\$ 2,033,674</b> | <b>\$ 3,898,524</b> |

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

Depreciation expense is \$458,536 for the year ended June 30, 2014, of which \$335,040 is included in instructional and \$123,496 is included in supporting services on the statement of activities.

**NOTE D LEASING ARRANGEMENTS**

The School leases its school building at Barley Mill Plaza under an operating lease with Barley Mill, LLC. The lease began March 1, 2014, and has a term of one year with an option to renew annually.

The School also leases a modular building under a term of three years. The lease provides for monthly payments of \$3,498, beginning in August 2013 and expiring in August 2016. The School is required to make a one-time payment of \$90,945 for the delivery and installation of the building.

Rental expense for the year ended June 30, 2014, was \$512,417.

The following is a schedule by years of future minimum rentals under the leases at June 30, 2014:

| <u>Year Ending<br/>June 30,</u> |                   |
|---------------------------------|-------------------|
| 2015                            | \$ 823,307        |
| 2016                            | 41,976            |
| 2017                            | <u>5,247</u>      |
|                                 | <u>\$ 870,530</u> |

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE E      PENSION PLAN**

School employees are considered State employees and are covered under the State's pension program. The State contributed 20.28% for fiscal 2014 of the State's share of the employees' salaries. The School contributed the same percentage on the local share of the salary. The employees contribute 3% of salary in excess of \$6,000. The School's contribution was \$529,872.

Certain significant plan provisions are as follows:

- **Early Retirement**
  - 15 years service - age 55
  - 25 years service - any age
- **Service Retirement**
  - 15 years service - age 60
  - 30 years service - any age
  - 5 years service - age 62
- **Disability Retirement**
  - 5 years service and proof of disability
- **Vested Pension**
  - An employee can vest pension rights after five years of service if hired prior to January 1, 2012.
  - Post 2011, an employee can vest pension rights after ten years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) Comprehensive Annual Financial Report. This report may be obtained by writing DPERS at the McArdle Building, 860 Silver Lake Boulevard, Suite 1, Dover, DE 19904, by calling 1-800-722-7300, or by visiting the website at [www.delawarepensions.com/information/financials.shtml](http://www.delawarepensions.com/information/financials.shtml).

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE F COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

**Grants**

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

**NOTE G RISK MANAGEMENT**

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

**NOTE H DONATED SERVICES**

The School received volunteer services from a Board member who served as the office administrator. For fiscal year 2014, the estimated fair market value of the donated service was \$-.

The School also received instructional services from Greek teachers. These services were paid by the Embassy of Greece. For fiscal year 2014, the estimated fair market value of the donated services was \$-.

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

**NOTE I      LOANS PAYABLE**

Loans payable as of June 30, 2014, are as follows:

|   |                            |
|---|----------------------------|
| Term loan with a bank, interest of 4.5% per annum, paid in monthly installments of \$2,544.94 with the remaining balance due March 2019   | \$ 396,853                 |
| Term loan with a bank, interest only through March 2010, after that 108 monthly payments of principal and interest based on a 25-year amortization schedule with the remaining balance due March 2019, secured by the building, interest at prime plus .50% | 2,086,086                  |
| Term loan with a bank, interest at prime plus 0.5% per annum (4.50% at June 30, 2013), paid in monthly installments of \$7,002.61 with the remaining balance June 2019, secured by the building   | 375,000                    |
| Term loan with a bank, interest at prime plus 0.5% per annum (4.25% at June 30, 2013), paid in monthly installments of \$2,363.08 with the remaining balance due May 2023   | <u>209,570</u>             |
|   | <u>3,067,509</u>           |
| Current portion   | <u>(154,251)</u>           |
|   | <u><u>\$ 2,913,258</u></u> |

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2014*

Debt service activity for the year ended June 30, 2014, is as follows:

|               | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>     | <u>Ending<br/>Balance</u> |
|---------------|------------------------------|-------------------|-----------------------|---------------------------|
| Loans payable | \$ <u>4,640,213</u>          | \$ <u>775,000</u> | \$ <u>(2,347,704)</u> | \$ <u>3,067,509</u>       |

Annual debt service requirements to maturity are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Totals</u>       |
|---------------------------------|---------------------|-------------------|---------------------|
| 2015                            | 154,251             | 147,901           | 302,152             |
| 2016                            | 162,034             | 143,247           | 305,281             |
| 2017                            | 170,274             | 138,292           | 308,566             |
| 2018                            | 178,921             | 138,665           | 317,586             |
| 2019                            | 2,300,047           | 99,337            | 2,399,384           |
| Thereafter                      | <u>101,982</u>      | <u>9,042</u>      | <u>111,024</u>      |
|                                 | \$ <u>3,067,509</u> | \$ <u>676,484</u> | \$ <u>3,743,993</u> |



