

FOUNDERS ACADEMY OF LAS VEGAS

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2017**

FOUNDERS ACADEMY OF LAS VEGAS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Founders Academy of Las Vegas
Las Vegas, NV

Report on the Financial Statements

We have audited the accompanying financial statements of Founders Academy of Las Vegas (the School) and its discretely presented component unit Founders Education Legacy (a nonprofit organization) (collectively, the Organization) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organization'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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. The financial statements of Founders Education Legacy were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

Board of Directors
Founders Academy of Las Vegas

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 Founders Academy of Las Vegas and Founders Education Legacy as of June 30, 2017, and the changes in financial position and cash flows for the year 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, 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 of 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, CA

November 28, 2017

FOUNDERS ACADEMY OF LAS VEGAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

The following discussion and analysis of the Founders Academy of Las Vegas's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2017. 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 8.

The School as a Whole

Founders Academy of Las Vegas was established on January 28, 2014 after receiving their charter from the Nevada State Public Charter School Authority (the Authority). The School's charter is awarded in six year increments and is subject to renewal at the discretion of the Authority. The charter for the School expires on June 30, 2020. The School receives most of its funding per pupil reimbursements and Federal and State grants. The School currently serves approximately 570 students in kindergarten through twelfth grade. At capacity the School will serve 700 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*.

FOUNDERS ACADEMY OF LAS VEGAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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.

FOUNDERS ACADEMY OF LAS VEGAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

Financial Highlights

The Statement of Net Position as of June 30, 2017 and 2016 is summarized below:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Capital assets	\$ 225,975	\$ 193,938	32,037
Other assets	712,911	451,173	261,738
Total assets	<u>938,886</u>	<u>645,111</u>	<u>293,775</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	<u>2,784,152</u>	<u>2,197,145</u>	<u>587,007</u>
Total deferred outflows of resources	<u>2,784,152</u>	<u>2,197,145</u>	<u>587,007</u>
Liabilities			
Non current liabilities	3,233,281	2,235,896	997,385
Other liabilities	<u>400,907</u>	<u>490,892</u>	<u>(89,985)</u>
Total liabilities	<u>3,634,188</u>	<u>2,726,788</u>	<u>907,400</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	<u>358,602</u>	<u>334,251</u>	<u>24,351</u>
Total deferred inflows of resources	<u>358,602</u>	<u>334,251</u>	<u>24,351</u>
Net Position			
Net investment in capital assets	225,975	193,938	32,037
Unrestricted	<u>(495,727)</u>	<u>(412,721)</u>	<u>(83,006)</u>
Total net position	<u>\$ (269,752)</u>	<u>\$ (218,783)</u>	<u>\$ (50,969)</u>

The following financial highlights are for the year ended June 30, 2017 with comparative information from the year ended June 30, 2016:

- The School held total assets of \$938,886 and \$645,111 at June 30, 2017 and 2016, of which \$225,975 and \$193,938 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 an increase in state funding which resulted from an increase in enrollment.
- At June 30, 2017 and 2016, the School held total deferred outflows of resources of \$2,784,152 and \$2,197,145, respectively.
- The School held total liabilities of \$3,634,188 and \$2,726,788 at June 30, 2017 and 2016, respectively. As of June 30, 2017, \$135,998 was current and \$125,000 was non-current portions of notes payable. As of June 30, 2016, \$364,492 was current and \$210,216 was non-current portions of notes payable. The increase in long term liabilities is primarily due to an increase in the net pension liability. The decrease in other liabilities is a result of a lower current portion of notes payable.

FOUNDERS ACADEMY OF LAS VEGAS

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

Financial Highlights

- At June 30, 2017 and 2016, the School held total deferred inflows of resources of \$358,602 and \$334,251, respectively.
- Total net position for the School was (\$269,752) and (\$218,783) at June 30, 2017 and 2016, respectively. As of June 30, 2017, (\$495,727) was unrestricted and \$225,975 was net investments in capital assets. As of June 30, 2016, (\$412,721) was unrestricted and \$193,938 was net investments in capital assets. The deficit is primarily a result of the recording of the School's net pension liability.

The Statement of Activities for the year ended June 30, 2017 and 2016 are summarized below:

	2017	2016	Change
Revenues			
Program revenues:			
DSA state aid	\$ 3,676,050	\$ 3,260,031	\$ 416,019
Federal grants	56,277	25,880	30,397
Other	300,532	165,977	134,555
General revenues:			
Contributions	174,197	42,250	131,947
Rental income	94,141	80,610	13,531
Interest income	513	870	(357)
Other	17,145	4,098	13,047
Total revenues	4,318,855	3,579,716	739,139
Expenses			
Instruction	3,274,223	2,572,467	701,756
Instruction - related services	250,062	197,194	52,868
General administration	16,252	22,894	(6,642)
Plant services	770,074	722,079	47,995
Depreciation (unallocated)	59,213	59,214	(1)
Total expenses	4,369,824	3,573,848	795,976
Change in net position	\$ (50,969)	\$ 5,868	\$ (56,837)

- The School earned total revenues of \$4,318,855 and \$3,579,716 for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2017, 93% were operating revenues and 7% was from non-operating revenues (private grants, contributions, etc.). For the year ended June 30, 2016, 96%, were operating revenues and 4%, was from non-operating revenues (private grants, contributions, etc.). The increase in program revenues was primarily due to increased state and federal grants due to an increase in enrollment of about 17%. The increase in contribution revenue is primarily due to a large donation from Founders Education Legacy of \$102,064.
- The School had total expenses of \$4,369,824 and \$3,573,848 for the years ended June 30, 2017 and 2016, respectively.

