

## **AUDITED FINANCIAL STATEMENTS**

## **SUMMARY OF AUDIT FINDINGS**

## **Audit Summary**

### **FY 2011:**

Finding 01: Management was unable to provide documentation to support checks totaling \$208,000 to Universal Education Resources (UER), a management company setup by the former executive director. The company paid bills on behalf of the Academy, then billed the Academy and charged a management fee for its services. During November 2010, the Academy went under State review and all payments to UER ceased. Auditors confirmed that \$196,000 of the amounts paid UER during 2011 were for rent and utilities.

Finding 02: The opening balance for grants received was \$355,000 of which \$107,000 remained. The expenditure balance was audited but not the original expense. The Academy represented that the original expenses were in accordance with the terms of the original grant. For the time related to the documentation in question, the Academy did not have a documented accounting policy and procedures manual or a record retention policy.

Recommendation for Findings 01 and 02: Management should retain copies of all supporting documentation related to income and expenditures so that sufficient audit records are maintained.

### **Corrective Action Taken:**

Finding 01: UER was contracted from August 2010 to December 2010. As of January 2011, a Business Manager position was created to handle all financial processing and reporting. All supporting financial documentation is currently maintained on-site.

Finding 02: An accounting policy and procedures manual has been created and the Academy is currently following the State's retention policy.

Finding 03: Management did not track fixed assets purchased since the Academy did not have a documented capitalization policy or a documented method of tracking fixed asset purchases and disposals.

Corrective Action Taken: A method of tracking fixed assets additions and disposals has been implemented.

Finding 04: Board meetings were either not documented at all or information presented was limited in the summaries. The recommendation was for the Academy to establish a procedure for written documentation of each meeting and ensure a detailed summary of each topic discussed. The financials should be reviewed, at a minimum, on a quarterly basis and documentation of the review be included in the minutes.

Corrective Action Taken: In January 2011, a new Board of Directors was created and a secretary appointed. The secretary, since that time, has created Board minutes and financial documents are reviewed at each meeting.

Finding 05: Information provided to the Academy's employees from the State of Delaware made it difficult for the Academy to follow and ascertain useful information to generate an accurate trial balance. In addition, expenses of approximately \$18,000 were booked but unable to be audited. The recommendation was for the Academy to work with the State's offices and determine a method for obtaining the necessary data for accurate preparation of trial balances and related financial reports.

Corrective Action Taken: A response was not provided.

FY 2012 and 2013 (included in one Financial report)

There are no current year findings. Findings 1-4 from 2011 were satisfied. However, Finding 05 was continued from FY2011 with an additional Effect citing the Academy's cash balance:

The Academy is unable to determine the amount of cash on-hand with the State. Furthermore, neither the State's Treasurer or its Finance office was able to confirm the amount of cash on-hand belonging to the Academy. However, during 2013, the State issued reports allowing the Academy to determine its cash balances. The Academy restated its cash balances for the affected years and the finding was resolved.

The Policies and Procedures Manual and the Fixed Asset Methodology will be made available upon request.

FY 2014

*There are no current or prior year findings.*



**FISCAL YEAR 2014 AUDITED FINANCIAL STATEMENTS**

REACH ACADEMY FOR GIRLS, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Reach Academy for Girls, Inc.  
Wilmington, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Reach Academy for Girls, Inc. (the Academy), a component unit of the State of Delaware, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board of Directors  
Reach Academy for Girls, Inc.

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, each major fund, and the aggregate remaining fund information of the Academy as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

As discussed in NOTE A, the financial statements present only the Academy. These financial statements do not purport to, and do not, present fairly the financial position of the State of Delaware as of June 30, 2014 and 2013, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 22 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 audits 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

To the Board of Directors  
Reach Academy for Girls, Inc.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Reach Academy For Girls, Inc.'s basic financial statements. The combined balance sheet, combined schedule of revenue, expenditures and changes in fund balances, and schedules of expenditures by natural classification are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combined balance sheet, combined schedule of revenue, expenditures and changes in fund balances, and schedules of expenditures by natural classification are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William E. J. and W., PA", is written over a horizontal line.

