

RAINBOW DREAMS ACADEMY CHARTER SCHOOL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

(With Report of Independent Certified Public Accountant Thereon)

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
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JUNE 30, 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
Rainbow Dreams Academy Charter School
Las Vegas, Nevada

Report on the Financial Statements

I have audited the accompanying general-purpose financial statements of the governmental activities, and the aggregate remaining fund information of the Rainbow Dreams Academy Charter School (the “School”), as of and for the year ended June 30, 2015, listed in the foregoing table of contents, 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.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainbow Dreams Academy Charter School as of June 30, 2015, and the results of its activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 27, 2015, on my consideration of Rainbow Dreams Academy Charter School internal control over financial reporting and on my 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 my 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 Rainbow Dreams Academy Charter School internal control over financial reporting and compliance.

Fredrick J Z Leavitt CPA

Fredrick JZ Leavitt, CPA
October 27, 2015
Henderson, Nevada

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2015

As management of the Rainbow Dreams Academy Charter School, hereafter referred as “the School”, we offer readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the School’s financial statements, which follow this narrative.

Financial Highlights

- The assets of the School exceeded its liabilities at the close the fiscal year by \$107,084.
- At the end of the fiscal year, the School reported a positive general operating cash balance of \$63,500.
- As of the close of the current fiscal year, the School’s governmental funds reported combined ending fund balances of \$10,756.
- Audited Enrollment Count Day Figure was 254.
- The School has no long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the School.

Basic Financial Statements

The first two statements (pages 7 and 8) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School’s financial status.

The next statements (pages 9 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School’s government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2015

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net assets and how they have changed. Net assets are the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like all other governmental entities in Nevada, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the School's budget ordinance.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 12 of this report.

Government Funds - The focus of the School's government funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School.

At June 30, 2015, the government funds of the School reported fund balance of \$10,756.

Capital Assets

The School has \$104,345 invested in capital assets, net of depreciation. This investment in capital assets includes furniture, equipment and leasehold improvements. There were no acquisitions or dispositions with depreciation being \$54,126.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2015

Economic Factors

As the School is funded using the per-pupil ration each year, there is an economy of scale and a financial framework which sets the parameters for our future growth and determines our budgeting formulas.

We would like to expand the School's budget through grants, fund-raising, donations, and community partnerships.

In summary, the School's major goals are to define a marketing plan to boost enrollment, and to educate and prepare students to challenge their intellect, maximize their talents, respect themselves and others, and take pride in their heritage in a nurturing learning community. Licensed teachers, support staff, and contracted services, become more expensive each year and impact the School's operations budget. The management team is very mindful of these factors and works diligently to fine tune the School's financial strategy, always keeping in mind how to best serve the needs and wants of the students and families first.

Requests for Information

This financial report is designed to a general overview of the School's finances and accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's Director of Finance at Rainbow Dreams Academy Charter School, 950 W. Lake Mead, Las Vegas, Nevada, 89106, and telephone (702) 638-0222.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets	
Cash	\$ 63,500
Receivables	93,116
Prepaid expenses	<u>17,973</u>
Total current assets	174,589
Non-current assets	
Capital assets (net of accumulated depreciation of \$435,072)	<u>104,345</u>
Total non-current assets	<u>104,345</u>
Total assets	<u><u>\$ 278,934</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Current liabilities	
Accounts payable & accrued liabilities	\$ 156,693
Short term position of capital lease	<u>7,140</u>
Total current liabilities	163,833
Long-term liabilities	
Long-term portion of capital lease	<u>8,017</u>
Total liabilities	<u>171,850</u>
Net position	
Invested in capital assets	96,328
Unrestricted	<u>10,756</u>
Total net position	<u>107,084</u>
Total liabilities and net position	<u><u>\$ 278,934</u></u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		PROGRAM REVENUES	NET(EXPENSES) REVENUES AND CHANGES IN NET POSITION
	EXPENSES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES			
Regular programs	\$ (788,444)	\$ 174,763	\$ (613,681)
Special programs	(31,627)	31,627	0
Support Services:			
School administration	(691,980)		(691,980)
Operation and maintenance	(459,791)		(459,791)
	<hr/>	<hr/>	<hr/>
Total Public			
Charter School	<u>\$ (1,971,842)</u>	<u>\$ 206,390</u>	<u>(1,765,452)</u>
			1,627,024
State aid not restricted to specific purposes			<u>86,913</u>
Local aid not restricted to specific purposes			
			<u>1,713,937</u>
Total general revenues			
			(51,515)
Change in net position			<u>158,599</u>
Net position, beginning			
			<u>\$ 107,084</u>
Net position, ending			