FOUNDERS ACADEMY OF LAS VEGAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

Financial Highlights

- The School earned net income of (\$50,969) and \$5,868 for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2017 the net loss was comprised of operating income of (\$336,965) and non-operating income of \$285,996. For the year ended June 30, 2016 the net income was comprised of operating income of (\$121,960) and non-operating income of \$127,828.
- The factor that lead to the net loss for the year ended June 30, 2017 is the recording of the changes in the net pension liability, deferred outflows/inflows and net pension expense. This is required under Government Accounting Standards Board Statement 68.

Capital Assets

The School had \$11,550 of expenditures for capital assets and received an in kind donation of equipment of \$79,700 during the year ended June 30, 2017. As of June 30, 2017, the School had capital assets net of depreciation of \$225,975. See additional information in Note 4.

Long-Term Debt

The School repaid \$313,710 during the year ended June 30, 2017. As of June 30, 2017 and 2016 the School had \$260,998 and \$574,708 in long-term debt outstanding, respectively. See additional information in Note 6.

Budgetary Highlights

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2017 the School incurred \$4,461,075 in actual expenditures (inclusive of capitalized purchases) compared to budgeted expenditures of \$4,325,270. The major reason for the unfavorable variance between the budgeted and actual expenses was due to recording of the non cash net pension expense relating to GASB 68. This net pension expense adjustment reflects the difference between what the School paid for its pension contributions and its calculated expenses resulting from its share of the unfunded pension liability for the Nevada PERS plan. The difference for the current year was \$519,945. If it were not for this adjustment the School would have had a favorable variance in budgeted versus actual total expenditures. Actual revenue for the School was \$4,318,855 compared to budgeted revenue of \$4,325,270.

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 \$3,676,050 in per pupil funding in fiscal year 2017. This represents 85% of the School's revenue for the year ended June 30, 2017. In addition, the School received various federal, State of Nevada and private grants, which totaled \$230,474 for the year ended June 30, 2017.

FOUNDERS ACADEMY OF LAS VEGAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

Other Financial Factors

In December 2013 and March 2014, the School entered into operating lease agreements, each for a term of five years. The leases each require payments of \$19,271 per month. In accordance with the lease terms, the School is also liable for 100% of all common area maintenance expenses incurred at the premises. In September 2015, the School entered into an operating lease with a term ending date of June 30, 2025. The lease includes options to extend up to three additional five-year periods. The lease requires monthly payments per a payment schedule included in the lease agreement.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the School's budget for fiscal year 2016-2017:

- During the year ended June 30, 2017, the School experienced a decrease in net position of (\$50,969). As of June 30, 2017, the School's current assets exceeded its current liabilities by \$273,462 and its total liabilities exceeded its total assets by \$2,695,302. The deficit is principally the result of recording the net pension liability.
- The School is expecting to reach maximum enrollment within two years.

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.

FOUNDERS ACADEMY OF LAS VEGAS

STATEMENT OF NET POSITION

June 30, 2017

	<i>Founders Academy of Las Vegas</i>	<i>Component Unit - Founders Education Legacy, Inc.</i>	<i>Memorandum Only - Financial Reporting Entity Total</i>
Assets			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 525,748	\$ 3,474	\$ 529,222
Accounts receivable - other	<u>148,621</u>	<u>-</u>	<u>148,621</u>
Total current assets	<u>674,369</u>	<u>3,474</u>	<u>677,843</u>
<i>Noncurrent Assets:</i>			
Due from component unit	-	125,000	125,000
Security deposit	38,542	-	38,542
Property and equipment, net	<u>225,975</u>	<u>-</u>	<u>225,975</u>
Total noncurrent assets	<u>264,517</u>	<u>125,000</u>	<u>389,517</u>
Total assets	<u>938,886</u>	<u>128,474</u>	<u>1,067,360</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	<u>2,784,152</u>	<u>-</u>	<u>2,784,152</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts payable	66,828	202	67,030
Accrued expenses	198,081	-	198,081
Long-term debt - current portion	<u>135,998</u>	<u>150,000</u>	<u>285,998</u>
Total current liabilities	<u>400,907</u>	<u>150,202</u>	<u>551,109</u>
<i>Non Current Liabilities:</i>			
Due to component unit	125,000	-	125,000
Net pension liability	<u>3,108,281</u>	<u>-</u>	<u>3,108,281</u>
Total non current liabilities	<u>3,233,281</u>	<u>-</u>	<u>3,233,281</u>
Total liabilities	<u>3,634,188</u>	<u>150,202</u>	<u>3,784,390</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	<u>358,602</u>	<u>-</u>	<u>358,602</u>
Net Position			
Net investment in capital assets	225,975	-	225,975
Unrestricted	<u>(495,727)</u>	<u>(21,728)</u>	<u>(517,455)</u>
Total net position	<u>\$ (269,752)</u>	<u>\$ (21,728)</u>	<u>\$ (291,480)</u>

The accompanying notes are integral part of these financial statements.

