

**FUTURO ACADEMY INC.**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2018**

**FUTURO ACADEMY INC.  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>9</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>10</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>13</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET         PENSION LIABILITY – NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM</b>	<b>20</b>
<b>SCHEDULE OF SCHOOL CONTRIBUTIONS – NEVADA PUBLIC EMPLOYEES'         RETIREMENT SYSTEM</b>	<b>21</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>22</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF BUDGET TO ACTUAL COMPARISON</b>	<b>23</b>
<b>FINANCIAL FRAMEWORK INFORMATION WORKSHEET</b>	<b>24</b>
<b>FINANCIAL PERFORMANCE MEASURES</b>	<b>25</b>
<b>NOTES TO SUPPLEMENTARY INFORMATION</b>	<b>27</b>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>28</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>30</b>
<b>SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>31</b>



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Futuro Academy Inc.  
Las Vegas, Nevada

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Futuro Academy Inc. (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the School'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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules as described in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 our 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*, we have also issued a report dated November 28, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness on the School's 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 School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Glendora, California  
November 28, 2018

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of the Futuro Academy Inc. (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the School's general purpose financial statements and the related notes to the financial statements, which begin on page 9.

***The School as a Whole***

Futuro Academy Inc. was established on December 1, 2015 after receiving their charter from the Nevada Department of Education Achievement School District (the District). The School's charter is awarded in six year increments and is subject to renewal at the discretion of the District. The charter for the School expires on June 30, 2023. The School receives most of its funding per pupil reimbursements and Federal and State grants. The School currently serves approximately 114 students in kindergarten through first grade. At capacity the School will serve 580 students.

***Using This Annual Report***

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management's Discussion and Analysis – for State and Local Governments* (GASB 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to the full understanding of the information provided in the basic financial statements.

***Financial Statements***

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School as a whole, as of the end of the fiscal year. The *Statement of Net Position* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is a consumption of net position by the School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three components-*net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***Financial Statements***

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the School and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of the charter school. Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Schools had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

The *Statement of Cash Flows* provides information about the School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the School's financial statements.

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Financial Highlights**

The Statement of Net Position as of June 30, 2018 and 2017 is summarized below:

The following financial highlights are for the year ended June 30, 2018 with comparative information from the year ended June 30, 2017:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets</b>			
Capital Assets	\$ 62,185	\$ -	\$ 62,185
Other Assets	290,893	677,283	(386,390)
Total Assets	<u>353,078</u>	<u>677,283</u>	<u>(324,205)</u>
<b>Deferred Outflows of Resources</b>			
Pensions	68,576	-	68,576
Total Deferred Outflows of Resources	<u>68,576</u>	<u>-</u>	<u>68,576</u>
<b>Liabilities</b>			
Noncurrent Liabilities	29,000	-	29,000
Other Liabilities	131,706	4,462	127,244
Total Liabilities	<u>160,706</u>	<u>4,462</u>	<u>156,244</u>
<b>Net Position</b>			
Net Investment in Capital Assets	62,185	-	62,185
Unrestricted	198,763	672,821	(474,058)
Total Net Position	<u>\$ 260,948</u>	<u>\$ 672,821</u>	<u>\$ (411,873)</u>

- The School held total assets of \$353,078 and \$677,283 at June 30, 2018 and 2017, of which \$62,185 and \$0 were net capital assets, respectively and the majority of the remaining assets consisted of cash, accounts receivable and prepaid expenses. The increase in assets was primarily due to 2018 being the first year of operation for the School.
- At June 30, 2018 and 2017, the School held total deferred outflows of resources of \$68,576 and \$0, respectively.
- The School held total liabilities of \$160,706 and \$4,462 at June 30, 2018 and 2017, respectively. As of June 30, 2018, \$29,000 was current and \$29,000 was non-current portions of notes payable. As of June 30, 2017, there were no notes payable. The increase in long term liabilities is primarily due to obtaining a revolving loan. The increase in other liabilities is a result of the first year of operation for the School.