August 27, 2014  
Wilmington, Delaware

REACH ACADEMY FOR GIRLS, INC.

STATEMENTS OF NET ASSETS

June 30, 2014 and 2013

ASSETS

	2014	2013
	Primary	Primary
	Government	Government
	Governmental	Governmental
	Activities	Activities
CURRENT ASSETS		
Cash and pooled investments	\$ 1,057,008	\$ 1,194,912
Due from other government – current portion	-	959
Prepaid expense	60,000	-
Total current assets	1,117,008	1,195,871
NONCURRENT ASSETS		
Capital assets – net of depreciation	119,919	121,889
Due from other government	40,260	48,507
Security deposit	42,000	20,000
Total noncurrent assets	202,179	190,396
TOTAL ASSETS	\$ 1,319,187	\$ 1,386,267

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 32,789	\$ 30,090
Accrued salaries and related costs	108,542	88,073
Total current liabilities	141,331	118,163
NONCURRENT LIABILITIES		
Compensated absences	40,260	48,507
Total noncurrent liabilities	40,260	48,507
Total liabilities	181,591	166,670
NET ASSETS		
Invested in capital assets	119,919	121,889
Unrestricted	1,017,677	1,097,708
Total net assets	1,137,596	1,219,597
TOTAL LIABILITIES AND NET ASSETS	\$ 1,319,187	\$ 1,386,267

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



REACH ACADEMY FOR GIRLS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2014 and 2013

2014

					Net (Expense) Revenue and Change in Net Assets
					Primary
					Government
					Total
					Governmental
					Activities
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (3,583,830)	\$ -	\$ -	\$ -	\$ (3,583,830)
Support services					
Operation and maintenance of facilities	(1,285,154)	-	124,539	-	(1,160,615)
Transportation	(388,405)	-	-	-	(388,405)
School food services	(264,251)	190,525	-	-	(73,726)
Total governmental activities	\$ (5,521,640)	\$ 190,525	\$ 124,539	\$ -	(5,206,576)
GENERAL REVENUES					
Charges to school districts					1,770,446
Payments from primary government					3,291,523
Fundraising and events					21,551
Before and aftercare					41,055
Total general revenue					5,124,575
Change in net assets					(82,001)
Net assets – beginning of year					1,219,597
Net assets – end of year					\$ 1,137,596

2013

					Net (Expense) Revenue and Change in Net Assets
			Program Revenues		Primary Government
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (2,676,110)	\$ -	\$ -	\$ -	\$ (2,676,110)
Support services					
Operation and maintenance of facilities	(716,260)	-	241,958	-	(474,302)
Transportation	(336,304)	-	-	-	(336,304)
School food services	(172,637)	63,202	-	-	(109,435)
Total governmental activities	<u>\$ (3,901,311)</u>	<u>\$ 63,202</u>	<u>\$ 241,958</u>	<u>\$ -</u>	<u>(3,596,151)</u>
GENERAL REVENUES					
					1,491,065
Charges to school districts					2,710,170
Payments from primary government					15,566
Fundraising events					11,244
Before and aftercare					
Total general revenue					<u>4,228,045</u>
Change in net assets					631,894
Net assets – beginning of year					<u>587,703</u>
Net assets – end of year					<u>\$ 1,219,597</u>

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

REACH ACADEMY FOR GIRLS, INC.

BALANCE SHEETS – GOVERNMENTAL FUNDS

June 30, 2014 and 2013

	ASSETS	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and pooled investments	\$ 1,057,008	\$ 1,194,912
Due from other government	-	959
Prepaid expense	<u>60,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,117,008</u>	<u>\$ 1,195,871</u>
	LIABILITIES AND FUND BALANCES	
LIABILITIES		
Accounts payable	\$ 32,789	\$ 30,090
Accrued salaries and related costs	<u>108,542</u>	<u>88,073</u>
Total liabilities	141,331	118,163
FUND BALANCES		
Unassigned	<u>975,677</u>	<u>1,077,708</u>
Total fund balances	<u>975,677</u>	<u>1,077,708</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,117,008</u>	<u>\$ 1,195,871</u>

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

REACH ACADEMY FOR GIRLS, INC.