**REQUIRED SUPPLEMENTARY INFORMATION**

**ODYSSEY CHARTER SCHOOL**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended June 30, 2014*

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance With<br>Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
|   | Original          | Final             | Budgetary<br>Basis  | Positive<br>(Negative)        |
| <b>CASH INFLOWS</b>   |                   |                   |                     |                               |
| State receipts  | \$ 4,645,069      | \$ 4,645,069      | \$ 4,710,370        | \$ 65,301                     |
| Grants (local and federal)  | 207,362           | 207,362           | 158,537             | (48,825)                      |
| Interest income FSF   | 4,178             | 4,178             | 2,948               | (1,230)                       |
| School district receipts  | 3,026,430         | 3,026,430         | 2,578,910           | (447,520)                     |
| Before and after care   | 211,925           | 211,925           | 268,749             | 56,824                        |
| Milk Income   | 22,474            | 22,474            | 21,059              | (1,415)                       |
| Fund-raising/donations  | 55,172            | 55,172            | 94,080              | 38,908                        |
| Rebates/commissions   | 14,004            | 14,004            | 30,642              | 16,638                        |
| <b>TOTAL CASH INFLOWS</b>   | <b>8,186,614</b>  | <b>8,186,614</b>  | <b>7,865,295</b>    | <b>(321,319)</b>              |
| <b>CASH OUTFLOWS</b>  |                   |                   |                     |                               |
| Payroll and related costs   | 5,227,296         | 5,227,296         | 5,700,172           | (472,876)                     |
| Therapists/psychologist   | 155,826           | 155,826           | 147,723             | 8,103                         |
| Student testing   | 8,182             | 8,182             | 14,296              | (6,114)                       |
| Student transportation  | 383,585           | 383,585           | 423,272             | (39,687)                      |
| Field trips   | 2,997             | 2,997             | 5,914               | (2,917)                       |
| Advertising   | 3,300             | 3,300             | 4,776               | (1,476)                       |
| Professional services   | 122,165           | 122,165           | 143,788             | (21,623)                      |
| Telephone/T1 line   | 10,020            | 10,020            | 10,709              | (689)                         |
| Alarm/monitor/fire  | 3,635             | 3,635             | 2,425               | 1,210                         |
| Office supplies   | 33,180            | 33,180            | 44,432              | (11,252)                      |
| Instructional/school supplies                                       | 101,422           | 101,422           | 134,271             | (32,849)                      |
| Medical supplies  | 2,400             | 2,400             | 861                 | 1,539                         |
| Milk  | 16,800            | 16,800            | 34,015              | (17,215)                      |
| Miscellaneous   | 112,263           | 112,263           | 17,264              | 94,999                        |
| Postage   | 1,192             | 1,192             | 5,718               | (4,526)                       |
| Copiers   | 19,669            | 19,669            | 19,242              | 427                           |
| Replacement/miscellaneous books                                     | 2,520             | 2,520             | 3,015               | (495)                         |
| Small equipment/furniture   | 9,000             | 9,000             | 3,160               | 5,840                         |
| Utilities   | 84,479            | 84,479            | 91,055              | (6,576)                       |
| Water and sewer   | 9,852             | 9,852             | 9,819               | 33                            |
| Cleaning services   | 124,910           | 124,910           | 122,294             | 2,616                         |
| Janitorial supplies   | 15,108            | 15,108            | 19,083              | (3,975)                       |
| Trash removal   | 11,886            | 11,886            | 15,565              | (3,679)                       |
| Exterminating services  | 3,425             | 3,425             | 2,690               | 735                           |
| Landscaping/walkway/fence   | 6,000             | 6,000             | 6,053               | (53)                          |
| Insurance   | 20,664            | 20,664            | 29,669              | (9,005)                       |
| Travel/conferences  | 7,331             | 7,331             | 5,883               | 1,448                         |
| Building maintenance and repairs                                    | 58,596            | 58,596            | 69,784              | (11,188)                      |
| Capital additions   | 457,690           | 457,690           | 221,441             | 236,249                       |
| Rent  | 568,951           | 568,951           | 1,060,680           | (491,729)                     |
| Modular units   | -                 | -                 | 98,626              | (98,626)                      |
| Debt service  | 208,729           | 208,729           | 164,997             | 43,732                        |
| Contingency reserve   | 224,113           | 224,113           | -                   | 224,113                       |
| <b>TOTAL CASH OUTFLOWS</b>  | <b>8,017,186</b>  | <b>8,017,186</b>  | <b>8,632,692</b>    | <b>(615,506)</b>              |
| <b>EXCESS/(DEFICIENCY)<br/>OF INFLOWS OVER<br/>OUTFLOWS FORWARD</b> | <b>\$ 169,428</b> | <b>\$ 169,428</b> | <b>\$ (767,397)</b> | <b>\$ (936,825)</b>           |

**ODYSSEY CHARTER SCHOOL**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
*Year Ended June 30, 2014*

**NOTE A BASIS OF ACCOUNTING**

The School's budget is prepared on the cash basis of accounting. The amount reported as "net change in fund balance" on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. This amount differs from the "net change in fund balance" reported on the statement of revenues, expenditures and changes in fund balance, Governmental Fund on page 15.

That statement is prepared on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the net change in fund balance per the budgetary basis to the net change in fund balance per the modified accrual basis.

|  |                       |
|--|-----------------------|
| CHANGE IN FUND BALANCE, BUDGETARY BASIS        | \$ (767,397)          |
| Loss on sale of property                       | (181,502)             |
| Net increase in prepaids                       | 213,052               |
| Decrease in receivables                        | (17,596)              |
| Net increase in accounts payable               | (131,647)             |
| Net increase in accrued liabilities            | (300,449)             |
| Net decrease in deferred revenue               | <u>5,997</u>          |
| CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS | <u>\$ (1,179,542)</u> |

**NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures were funded by various revenues that were over budget in the General Fund and fund balance carried over from the prior year.