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Financial Highlights**

- Total net position for the School was \$260,948 and \$672,821 at June 30, 2018 and 2017, respectively. As of June 30, 2018, \$198,763 was unrestricted and \$62,185 was net investments in capital assets. As of June 30, 2017, \$672,821 was unrestricted and \$0 was net investments in capital assets. The deficit is primarily a result of the increase in first year operation expenses.

The Statement of Activities for the year ended June 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues:			
DSA State Aid	\$ 756,528	\$ -	\$ 756,528
Federal Grants	564,723	4,792	559,931
Other	18,000	-	18,000
General Revenues:			
Food Service Income	7,666	-	7,666
Other Local Income	8,170	821,300	(813,130)
Total Revenues	<u>1,355,087</u>	<u>826,092</u>	<u>528,995</u>
<b>Expenses</b>			
Instruction	813,358	-	813,358
Instruction - Related Services	403,127	-	403,127
General Administration	18,202	153,271	(135,069)
Plant Services	527,847	-	527,847
Depreciation (Unallocated)	4,426	-	4,426
Total Expenses	<u>1,766,960</u>	<u>153,271</u>	<u>1,613,689</u>
<b>Change in Net Position</b>	<u>\$ (411,873)</u>	<u>\$ 672,821</u>	<u>\$ (1,084,694)</u>

- The School earned total revenues of \$1,355,087 and \$826,092 for the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2018, 99% were operating revenues and 1% was from non-operating revenues (private grants, contributions, etc.). For the year ended June 30, 2017, 0.5%, were operating revenues and 99.5%, was from non-operating revenues (private grants, contributions, etc.). The increase in program revenues was primarily due to increased state and federal grants due the first year of operations.
- The School had total expenses of \$1,766,960 and \$153,272 for the years ended June 30, 2018 and 2017, respectively.

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***Financial Highlights***

- The School earned net income of (\$411,873) and \$672,820 for the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2018 the net loss was comprised of operating income of (\$427,709) and non-operating income of \$15,836. For the year ended June 30, 2017 the net income was comprised of operating income of \$4,792 and non-operating income of \$668,029.
- The factor that lead to the net loss for the year ended June 30, 2018 is the startup costs for the first year of operations for the School.

***Capital Assets***

The School had \$66,611 of expenditures for capital assets during the year ended June 30, 2018. As of June 30, 2018, the School had capital assets net of depreciation of \$62,185. See additional information in Note 4.

***Factored Receivable Liability***

The School factored various receivables of \$77,559 during the year ended June 30, 2018. As of June 30, 2018 the School had \$77,559 in factored receivable liability, respectively. See additional information in Note 6.

***Long-Term Debt***

The School borrowed \$58,000 during the year ended June 30, 2018. As of June 30, 2018 and 2017 the School had \$29,000 and \$0 in long-term debt outstanding, respectively. See additional information in Note 7.

***Budgetary Highlights***

For the fiscal year ended June 30, 2018 the School budgeted its per pupil funding from state and federal sources based on a projected enrollment of 116 students. Actual revenue for the School was \$1,355,087 compared to budgeted revenue of \$1,029,423. The School incurred \$1,766,960 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$1,574,350. The major reason for the unfavorable variance between the budgeted and actual expenses was due to it being the School's first year of operation and therefore higher expenses were required for operation.

***School's Financial Activities***

The majority of the School's funding is received from the State of Nevada Department of Education and is based on a standard rate per pupil. The School received in per pupil funding in fiscal year 2018. This represents 56% of the School's revenue for the year ended June 30, 2018. In addition, the School received various federal grants, which totaled \$564,723 for the year ended June 30, 2018.

**FUTURO ACADEMY INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***Other Financial Factors***

In August 2017, the School entered into an operating lease agreement with a term of six years. In addition to this lease the School entered into a Purchase Option Agreement for the same property which expires in June 2020. See additional information in Note 9.

***Economic Factors and Next Year's Budget***

The following factors were considered in preparing the School's budget for fiscal year 2018-2019:

- During the year ended June 30, 2018, the School experienced a decrease in net position of (\$411,873). As of June 30, 2018, the School's current assets exceeded its current liabilities by \$159,187 and its total liabilities exceeded its total assets by \$192,372.
- The School is expecting to add additional grades every year to reach maximum enrollment of 580.