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 63,500	\$ -	\$ 63,500
Receivables	93,116	-	93,116
Prepaid expenses	17,973	-	17,973
	<u>174,589</u>	<u>-</u>	<u>174,589</u>
Total assets	<u>\$ 174,589</u>	<u>\$ -</u>	<u>\$ 174,589</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 156,693	\$ -	\$ 156,693
Short-term portion of capital lease	7,140	-	7,140
	<u>163,833</u>	<u>-</u>	<u>163,833</u>
Total liabilities	<u>163,833</u>	<u>-</u>	<u>163,833</u>
FUND BALANCE			
Unreserved fund balance	10,756	-	10,756
	<u>10,756</u>	<u>-</u>	<u>10,756</u>
Total fund balance	<u>10,756</u>	<u>-</u>	<u>10,756</u>
Total liabilities and fund balance	<u>\$ 174,589</u>	<u>\$ -</u>	<u>\$ 174,589</u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITON
JUNE 30, 2015

Total fund balance - governmental fund	\$ 10,756
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and long term portion of capital lease are not financial resources and, therefore, are not reported in the funds.

96,328

Total net position - governmental activities - general
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\$ 107,084

See Accompanying Notes to Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENT FUND - GENERAL
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL	SPECIAL EDUCATION	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Donations	\$ 86,913	\$ -	\$ 86,913
State sources	1,627,024	16,554	1,643,578
Federal sources	174,763	15,073	189,836
Total revenue	<u>1,888,700</u>	<u>31,627</u>	<u>1,920,327</u>
EXPENDITURES			
Programs-Instruction			
Salaries	484,510	-	484,510
Employee benefits	142,283	-	142,283
Purchased services	133,059	31,627	164,686
Supplies	<u>28,592</u>	<u>-</u>	<u>28,592</u>
Total program expenditures	788,444	31,627	820,071
Support services			
Instructional staff support	176,118	-	176,118
Employee benefits	73,297	-	73,297
Purchased services	210,271	-	210,271
General administration	193,844	-	193,844
Professional services	38,450	-	38,450
Rent	325,441	-	325,441
Repairs and maintenance	36,940	-	36,940
Utilities	<u>43,284</u>	<u>-</u>	<u>43,284</u>
Total support services	<u>1,097,645</u>	<u>-</u>	<u>1,097,645</u>
Total expenditures	<u>1,886,089</u>	<u>31,627</u>	<u>1,917,716</u>
Excess of revenues over (under) expenditures	2,611	-	2,611
Fund balance, beginning of year	<u>8,145</u>	<u>-</u>	<u>8,145</u>
Fund balance, end of year	<u><u>\$ 10,756</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,756</u></u>

See Accompanying Notes to the Financial Statements

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of significant accounting policies

The financial statements of the Rainbow Dreams Academy Charter School (the “School”) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Rainbow Dreams Academy Charter School is a “charter school”, established in 2007 under Nevada Revised Statute 386.500. The School’s major operation is to offer an educational environment where learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through fifth grade in Southern Nevada.

The School receives funding from state and government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental “reporting entity,” as defined in GASB pronouncements, since its Governing Body has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Basis of presentation – fund accounting – The accounts of the School are organized and operated on the basis of funds and account groups, each of which is presented as a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

Government resources are allocated and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The operations of the School’s funds are accounted with separate sets of self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of significant accounting policies (Continued)

The School has the following fund categories (further divided by fund type) and account groups:

Governmental funds – are used to account for the School’s general government activities. Governmental funds include the following fund types:

General Fund – The General Fund is the general operating fund for the School. It is used to account for all financial resources not accounted in other funds.

Account Groups – The general fixed assets account group is used to account for fixed assets that are not accounted for in proprietary or trust funds.

Cash -- The School considers cash equivalents to be those securities with an original maturity of three months or less.

Receivables – Receivables balance consists of employer taxes due from the Internal Revenue Service for overpaid social security and Medicare taxes in the amount of \$51,978 and donations in the amount of \$41,138. Management believes the entire amounts of receivables at June 30, 2015 to be collectible.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital assets – The School's capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of three or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation over the assets’ useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Computer equipment	3
Furniture and equipment	5
Instructional materials	5
Improvements	10

Use of Estimates – The School has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of significant accounting policies (Continued)

Net assets/ Fund balances – Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$96,328 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$539,417
Less accumulated depreciation	(435,072)
Long term portion of capital lease	8,017
Total adjustment	<u>\$96,328</u>

2. Cash

The Company maintains cash balances at a financial institution with accounts insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2015, the Company's uninsured cash balance was zero.