RECONCILIATION OF BALANCE SHEETS –  
GOVERNMENTAL FUNDS TO STATEMENTS OF NET ASSETS

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$ 975,677	\$ 1,077,708
The amounts reported for governmental activities in the statement of net assets are different because:		
Long-term assets applicable to governmental activities are not due and receivable in the current period and, therefore, are not reported as fund assets.	82,260	68,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net assets.	119,919	121,889
Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities.		
Those liabilities consist of:		
Compensated absences	<u>(40,260)</u>	<u>(48,507)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	\$ <u><u>1,137,596</u></u>	\$ <u><u>1,219,597</u></u>

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

REACH ACADEMY FOR GIRLS, INC.

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Charges to school districts	\$ 1,770,446	\$ 1,491,065
State aid	3,291,523	2,710,170
Federal aid	124,539	241,958
School food services – charges for services	190,525	63,202
Miscellaneous revenues	<u>62,606</u>	<u>26,810</u>
Total revenue	5,439,639	4,533,205
EXPENDITURES		
Current		
Instructional services	3,583,830	2,676,110
Operation and maintenance of facilities	1,261,557	676,866
Transportation	388,405	336,304
School food services	264,251	172,637
Capital outlays		
Leasehold improvements	9,985	-
Furniture and fixtures	-	-
Equipment	<u>33,642</u>	<u>-</u>
Total expenditures	<u>5,541,670</u>	<u>3,861,917</u>
Net changes in fund balances	(102,031)	671,288
Fund balances – beginning of year	<u>1,077,708</u>	<u>406,420</u>
Fund balances – end of year	<u>\$ 975,677</u>	<u>\$ 1,077,708</u>

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

REACH ACADEMY FOR GIRLS, INC.

RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ (102,031)	\$ 671,288
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenues reported in the statement of activities are not available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds.		
Security deposit	22,000	-
Due from State of Delaware	40,260	48,507
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized, and the cost is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlays	43,627	-
Depreciation expense	<u>(45,597)</u>	<u>(39,394)</u>
	(1,970)	(39,394)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	<u>(40,260)</u>	<u>(48,507)</u>
CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ (82,001)</u>	<u>\$ 631,894</u>

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

REACH ACADEMY FOR GIRLS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Reporting Entity – Reach Academy for Girls, Inc. (the Academy) is the primary government and is considered a component unit of the State of Delaware (the State). A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations.

The Academy was incorporated as a 501(c)(3) not-for-profit corporation for the purpose of providing education to students in grades K through 8. The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles 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 Academy are described below.

2. Entity-wide Financial Statements

The entity-wide financial statements (the statements of net assets and the statements of activities) report information on all of the nonfiduciary activities of the Academy.

The statements of activities demonstrate 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 function. *Program revenues* include charges to students who directly benefit from or purchase goods and services provided, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenues.

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Entity-wide financial statements – The entity-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to 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.

Governmental fund financial statements – 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 Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and post-employment healthcare benefits, are recorded only when payment is due.

Charges to school districts and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Academy receives cash.

The Academy reports the following major governmental fund:

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

Amounts reported as program revenues may include: (1) charges to students for special fees, materials, supplies or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

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



NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Data

Budgets are adopted on the modified accrual basis of accounting for the general fund. Annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Budgetary comparison information for the general fund is included on page 22 of the financial statements.

5. Encumbrances

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2014 and 2013, the Academy had no outstanding encumbrances..

6. Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

7. Cash and Pooled Investments

The cash and pooled investments of the Academy include amounts held by the State of Delaware as part of the State Investment Pool and cash deposits held at financial institutions in accordance with the State's Cash Management Policy and Guidelines for Investments. At June 30, 2014 and 2013, the Academy had cash and pooled investments of \$1,057,008 and \$1,194,912, respectively. The cash and pooled investments are controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and any investment decisions are made by the State Treasurer's Office. Credit risk for such investments depends on the financial stability of the State of Delaware. See the State of Delaware Comprehensive Annual Financial Report for more information.

8. Capital Assets and Depreciation

Capital assets, which include furniture and equipment, are reported in the entity-wide financial statements. The Academy defines a capital asset as an asset with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The interest cost incurred during the construction period is capitalized. Capital assets are depreciated using the straight-line method over their useful lives ranging between 5 to 20 years.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. A liability for these amounts is reported in the governmental funds only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation – Twelve-month employees are provided a number of vacation days individually based on that employee's position and contractual arrangement. There is no limit to the number of days that can be carried over from year to year. Employees are paid for unused vacation upon resignation or retirement at the current rate of pay.

Sick Leave – Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees and 12 days for 12-month employees. Any unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is received (1) when the employee qualifies and applies for State pension and is paid at a rate of 50% of the *per diem* rate of pay not to exceed 120 days or (2) in case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 120 days.

10. Donated Materials and Services

Donated services, materials and equipment are reflected as contributions in the accompanying statements at their estimated value at the date of receipt. When received, the value placed on these services is the value allowed for matching funds by the United States Government.

11. Income Taxes

The Academy is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*. However, income from certain activities not directly related to the Academy's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Academy 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 Academy adheres to ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2010, 2011 and 2012 tax years are open and subject to examination by the Internal Revenue Service. However, the Academy is not currently under audit nor has the Academy been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Fund Balance / Net Assets

Beginning with fiscal year 2011, the Academy implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Academy itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Academy takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Academy intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Furthermore, all net assets are restricted per enabling legislation.

13. Subsequent Events

The Academy has evaluated all subsequent events through August 27, 2014, the date the financial statements were available to be issued.

## NOTE B – CAPITAL ASSETS

Capital assets activity follows for the fiscal years ended June 30:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Governmental Activities			
Capital assets being depreciated			
Leasehold improvements	\$ 27,553	\$ 9,985	\$ 37,538
Furniture and equipment	<u>192,485</u>	<u>33,642</u>	<u>226,127</u>
Total capital assets being depreciated	220,038	43,627	263,665
Less: accumulated depreciation			
Leasehold improvements	(5,096)	(3,335)	(8,431)
Furniture and equipment	<u>(93,053)</u>	<u>(42,262)</u>	<u>(135,315)</u>
Total accumulated depreciation	<u>(98,149)</u>	<u>(45,597)</u>	<u>(143,746)</u>
Capital assets being depreciated – net	<u>\$ 121,889</u>	<u>\$ (1,970)</u>	<u>\$ 119,919</u>
	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Governmental Activities			
Capital assets being depreciated			
Leasehold improvements	\$ 27,553	\$ -	\$ 27,553
Furniture and equipment	<u>192,485</u>	<u>-</u>	<u>192,485</u>
Total capital assets being depreciated	220,038	-	220,038
Less: accumulated depreciation			
Leasehold improvements	(3,260)	(1,836)	(5,096)
Furniture and equipment	<u>(55,495)</u>	<u>(37,558)</u>	<u>(93,053)</u>
Total accumulated depreciation	<u>(58,755)</u>	<u>(39,394)</u>	<u>(98,149)</u>
Capital assets being depreciated – net	<u>\$ 161,283</u>	<u>\$ (39,394)</u>	<u>\$ 121,889</u>

## NOTE C – PENSION PLAN

School employees are considered State employees and are covered under the State's pension program. The Academy paid all of the pension contributions on behalf of its employees. The employees contribute 3% of salary in excess of \$6,000 up to social security maximum and 3% for any salary above social security maximum. The Academy's pension expense for the years ended June 30, 2014 and 2013 was \$379,274 and \$294,410, respectively, and is included in the financial statements.