***Contacting the Organization's Financial Management***

This financial report is designed to provide the reader with a general overview of the School's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Business Office of the School.

**FUTURO ACADEMY INC.  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	129,571
Accounts Receivable - Other		72,501
Prepaid Expenses		88,821
Total Current Assets		<u>290,893</u>

**NONCURRENT ASSETS**

Property, Plant, and Equipment, Net		<u>62,185</u>
Total Noncurrent Assets		<u>62,185</u>

Total Assets	353,078
--------------	---------

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - pensions	68,576
---	--------

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	16,583
Accrued Expenses	8,564
Factored Receivable Liability	77,559
Revolving Loan - Current Portion	<u>29,000</u>
Total Current Liabilities	131,706

**NONCURRENT LIABILITIES**

Revolving Loan	<u>29,000</u>
Total Noncurrent Liabilities	<u>29,000</u>

Total Liabilities	160,706
-------------------	---------

**NET POSITION**

Net Investment in Capital Assets	62,185
Unrestricted	<u>198,763</u>
Total Net Position	<u>\$ 260,948</u>

See accompanying Notes to Financial Statements.

**FUTURO ACADEMY INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

<b>OPERATING REVENUES</b>	
State Aid - DSA - Basic Support	\$ 756,528
Federal Grants	564,723
Other	18,000
Total Operating Revenues	1,339,251
 <b>OPERATING EXPENSES</b>	
Salaries	478,116
Other Employee Benefits	47,306
Payroll Taxes	21,965
Office Expenses	90,046
Advertising and Promotion	12,856
Contracted Services	168,095
Information Technology	121,039
Instructional Materials	97,876
Depreciation	4,426
Occupancy	527,847
Interest Expense	5,346
Insurance	14,630
Other Expenses	177,412
Total Operating Expenses	1,766,960
<b>OPERATING LOSS</b>	(427,709)
 <b>NON OPERATING REVENUES AND EXPENSES</b>	
Food Service Income	7,666
Other Local Income	8,170
Total Nonoperating Revenues and Expenses	15,836
<b>CHANGE IN NET POSITION</b>	(411,873)
Net Position - Beginning of Year	672,821
<b>NET POSITION - END OF YEAR</b>	\$ 260,948

See accompanying Notes to Financial Statements.

**FUTURO ACADEMY INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from State Aid	\$ 688,819
Receipts from Federal Grants	564,723
Other Receipts	18,000
Payments for Salaries, Wages, Benefits, and Payroll Taxes	(607,399)
Payments to Suppliers and Vendors	(1,291,847)
Net Cash Provided (Used) by Operating Activities	<u>(627,704)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating Receipts	<u>15,836</u>
Net Cash Provided (Used) by Noncapital Financing Activities	15,836
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Purchase of Property and Equipment, Net	(66,611)
Proceeds from factored receivables	77,559
Proceeds from revolving loan	<u>58,000</u>
Net Cash Provided (Used) by Capital and Financing Activities	<u>68,948</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(542,920)
Cash and Cash Equivalents - Beginning of Year	<u>672,491</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 129,571</u></u>

See accompanying Notes to Financial Statements.

**FUTURO ACADEMY INC.  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

**RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES**

Operating Loss	\$	(427,709)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		4,426
Changes in Pension Liabilities and Related Deferrals		(68,576)
(Increase) Decrease in Assets:		
Accounts Receivable		(67,709)
Prepaid Expenses		(88,821)
Increase (Decrease) in Liabilities:		
Accounts Payable		12,121
Accrued Expenses		8,564
Net Cash Provided (Used) by Operating Activities	<u>\$</u>	<u>(627,704)</u>

See accompanying Notes to Financial Statements.

**FUTURO ACADEMY INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 NATURE OF ORGANIZATION**

Futuro Academy Inc. (the School) was established on December 1, 2015 after receiving their charter from the Nevada Department of Education Achievement School District (the District). The School's charter is awarded in six-year increments and is subject to renewal at the discretion of the District. The charter for the School expires on June 30, 2023. The School receives most of its funding per pupil reimbursements and Federal and State grants.