3. Capital assets

Capital assets activity for the year ended June 30, 2015 were as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Furniture and equipment	\$ 312,163	\$ -	\$ -	\$ 312,163
Leasehold improvements	227,254	-	-	227,254
	\$ 539,417	\$ -	\$ -	\$ 539,417
Less: accumulated depreciation	(380,946)	(54,126)	-	(435,072)
Governmental capital assets, net	<u>\$ 158,471</u>	<u>\$ (54,126)</u>	<u>\$ -</u>	<u>\$ 104,345</u>

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

4. Capital lease

On October 2013, the School entered into a capital lease agreement with a non-related party to finance copiers. The lease is payable in equal monthly installments of \$595.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2016	\$ 7,140
2017	7,140
2018	<u>2,380</u>
Total lease payments	\$16,660

5. Retirement plan

The School contributes to the Public Employees' Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Nevada Public Employees' Retirement System. PERS provides plan members and beneficiaries with retirement and disability benefits, cost-of-living adjustments, and death benefits. PERS was established by legislation in 1947. The PERS Board is the governing body of PERS with responsibility for administration and management. This autonomous, seven-member Board is appointed by the Governor of the State of Nevada. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees' Retirement System of Nevada, 693 W. Nye Lane, Carson City, NV 89703-1599 or toll free by calling (866) 473-7768.

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the System include pension benefits, disability benefits, and death benefits.

Full-time employees of the School are eligible to participate in PERS upon hire. Employees that are eligible have a choice of contribution plans. If an employee chooses the Employer-Paid option, the School would contribute 23.75% of reduced earnings to PERS on their behalf. In the event of termination of employment covered by PERS, the employee would not be eligible for a refund. If an employee chooses the Employee/Employer-Paid option, a contribution of 12.25% of gross earnings is deducted from each pay. The School makes an additional contribution of 12.25% of earnings on their behalf. In the event of termination of employment covered by PERS, employee contributions will be available for refund to the member. If a member chooses the employee/employer contribution plan, they can elect to contribute under the employer-paid plan at a future date. Choice of the employer-paid contribution plan is a one-time election and cannot be reversed.

The School's contributions to the plan for the year ended June 30, 2015 was \$93,175, equal to the required contributions for the year.

6. Compliance with Nevada revised statutes and Nevada Administrative code

The School conformed to all significant statutory constraints on the financial administration during the fiscal year.

7. Subsequent events

The School has evaluated subsequent events through October 27, 2015, the date the financial statements were issued.

RAINBOW DREAMS ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015 (UNAUDITED)

REVENUES	BUDGET	ACTUAL	VARIANCE
State Sources:			
Distributive school fund	\$ 1,662,722	\$ 1,643,578	\$ (19,144)
Federal Sources:	95,138	189,836	94,698
Local Sources:			
Contributions	237,000	86,913	(150,087)
	<u>1,994,860</u>	<u>1,920,327</u>	<u>(74,533)</u>
Total Revenues			
EXPENDITURES			
Regular Programs:			
Instruction:			
Salaries	489,384	484,510	4,874
Benefits	210,481	142,283	68,198
Purchased services	85,452	164,686	(79,234)
Supplies	50,000	28,592	21,408
Support Services:			
Salaries	185,640	176,118	9,522
Benefits	45,896	73,297	(27,401)
Purchased services	531,215	210,271	320,944
General administration	71,351	312,518	(241,167)
Rent	325,441	325,441	-
	<u>1,994,860</u>	<u>1,917,716</u>	<u>77,144</u>
Total Expenditures	<u>1,994,860</u>	<u>1,917,716</u>	<u>77,144</u>
Net Change in Fund Balance	-	2,611	2,611
Fund balance, July 1	<u>8,145</u>	<u>8,145</u>	<u>-</u>
Fund balance, June 30	<u>\$ 8,145</u>	<u>\$ 10,756</u>	<u>\$ 2,611</u>

See Accompanying Notes to the Financial Statements

Fredrick J. Z. Leavitt
Certified Public Accountant

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

Board of Directors
Rainbow Dreams Academy Charter School
Las Vegas, Nevada

I 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 Rainbow Dreams Academy Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I 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 Rainbow Dreams Academy Charter School financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 entity'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 Rainbow Dreams Academy Charter School internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fredrick J. Z. Leavitt CPA

Fredrick JZ Leavitt, CPA
October 27, 2015
Henderson, Nevada