Certain significant plan provisions follow:

### Early retirement

- a. 15 years' service – age 55 (reduced by 0.2% for each month under age 60)
- b. 25 years' service – any age (reduced by 0.2% for each month short of 30 years)

### Service retirement

- a. 15 years' service – age 60
- b. 30 years' service – any age
- c. 5 years' service – age 62

### Disability retirement

- a. 5 years' service and proof of disability

Vested pension – An employee can vest pension rights after 5 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 Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

## NOTE D – 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 Academy does not anticipate losses from these transactions.

Grants Activity – The Academy receives financial assistance from federal agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the Academy.

#### NOTE E – MAJOR CONTRIBUTOR / STATE AID

Net funding included funds received from the State of Delaware which was a major contributor. Net funding from this State contract was \$3,291,523 and \$2,710,170 for the years ended June 30, 2014 and 2013, respectively, which accounted for approximately 58% and 60% of total revenue, respectively.

#### NOTE F – LEASE

During 2013, the Academy entered into a lease for a copier. Lease payments of \$253 are due monthly and the lease expires in September 2018. Rent expense under the terms of this lease was \$3,036 and \$2,277 for the years ended June 30, 2014 and 2013, respectively.

During 2013, the Academy leased the original school premises located in Claymont, Delaware and payments of \$27,336 were due monthly. In 2014, the Academy moved to a new location, however, the lease for the original school premises does not expire until August 2014. Lease payments of \$28,429 are due monthly. Rent expense under the terms of this lease for the years ended June 30, 2014 and 2013 was \$367,003 and \$350,125, respectively.

During 2014, the Academy entered into a lease for a new school premises located in New Castle, Delaware. Lease payments of \$42,000 were due monthly and the lease expires in July of 2018. Rent expense under the terms of this lease for the years ended June 30, 2014 and 2013 was \$462,000 and \$0, respectively.

Future minimum lease payments are as follows for the years ending June 30:

2015	\$ 751,465
2016	759,036
2017	795,036
2018	828,759
Total	<u>\$ 3,134,296</u>

## REQUIRED SUPPLEMENTARY INFORMATION

REACH ACADEMY FOR GIRLS, INC.  
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	<u>Budgeted Amounts*</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget (Negative) Positive</u>
REVENUE			
State funds	\$ 3,524,666	\$ 3,291,523	\$ (233,143)
Federal funds	282,445	124,539	(157,906)
Local funds	<u>2,466,297</u>	<u>2,023,577</u>	<u>(442,720)</u>
Total revenue	6,273,408	5,439,639	(833,769)
EXPENDITURES			
Current			
Salaries	2,585,089	2,632,759	(47,670)
Contractual services	1,753,927	2,684,474	(930,547)
Supplies and materials	<u>1,185,495</u>	<u>224,437</u>	<u>961,058</u>
Total expenditures	<u>5,524,511</u>	<u>5,541,670</u>	<u>(17,159)</u>
Net changes in fund balances	748,897	(102,031)	(850,928)
Fund balances – beginning of year	<u>1,077,708</u>	<u>1,077,708</u>	<u>-</u>
Fund balances – end of year	<u>\$ 1,826,605</u>	<u>\$ 975,677</u>	<u>\$ (850,928)</u>

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



## SUPPLEMENTARY INFORMATION

REACH ACADEMY FOR GIRLS, INC.