The School has one location in Las Vegas, Nevada and offers children in Kindergarten through 1st grade a public supported academic education based on proven curricula and instruction practices.

The School's mission is through rigorous academics and personal excellence, Futuro Academy educates all K-8 scholars to excel through middle school into high school, and to the university of their choice.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the School conform to accounting principles generally accepted in the United States as applicable to government units. The following is a summary of the School's significant accounting policies:

**Financial Reporting Entity**

As required by generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB) the School evaluated its potential component units to determine the reporting entity.

**Financial Statement Presentation**

The School, in accordance with Governmental Accounting Standards Board (GASB) Accounting Standards the School is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all the activity is recorded in the enterprise fund.

**Basis of Accounting**

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred respectively.

**Tax Status**

The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for income taxes.

**FUTURO ACADEMY INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Position and the Statement of Cash Flows, the School considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2018 the School held no cash equivalents.

**Grants and Accounts Receivable**

Grant and accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2018, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

**Deferred Outflow of Resources**

Deferred outflow of resources represent a consumption of net position or fund balance that applied to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

**Deferred Outflow – Pension Contributions**

The deferred outflow of resources related to pensions resulted from School contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

All other deferred outflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 6.48 years for NVPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

**Deferred Inflow of Resources**

Deferred inflows of resources represent an acquisition of net assets by the School that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the following and are amortized to pension expense as follows:

- The net differences between projected and actual earnings on plan investments is amortized over a 5-year period on a straight-line basis.
- All other deferred inflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 6.48 years for NVPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

**FUTURO ACADEMY INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Nevada Public Employee's Retirement System (NVPERS) plan for schools (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by NVPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**Operating Revenue and Expenses**

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include tuition and Federal and State grants. Operating expenses include educational cost, administrative expenses, and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Capital Assets**

Property and equipment are recorded at cost, if purchased or at acquisition value at the date of donation. Capital assets with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 30 years for buildings, five years for equipment, five years for furniture and fixtures and 30 years, or the remaining life of the lease for leasehold improvements, whichever is shorter.

**Classification of Net Position**

**Unrestricted Net Position**

Portion of funds to support operations

**Investment in Capital Assets, Net**

Book value of capital assets net of any related debt

**Restricted**

Funds received or committed to specific uses or programs

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**FUTURO ACADEMY INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employees of the School are entitled to paid vacations and paid holidays, depending on the job classification, length of service, and other factors. The School accrues for these compensated absences.

**Fair Value of Financial Instruments**

The School's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The School estimates that the fair value of all financial instruments at June 30, 2018 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

**NOTE 3 DEPOSITS WITH FINANCIAL INSTITUTIONS**

The School maintains its cash accounts at one financial institution. The balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. Balances over \$250,000 are insured through the Nevada Collateral Pool. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, all of the School's deposits as of June 30, 2018 were fully insured.

**NOTE 4 CAPITAL ASSETS**

Changes in capital assets during fiscal year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions and Transfers	Disposals	Balance June 30, 2018
Buildings and improvements	\$ -	\$ 21,182	\$ -	\$ 21,182
Equipment	-	10,039	-	10,039
Leasehold Improvements	-	35,390	-	35,390
Less: Accumulated Depreciation	-	(4,426)	-	(4,426)
Property and Equipment, Net	<u>\$ -</u>	<u>\$ 62,185</u>	<u>\$ -</u>	<u>\$ 62,185</u>

**FUTURO ACADEMY INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at June 30, 2018 are as follows:

Payables to Vendors	\$ 16,583
Accrued Salaries and Benefits	<u>8,564</u>
Total	<u><u>\$ 25,147</u></u>

**NOTE 6 FACTORED RECEIVABLE LIABILITY**

The School factored various receivables from the state apportionment with Charter Asset Management. At June 30, 2018, the amount outstanding was \$77,559.

**NOTE 7 NOTES PAYABLE**

In July 2017, the School received a \$58,000 loan from the Nevada State Public Charter School Authority. The loan is unsecured and accrues interest at a rate of 3.75%. Monthly principal and interest payments of \$2,616 are deducted from the School's per pupil funding starting in July 2018. The School is meeting its loan obligations. The balance due at June 30, 2018 is \$58,000.

