

SILVER SPRUCE ACADEMY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT

June 30, 2016

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Silver SPRUCE Academy, Inc. (a non-profit corporation) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, of functional expenses and of cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

FredrickZink & Associates, PC
FredrickZink & Associates, PC

September 15, 2016

FINANCIAL STATEMENTS

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION June 30, 2016

ASSETS

Current assets

Cash.....	\$ 86,226
Prepaid expenses.....	3,914
Total current assets.....	<u>90,140</u>

Noncurrent assets

Property and equipment.....	23,539
Accumulated depreciation.....	(8,057)
Total noncurrent assets.....	<u>15,482</u>

Total assets..... \$ 105,622

LIABILITIES AND NET ASSETS

Current liabilities

Accrued liabilities (Note 4).....	\$ 31,940
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Net assets

Unrestricted net assets (Note 7).....	<u>73,682</u>
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Total liabilities and net assets..... \$ 105,622

See accompanying notes and independent accountant's review report.

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

Support and revenue

Program service revenue.....	\$ 189,944
Grants and contributions.....	4,386
In-kind contributions (Note 3).....	<u>8,915</u>
Total support and revenue.....	<u>203,245</u>

Expenses and losses

Program activities.....	112,409
Management and general.....	43,327
Fundraising.....	<u>48,277</u>
Total expenses and losses.....	<u>204,013</u>

Change in net assets..... **(768)**

Net assets at beginning of year..... 74,450

Net assets at end of year..... **\$ 73,682**

See accompanying notes and independent accountant's review report.

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Activities	Management and General	Fundraising	Total Expenses
Wages, taxes and benefits.....	\$ 72,056	\$ 27,078	\$ 33,044	\$ 132,178
Other operating expenses				
Advertising.....	2,332	386	335	3,053
Contract services.....	7,164	1,810	2,078	11,052
Depreciation.....	2,764	1,382	1,382	5,528
Insurance.....	2,633	1,317	1,317	5,267
Meals.....	1,081	514	433	2,028
Memberships, dues and fees.....	2,197	794	305	3,296
Other expenses.....	271	408	171	850
Postage and printing.....	489	244	244	977
Rent and utilities.....	13,340	6,670	6,670	26,680
Staff development.....	1,296	648	648	2,592
Supplies.....	6,373	1,869	1,444	9,686
Travel.....	413	207	206	826
	40,353	16,249	15,233	71,835
Total expenses.....	\$ 112,409	\$ 43,327	\$ 48,277	\$ 204,013

See accompanying notes and independent accountant's review report.

SILVER SPRUCE ACADEMY, INC.

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2016

Increase (Decrease) in Cash

Cash flows from operating activities:

Cash received from program services.....	\$ 189,944
Cash received from contributors and grantors.....	4,386
Cash paid to suppliers and employees.....	(185,754)
Net cash provided by operating activities.....	<u>8,576</u>

Cash flows from investing activities:

Purchases of property and equipment.....	(8,205)
Net cash used by investing activities.....	<u>(8,205)</u>

Net increase in cash..... **371**

Cash at beginning of year..... 85,855

Cash at end of year..... **\$ 86,226**

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets..... **\$ (768)**

Adjustments to reconcile:

Depreciation expense.....	5,528
Loss on disposal of assets.....	162
Decrease in prepaid expenses.....	(2,354)
Increase in accrued liabilities.....	6,008
Total adjustments.....	<u>9,344</u>

Net cash provided by operating activities..... **\$ 8,576**

See accompanying notes and independent accountant's review report.

SILVER SPRUCE ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - NATURE OF ACTIVITIES

Silver SPRUCE Academy, Inc. (the Academy) 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 educational 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

Financial statement presentation

The Academy reports information regarding its financial position and activities according to three general classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Academy had no temporarily or permanently restricted net assets during this reporting period. Board designated net assets represent amounts set aside by Board action for specific purposes.

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 the reported amounts and disclosures. Actual results could differ from these estimates.

Cash

For purposes of the statement of cash flows, the Academy defines cash as money held in checking and savings accounts.

Fair value of financial instruments

Generally accepted accounting principles (GAAP) require disclosure of an estimate of fair value of certain financial instruments. The Academy's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Capitalization and depreciation

The Academy follows a practice of capitalizing all expenditures for property and equipment in excess of \$1,000 that have a useful life of over one year. The fair value of donated assets is similarly capitalized on the date of the gift. Depreciation of property and equipment is provided on a straight-line basis over three to five years.

Contributions

Contributions are recognized when the donor makes a promise to give to the Academy that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

SILVER SPRUCE ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allocation of expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among those activities based on estimates made by the Academy's management.

Income taxes

The Academy is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Academy has adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Academy continues to qualify to be treated as a tax-exempt Academy for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying statement of financial position along with any interest and penalties that would result from that assessment. When the Academy has unrelated business income, the federal Exempt Organization Business Income Tax Returns (Form 990T) would be subject to examination by the Internal Revenue Service for three years after they are filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of management's evaluation, these requirements did not have a material effect on the Academy's financial statements. Consequently, no liability is recognized in the accompanying statements of financial position for uncertain income tax positions.

Compensated absences

The Academy allows employees to accumulate paid time off based on the employee's annual hours of service. Eligible employees are awarded 48 hours at the start of their contract year. The estimated value of accumulated paid time off is included in accrued liabilities on the statement of financial position.

Subsequent events

Management has evaluated subsequent events through September 15, 2016 the date which the financial statements were available to be issued. No events were identified that require additional disclosure.

NOTE 3 - IN-KIND CONTRIBUTIONS

The Academy receives significant community support in the form of non-cash contributions. Such transactions typically result in the recognition of income and an equal expense based on the estimated value of the goods or services contributed. During 2016, the Academy recognized in-kind contributions of \$8,915 as general support from various donors in the form of supplies, rent, and volunteer support. Program and supporting service expenses were recognized accordingly.

SILVER SPRUCE ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued June 30, 2016

NOTE 4 - ACCRUED LIABILITIES

Accrued liabilities included the following at June 30, 2016.

Accrued payroll expenses	\$ 7,424
Expected disallowed PPR	<u>24,516</u>
	<u>\$ 31,940</u>

The expected disallowed PPR (per pupil revenue) is the amount the Academy expects to repay to the state based on an annual self-audit of attendance records made to determine if the required number of hours per pupil was met. The current estimate represents shortfalls in required hours in fiscal years 2014 and 2015. For the year ended June 30, 2016, the Academy determined that attendance requirements were met and has recognized the full amount of PPR passed through the Ignacio School District. The Colorado Department of Education conducts an audit every 4 years, with the next audit expected in 2018.

NOTE 5 - LEASE COMMITMENTS

The Academy leases space to provide program services in Ignacio and Bayfield. 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. Rent expense amounted to \$24,430 for the year ended June 30, 2016.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 11,761
2018	11,761
2019	11,761
2020	<u>1,960</u>
	<u>\$ 37,243</u>

NOTE 7 - NET ASSETS

The Academy's total net assets of \$73,682 are unrestricted, however, the Board of Directors has designated two reserve funds. Total net assets at June 30, 2016 consists of the following components:

Designated for future operations	\$ 40,000
Designated for payback of PPR (Note 4)	24,516
Invested in property and equipment	15,482
Resulting net deficit	(6,316)
Total net assets	<u>\$ 73,682</u>

NOTE 6 - CONCENTRATION OF RISK

A major resource provider is defined as a single resource provider representing 10% or more of annual support and revenue. During the year ended June 30, 2016, approximately 90% of the Academy's revenue was received from the Ignacio School District.