COMBINED BALANCE SHEET

June 30, 2014

	State Allocation	Local Funding	Federal Funding	Totals
<b>ASSETS</b>				
Cash and pooled investments	\$ 77,663	\$ 979,345	\$ -	\$ 1,057,008
Prepaid expense	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
 TOTAL ASSETS	 \$ <u>77,663</u>	 \$ <u>1,039,345</u>	 \$ <u>-</u>	 \$ <u>1,117,008</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 32,789	\$ -	\$ -	\$ 32,789
Accrued salaries and related costs	<u>108,542</u>	<u>-</u>	<u>-</u>	<u>108,542</u>
Total liabilities	141,331	-	-	141,331
Fund (deficit) balances				
Unassigned	<u>(63,668)</u>	<u>1,039,345</u>	<u>-</u>	<u>975,677</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>77,663</u>	 \$ <u>1,039,345</u>	 \$ <u>-</u>	 \$ <u>1,117,008</u>

REACH ACADEMY FOR GIRLS, INC.

COMBINED SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2014

	State Allocation	Local Funding	Federal Funding	Totals
<b>REVENUE</b>				
Charges to school districts	\$ -	\$ 1,770,446	\$ -	\$ 1,770,446
State aid	3,291,523	-	-	3,291,523
Federal aid	-	-	124,539	124,539
School food services – charges for services	-	190,525	-	190,525
Miscellaneous revenues	-	62,606	-	62,606
Total revenue	3,291,523	2,023,577	124,539	5,439,639
<b>EXPENDITURES</b>				
Current				
Instructional services	2,197,984	1,263,196	122,650	3,583,830
Operation and maintenance of facilities	1,002,171	257,497	1,889	1,261,557
Transportation	276,904	111,501	-	388,405
School food services	-	264,251	-	264,251
Capital outlays				
Leasehold improvements	9,985	-	-	9,985
Furniture and fixtures	-	-	-	-
Equipment	33,642	-	-	33,642
Total expenditures	3,520,686	1,896,445	124,539	5,541,670
Net changes in fund balances	(229,163)	127,132	-	(102,031)
Fund balances – beginning of year	165,495	912,213	-	1,077,708
Fund (deficit) balances – end of year	\$ (63,668)	\$ 1,039,345	\$ -	\$ 975,677

REACH ACADEMY FOR GIRLS, INC.

SCHEDULES OF EXPENDITURES BY NATURAL CLASSIFICATION

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
EXPENDITURES		
Current		
Salaries	\$ 1,807,899	\$ 1,464,669
Payroll taxes	168,227	137,880
Pension	379,274	294,410
Employment insurance	277,359	193,205
Travel	-	86
Buildings – office space rent	912,083	350,125
Medical services	38,088	26,511
Legal services	291,032	1,923
Maintenance	46,277	183,446
Food services	264,864	172,737
Fleet rental	388,405	336,304
Equipment rental	27,092	25,608
Advertising	21,800	7,191
Insurance	8,628	15,689
Building and grounds repair	9,077	18,396
Energy	170,059	41,815
Sanitary facilities	8,981	7,580
Miscellaneous	66,577	59,125
Training	2,358	750
Telecommunication	15,896	10,693
Custodial	86,788	49,896
Professional fees	326,469	227,591
Supplies and materials	180,810	236,287
Capital outlays		
Leasehold improvements	9,985	-
Furniture and fixtures	-	-
Equipment	<u>33,642</u>	<u>-</u>
Total expenditures	<u>\$ 5,541,670</u>	<u>\$ 3,861,917</u>

## OTHER REPORTS



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

To the Board of Directors  
Reach Academy for Girls, Inc.  
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reach Academy for Girls, Inc. (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 27, 2014.

**Internal Control over Financial Reporting**

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

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

To the Board of Directors  
Reach Academy for Girls, Inc.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose except for the use of the Academy's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del C., Section 10002(d), this report is a matter of public record and its distribution is not limited.



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August 27, 2014  
Wilmington, Delaware

REACH ACADEMY FOR GIRLS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended June 30, 2014

SUMMARY OF AUDITORS' RESULTS

Basic Financial Statements

Type of auditors' report issued is unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted ☐ yes ☒ no

FINDINGS – FINANCIAL REPORTING

CURRENT YEAR FINDINGS:

**None noted**

PRIOR YEAR FINDINGS:

**None noted**