**NOTE 8 CONCENTRATION – REVENUE**

For the year ended June 30, 2018, the state of Nevada provided 56% of the School's total revenue.

**NOTE 9 LEASE COMMITMENTS**

The School leases its facility under a lease agreement with BHCS North Lamb, LLC. The term of the lease expires in June 2023. In addition to this lease the School entered into a Purchase Option Agreement for the same property which expires in June 2020. Total lease expense under these agreements for the year ended June 30, 2018 was \$449,825.

Future minimum lease payments are as follows:

Year Ended June 30,	
<u>2019</u>	\$ 577,063
2020	577,062
2021	577,063
2022	500,502
2023	<u>502,265</u>
Total	<u><u>\$ 2,733,955</u></u>

**FUTURO ACADEMY INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 RETIREMENT PLAN**

Qualified employees are covered under a cost sharing multiple-employer defined benefit pension plan maintained by agencies of the state of Nevada.

As of June 30, 2018, the School implemented GASB Statements No. 68 and No. 71. These GASB statements require the School to record its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources based on a measurement date of June 30, 2017. However, the School was not in operation as of June 30, 2017, and as a result, had no share of the net pension liabilities, pension expense or deferred inflows. The School's share of the net pension liabilities, pension expense and deferred inflow of resources will be recorded in the School's June 30, 2019 financial statements using a plan measurement date of June 30, 2018. The School has recorded a deferred outflow of resources in the amount of \$68,576 representing its contributions to the plan for the year ended June 30, 2018.

**Plan Description**

Qualified employees are eligible to participate in the Nevada Public Employees' Retirement System (NVPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by NVPERS. The plan provides pension benefits, disability benefits, and survivor benefits to public employees and beneficiaries. Benefit provisions are established by the Nevada Revised Statutes (NRS).

**Benefits Provided**

NVPERS provides pension benefits, disability benefits, and survivor benefits to public employees and beneficiaries. Benefits are based on years of service and the member's highest average compensation in any 36 consecutive months with special provisions for members entering NVPERS on or after January 1, 2010. Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service, or at any age with 30 years of service. Regular members entering NVPERS on or after January 1, 2010, are eligible for retirement at age 65 with 5 years of service, or age 62 with 10 years of service, or any age with 30 years of service.

**Contributions**

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer. The contributions rates are expressed as percentage of annual payroll.

NVPERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

**FUTURO ACADEMY INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 RETIREMENT PLAN (CONTINUED)**

NVPERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the year ended June 30, 2018, the Statutory Employer/employee matching rate was 28.00% for Regular participants. For the year ended June 30, 2018, the Employer-pay contribution (EPC) rate was 28.00% for Regular participants. The contributions rates are expressed as percentage of annual payroll. The School's contributions for the year ended June 30, 2018 were \$68,576.

**Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website at [www.nvpers.org](http://www.nvpers.org).

**NOTE 11 CONTINGENCIES**

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FUTURO ACADEMY INC.  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2018**

	2018
School's Proportion of the Net Pension Liability (Assets)	n/a*
School's Proportionate Share of the Net Pension Liability (Asset)	n/a*
School's Covered Payroll	n/a*
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	n/a*
Plan Fiduciary Net Position as a percentage the Total Pension Liability	74.4%

\* Accounting standards require calculation of the proportionate share of the pension liability based on the plan information for the previous year. Futuro Academy Inc. was not yet in operation in the previous year and therefore has no calculated proportion share of the net pension liability as of June 30, 2018.

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**FUTURO ACADEMY INC.  
SCHEDULE OF SCHOOL CONTRIBUTIONS –  
NEVADA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2018**

	2018
Contractually Required Contribution	\$ 68,576
Contributions in Relation to the Contractually Required Contribution	68,576
Contribution Deficiency (Excess)	\$ -
 School's Covered Payroll	\$ 478,000
 Contributions as a Percentage of Covered Payroll	14.35%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**FUTURO ACADEMY INC.  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – NEVADA PERS**

The schedule presents information on the School's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the School. Accounting standards require calculation of the proportionate share of the pension liability based on the plan information for the previous year. Futuro Academy Inc. was not yet in operation in the previous year and therefore has no calculated proportion share of the net pension liability for the year ended June 30, 2018. In the future, as data becomes available, 10 years of information will be presented.

