

SILVER SPRUCE ACADEMY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

SILVER SPRUCE ACADEMY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Taylor, Roth & Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

February 14, 2018

Independent Auditors' Report

Board of Directors
Silver SPRUCE Academy, Inc.
Bayfield, Colorado

We have audited the accompanying financial statements of **Silver SPRUCE Academy, Inc.** (a Colorado nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

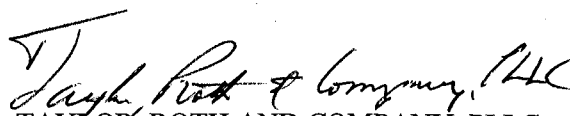
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silver SPRUCE Academy, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

SILVER SPRUCE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	<u>Amount</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 114,962
Prepaid expenses	4,829
Property and equipment, net (Note 3)	28,805
Total assets	\$ 148,596
 <u>Liabilities and net assets</u>	
<u>Liabilities</u>	
Accounts payable	\$ 733
Accrued payroll expenses	10,156
Expected disallowance of per pupil revenue (Note 4)	30,697
Total liabilities	41,586
 <u>Net assets</u>	
<u>Unrestricted</u>	
Operating	78,205
Net investment in property and equipment	28,805
Total net assets	107,010
Total liabilities and net assets	\$ 148,596

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Amount		
	Unrestricted	Temporarily Restricted	Total
<u>Revenue and other support</u>			
Per pupil revenue	\$ 225,760	\$ -	\$ 225,760
Grants	250	4,000	4,250
Registration fees	2,937	-	2,937
Contributions	661	-	661
Miscellaneous revenue	183	-	183
In-kind contributions (Note 6)	31,375	-	31,375
Net assets released from restriction (Note 7)	4,000	(4,000)	-
	265,166	-	265,166
<u>Expense</u>			
Program services	193,278	-	193,278
Supporting services			
Management and general	27,795	-	27,795
Fund-raising	10,765	-	10,765
	231,838	-	231,838
Total expense			
Change in net assets	33,328	-	33,328
Net assets, beginning of year	73,682	-	73,682
Net assets, end of year	\$ 107,010	\$ -	\$ 107,010

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Amount</u>			<u>Total</u>
	<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Management and General</u>	<u>Fund- raising</u>	
Salaries	\$ 104,250	\$ 12,265	\$ 6,132	\$ 122,647
Payroll taxes and benefits	16,523	1,944	972	19,439
Rent	19,598	2,305	1,153	23,056
Office supplies	14,390	1,693	846	16,929
Professional development	9,779	1,151	575	11,505
Contract teachers	8,745	-	-	8,745
Insurance	6,066	713	357	7,136
Accounting	-	6,322	-	6,322
Dues and subscriptions	4,185	492	246	4,923
Student food	1,805	-	-	1,805
Marketing	1,061	125	62	1,248
Repairs and maintenance	641	75	38	754
Telephone/internet	91	21	38	150
All other	469	22	12	503
	<u>187,603</u>	<u>27,128</u>	<u>10,431</u>	<u>225,162</u>
Depreciation	<u>5,675</u>	<u>667</u>	<u>334</u>	<u>6,676</u>
Total expenses	<u>\$ 193,278</u>	<u>\$ 27,795</u>	<u>\$ 10,765</u>	<u>\$ 231,838</u>

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 33,328
Adjustments to reconcile change in net assets to net cash provided by operating activities	
In-kind contributions of equipment	(19,999)
Depreciation	6,676
<u>Changes in operating assets and liabilities</u>	
(Increase)decrease in prepaid expenses	(915)
Increase(decrease) in accounts payable	733
Increase(decrease) in accrued payroll expenses	2,732
Increase(decrease) in expected disallowance of per pupil revenue	<u>6,181</u>
Net cash provided(used) by operating activities	28,736
Cash and cash equivalents, beginning of year	<u>86,226</u>
Cash and cash equivalents, end of year	<u>\$ 114,962</u>

The accompanying notes are an integral part of these financial statements

SILVER SPRUCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES

Silver SPRUCE Academy, Inc. (the Organization) is a 501(c)(3) non-profit corporation formed in 2013 to provide educational enrichment programs and courses to students and families throughout the Four Corners area, in collaboration with other education organizations. SPRUCE stands for Supplemental Programs and Resources Utilized in Curriculum Education.

The majority of the Academy's funding comes from the Ignacio School District and is a pro-rated share of the District's per pupil payments received from the state of Colorado. The Academy also charges student registration and service fees and receives public support through grants and contributions.

The Academy provides services through a single program with different class options. Group and individual sessions are offered in enrichment programs and courses, tutoring, and annual testing for homeschooling families.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

5. Receivables

Receivables for tuition and fees, contributions, and grants are stated at the amounts management expects to collect from outstanding balances. No provision for uncollectable accounts was deemed necessary at June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

6. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, property and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

7. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property, furniture, and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the depreciable assets, ranging from 3 to 5 years.

8. Estimates

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

9. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

10. Functional Reporting of Expenses

For the year ended June 30, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

11. Subsequent Events

Management has evaluated subsequent events through February 14, 2018, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Furniture and equipment	\$ 36,308
Leasehold improvements	<u>7,230</u>
Total	43,538
Less: accumulated depreciation	<u>(14,733)</u>
Net property and equipment	<u>\$ 28,805</u>

Depreciation expense for the year was \$6,676.

NOTE 4 - EXPECTED DISALLOWANCE OF PER PUPIL REVENUE

The expected disallowance of per pupil revenue is the amount that the Organization expects to repay to the state of Colorado based on students' hours of attendance. Each student must have 90 hours of attendance per semester in order for the Organization to receive funding for that individual. The Colorado Department of Education conducts an audit every 4 years, with the next audit expected in fiscal year 2018. A separate checking account is funded to cover the liability, if needed. The estimated liability at June 30, 2017, is as follows:

<u>Fiscal Years Ended June 30,</u>	<u>Amount</u>
2014	\$ 12,930
2015	11,586
2016	-
2017	<u>6,181</u>
Total	<u>\$ 30,697</u>

NOTE 5 - LEASE COMMITMENTS

The Organization leases space to provide program services in Ignacio and Bayfield, Colorado. The agreements call for monthly lease payments of \$980 and \$1,200, respectively. The Ignacio lease expires in August 2020 while the Bayfield lease is on a year-to-year basis. Both leases are classified as operating leases. The Bayfield lease is personally guaranteed by the Executive Director. Rent expense totaled \$23,056 for the year ended June 30, 2017.

The future minimum lease payments under the Ignacio lease are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Total</u>
2018	\$ 11,760
2019	11,760
2020	<u>1,960</u>
Total	<u>\$ 25,480</u>

NOTE 6 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at the estimated value at the date of receipt. The value of donated goods and services included in the financial statements and the corresponding assets or expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Star Lab (capitalized)	\$ 15,000
Playground equipment (capitalized) and installation	7,999
Supplies	5,573
Field trip facilities used as classrooms	1,160
Other	<u>1,643</u>
Total	<u>\$ 31,375</u>

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Numerous volunteers have donated significant amounts of time to the Organization's activities and programs that are not reflected in the financial statements. The value of these services was \$4,175.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION

Donor-restricted net assets of \$4,000 restricted for the "Equine Learning Lab" were spent for their restricted purpose during the year.

NOTE 8 - CONCENTRATION OF REVENUE

The Organization receives 85% of its revenue from per pupil revenue that is paid by Ignacio School District and flows through from the Colorado Department of Education. If these funds were terminated, it would have a substantial effect on the Organization's operations.