**NOTE 2 SCHEDULE OF SCHOOL CONTRIBUTIONS – NEVADA PERS**

The schedule presents information on the School's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**SUPPLEMENTARY INFORMATION**

**FUTURO ACADEMY INC.**  
**SCHEDULE OF BUDGET TO ACTUAL COMPARISON**  
**YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
<b>OPERATING REVENUES</b>				
State Aid - DSA - Basic Support	\$ 775,836	\$ 775,836	\$ 756,528	\$ (19,308)
Federal Grants	214,390	214,390	564,723	350,333
Other	-	-	18,000	18,000
Total Operating Revenues	<u>990,226</u>	<u>990,226</u>	<u>1,339,251</u>	<u>349,025</u>
<b>OPERATING EXPENSES</b>				
Salaries	380,000	380,000	478,116	(98,116)
Other Employee Benefits	150,080	150,080	47,306	102,774
Payroll Taxes	12,646	12,646	21,965	(9,319)
Office Expenses	31,636	31,636	90,046	(58,410)
Advertising and Promotion	20,000	20,000	12,856	7,144
Contracted Services	146,000	146,000	168,095	(22,095)
Information Technology	76,700	76,700	121,039	(44,339)
Instructional Materials	42,000	42,000	97,876	(55,876)
Depreciation	-	-	4,426	(4,426)
Occupancy	492,293	492,293	527,847	(35,554)
Interest Expense	-	-	5,346	(5,346)
Insurance	17,450	17,450	14,630	2,820
Other Expenses	205,546	205,546	177,412	28,134
Total Operating Expenses	<u>1,574,351</u>	<u>1,574,351</u>	<u>1,766,960</u>	<u>(192,609)</u>
<b>OPERATING LOSS</b>	(584,125)	(584,125)	(427,709)	156,416
<b>NON OPERATING REVENUES AND EXPENSES</b>				
Food Service Income	6,296	6,296	7,666	(1,370)
Other Local Income	32,900	32,900	8,170	24,730
Total Nonoperating Revenues and Expenses	<u>39,196</u>	<u>39,196</u>	<u>15,836</u>	<u>23,360</u>
<b>CHANGE IN NET POSITION</b>	(544,929)	(544,929)	(411,873)	179,776
Net Position - Beginning of Year	<u>648,958</u>	<u>648,958</u>	<u>672,821</u>	<u>(23,863)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 104,029</u>	<u>\$ 104,029</u>	<u>\$ 260,948</u>	<u>\$ (156,919)</u>

See the Independent Auditors' Report and the accompanying Notes to Supplementary Information.

**FUTURO ACADEMY INC.  
FINANCIAL FRAMEWORK INFORMATION WORKSHEET  
YEAR ENDED JUNE 30, 2018**

**Financial Framework Information Worksheet**

1. School Name	<input type="text" value="Futuro Academy Charter School"/>	
2. School Year	<input type="text" value="2017"/> to <input type="text" value="2018"/>	YYYY to YYYY
3. Year of Operation	<input type="text"/>	Year of contracted operation with the current charter school authorizer
4. Independent Auditor	<input type="text" value="CliftonLarsonAllen LLP"/>	
<b>SELECT ASSETS</b>		
5. Cash	<input type="text" value="\$129,571"/>	Source: Statement of Net Position
6. Proceeds from Bonds	<input type="text" value="-"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
7. Current Assets	<input type="text" value="290,893"/>	Source: Statement of Net Position
8. NonCurrent Assets	<input type="text" value="62,185"/>	Source: Statement of Net Position
9. Deferred Outflows	<input type="text" value="68,576"/>	Source: Statement of Net Position
10. Ending Fund Balance	<input type="text" value="260,948"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
<b>SELECT LIABILITIES</b>		
11. Deferred Inflows	<input type="text" value="\$ -"/>	Source: Statement of Net Position
12. Current Liabilities	<input type="text" value="131,706"/>	Source: Statement of Net Position
13. Annual Principal	<input type="text"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
14. NonCurrent Liabilities (Net of PERS pension liability)	<input type="text" value="29,000"/>	Source: Statement of Net Position
15. Outstanding Loan	<input type="text" value="Yes"/>	(Yes or No) Source: Statement of Net Position/Notes to the audited financial statements
16. PERS Pension Liability	<input type="text" value="-"/>	Source: Statement of Net Position
<b>SELECT REVENUES</b>		
17. Revenues - Operating	<input type="text" value="\$1,339,251"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
18. Revenues - Non Operating	<input type="text" value="15,836"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
<b>SELECT EXPENDITURES</b>		
19. Expenditures	<input type="text" value="\$1,766,960"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
20. Interest Expense	<input type="text" value="5,346"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
21. Depreciation Expense	<input type="text" value="4,426"/>	Source: Notes to the audited financial statements
22. Capital Expenses Paid with Bond Proceeds	<input type="text" value="-"/>	Source: Statement of Revenues, Expenditures and Changes in Fund Balance
<b>NOTICES</b>		
23. Debt Default	<input type="text" value="No"/>	(Yes or No) Source: Notes to the audited financial statements
24. Other Legal/Financial Notices	<input type="text" value="None"/>	
<b>ENROLLMENT</b>		
25. Actual Enrollment	<input type="text" value="112.24"/>	Source: Actual enrollment from DSA spreadsheet
26. Projected Enrollment	<input type="text" value="116"/>	Source: Most Recent Approved Budget for applicable fiscal year

**FUTURO ACADEMY INC.  
FINANCIAL PERFORMANCE MEASURES  
YEAR ENDED JUNE 30, 2018**

**Financial Performance**

In the Financial Performance Section, no overall score is provided. Instead, a count of the number of Standards Met, Not Met and Far Below will be provided.

**Indicator: FIN1-Near-Term Measures**

Measure	Method	Source	Meets Standard Definition	Does Not Meet Standard Definition	Far Below Standard Definition	Value	Meet/Does not Meet
Current Ratio	Current Assets/Current Liabilities	Audited Balance Sheet	Current Ratio is greater than or equal to 1.1 OR Current Ratio is greater than 1.0 and less than 1.1 and one-year trend is positive (current year ratio is high than last year's ratio)	Current Ratio is greater than 0.9 and less than or equal to 1.0 OR Current Ratio is greater than 1.0 and less than 1.1 and one-year trend is negative	Current Ratio is less than or equal to 0.9	2.21	Meet
Unrestricted Days Cash**	Unrestricted Cash and Equivalents/[(Annual Expenses-Annual Depreciation)/365]	Audited Balance Sheet and Income Statement	60 Days Cash OR Days Cash is greater than or equal to 30 and less than 60 and one-year trend is positive	Days Cash is greater than or equal to 15 and less than 30 OR Days Cash is greater than or equal to 30 and less than 60 and one-year trend is negative	Days Cash is less than 15	26.83	n/a
Enrollment Variance	Actual Enrollment/Projected Enrollment	Actual Enrollment from Cummulative ADE Report; Projected Enrollment from most recent Board-Approved Budget	Actual Enrollment is greater than or equal to 95% of the projected enrollment	Actual Enrollment is greater than or equal to 85% and less than 95% of the projected enrollment	Actual Enrollment is less than 85% of the projected enrollment	0.97	Meet
Debt Default	Review of Audited Financials	Notes in Audited Financial Statement	School is not in default of loan covenant(s) and/or is not delinquent with debt service payments	N/A	School is in default of loan covenant(s) and/or is delinquent with debt service payments	Not in Default	Meet
**For schools in the first two years of operation, value will be reported but no rating will be given.							
<b>FIN1 - Meets Standards (out of 4)</b>							<b>3</b>
<b>FIN1 - Does Not Meet Standard (out of 4)</b>							<b>-</b>
<b>FIN1 - Far Below Standard (out of 4)</b>							<b>-</b>

See the Independent Auditors' Report and the accompanying Notes to Supplementary Information.

**FUTURO ACADEMY INC.  
FINANCIAL PERFORMANCE MEASURES (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

Indicator: FIN2-Sustainability Measures							
Measure	Method	Source	Meets Standard Definition	Does Not Meet Standard Definition	Far Below Standard Definition	Value	Meet/Does not Meet
Total Margin**	Net Income/Total Revenue <i>(Annual and 3-year calculation)</i>	Three years of Audited Income Statements	Aggregated 3-year Total Margin is positive and most recent year Total Margin is positive <i>Note: For schools in their first or second year of operation, substitute the "aggregated three-year total margin" with the "aggregate total margin."</i>	Aggregated 3-year Total Margin is negative or most recent year Total Margin is negative	Aggregated 3-year Total Margin is negative and most recent year Total Margin is negative	(0.31)	n/a
Debt to Asset Ratio	Total Liabilities/Total Assets	Audited Balance Sheet	Debt to Asset Ratio is less than 0.9	Debt to Asset Ratio is greater than or equal to 0.9 and less than or equal to 1.0	Debt to Asset Ratio is greater than 1.0	0.46	Meet
Cash Flow**	<b>Multi-Year:</b> Year 3 Total Cash - Year 1 Total Cash <b>One-Year:</b> Year 2 Total Cash - Year 1 Total Cash	Three years of Audited Balance Sheets	Multi-Year Cash Flow is positive and most recent year Cash Flow is positive <i>Note: For schools in their first or second year of operation, substitute "multi-year cumulative cash flow" with the "cumulative cash flow."</i>	Multi-Year Cash Flow is negative or most recent year Cash Flow is negative	Multi-Year Cash Flow is negative and most recent year Cash Flow is negative	(542,920)	n/a
Ending Fund Balance**	End of Year Fund Balance/Annual Expenses	Audited Income Statement, Audited Balance Sheet	Ending Fund Balance is greater than or equal to 5%	Ending Fund Balance is greater than or equal to 3% and less than 5%	Ending Fund Balance is less than 3%	15%	n/a
Debt Service Coverage Ratio	[Net Income + Depreciation + Interest Expense]/[Annual Principal, Interest, and Lease Payments]	Audited Income Statement, Audited Cash Flow Statement, Annual Principal and Interest Obligations	Debt Service Coverage Ratio is greater than or equal to 1.1	Debt Service Coverage Ratio is less than 1.1	N/A	(0.75)	Does not Meet
<i>**For schools in the first two years of operation, value will be reported but no rating will be given.</i>							
<b>FIN2 - Meets Standards (out of 5)</b>							1
<b>FIN2 - Does Not Meet Standard (out of 5)</b>							1
<b>FIN2 - Far Below Standard (out of 5)</b>							-
<b>Financial - Meets Standards (out of 9)</b>							4
<b>Financial - Does Not Meet Standard (out of 9)</b>							1
<b>Financial - Total Far Below Standard (out of 9)</b>							-

See the Independent Auditors' Report and the accompanying Notes to Supplementary Information.

**FUTURO ACADEMY INC.  
NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF BUDGET TO ACTUAL COMPARISON**

The schedule presents information on the School's original and final budgets and a comparison of the final budget to actual results.

**NOTE 2 FINANCIAL FRAMEWORK INFORMATION WORKSHEET**

The schedule presents information on the School's financial information in the framework as prescribed by the Nevada Department of Education Achievement School District.

**NOTE 3 FINANCIAL PERFORMANCE MEASURES**

The schedule presents information on the School's financial performance as measured by the framework prescribed by the Nevada Department of Education Achievement School District.



**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***

Board of Trustees  
Futuro Academy Inc.  
Las Vegas, Nevada

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 consolidated financial statements of Futuro Academy Inc. (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the School'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 consolidated 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.

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 School's financial statements are free from 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Glendora, California  
November 28, 2018

**FUTURO ACADEMY INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

There were no findings related to the basic financial statements or state awards for the year ended June 30, 2018.

**FUTURO ACADEMY INC.  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

June 30, 2018 was the School's first year of operation.