FOUNDERS ACADEMY OF LAS VEGAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended June 30, 2017

	<i>Founders Academy of Las Vegas</i>	<i>Component Unit - Founders Education Legacy, Inc.</i>	<i>Memorandum Only - Financial Reporting Entity Total</i>
<i>Operating revenues</i>			
State aid - DSA - basic support	\$ 3,578,025	\$ -	\$ 3,578,025
State aid - DSA - special education	98,025	-	98,025
Federal grants	56,277	-	56,277
Other	300,532	311,252	611,784
Total operating revenues	<u>4,032,859</u>	<u>311,252</u>	<u>4,344,111</u>
<i>Operating Expenses</i>			
Salaries	1,647,289	315,350	1,962,639
Retirement benefits	812,054	-	812,054
Other employee benefits	166,568	21,762	188,330
Payroll taxes	35,863	19,774	55,637
Office expenses	68,949	-	68,949
Advertising and promotion	1,829	-	1,829
Travel	27,416	-	27,416
Contracted services	538,761	4,364	543,125
Information technology	14,442	-	14,442
Instructional materials	73,688	-	73,688
Depreciation	59,213	-	59,213
Occupancy	770,074	-	770,074
Interest expense	14,423	-	14,423
Insurance	23,907	-	23,907
Other expenses	115,348	101,886	217,234
Total operating expenses	<u>4,369,824</u>	<u>463,136</u>	<u>4,832,960</u>
Operating loss	<u>(336,965)</u>	<u>(151,884)</u>	<u>(488,849)</u>
<i>Non-operating revenues and expenses</i>			
Contributions	174,197	122,690	296,887
Rental income	94,141	-	94,141
Interest income	513	-	513
Other income/expense	17,145	-	17,145
Total non-operating revenues and expenses	<u>285,996</u>	<u>122,690</u>	<u>408,686</u>
Change in net position	(50,969)	(29,194)	(80,163)
Net position, beginning of the year	<u>(218,783)</u>	<u>7,466</u>	<u>(211,317)</u>
Net position, end of the year	<u>\$ (269,752)</u>	<u>\$ (21,728)</u>	<u>\$ (291,480)</u>

The accompanying notes are integral part of these financial statements.

FOUNDERS ACADEMY OF LAS VEGAS

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2017

	<i>Founders Academy of Las Vegas</i>	<i>Component Unit - Founders Education Legacy, Inc.</i>	<i>Memorandum Only - Financial Reporting Entity Total</i>
Cash flows from operating activities:			
Receipts from state aid	\$ 3,676,050	\$ -	\$ 3,676,050
Receipts from federal grants	56,277	-	56,277
Other receipts	318,686	311,252	629,938
Payments for salaries, wages, benefits, and payroll taxes	(1,971,445)	(356,886)	(2,328,331)
Payments to suppliers and vendors	(1,652,278)	(90,250)	(1,742,528)
Net cash provided by (used by) operating activities	427,290	(135,884)	291,406
Cash flows from noncapital financing activities:			
Non-operating receipts	199,796	122,690	322,486
Non-operating disbursements	-	-	-
Net cash provided by (used by) noncapital financing activities	199,796	122,690	322,486
Cash flows from capital and financing activities:			
Purchase of property and equipment, net	(11,550)	-	(11,550)
Payment of notes payable	(313,710)	-	(313,710)
Net cash provided by (used by) capital and financing activities	(325,260)	-	(325,260)
Increase/(decrease) in cash and equivalents	301,826	(13,194)	288,632
Cash and cash equivalents, beginning of year	223,922	16,668	240,590
Cash and cash equivalents, end of year	\$ 525,748	\$ 3,474	\$ 529,222
Reconciliation of operating income to net cash provided			
by operating activities:			
Operating loss	\$ (336,965)	\$ (151,884)	\$ (488,849)
Adjustments to reconcile operating income to			
net cash provided by operating activities:			
Depreciation	59,213	-	59,213
Changes in pension liabilities and related deferrals	519,945	-	519,945
Change in operating assets and liabilities:			
Accounts receivable	24,254	-	24,254
Prepaid expenses	15,834	-	15,834
Accounts payable	(19,275)	16,000	(3,275)
Accrued expenses	170,384	-	170,384
Unearned revenue	(6,100)	-	(6,100)
Net cash provided by operating activities	\$ 427,290	\$ (135,884)	\$ 291,406

The accompanying notes are integral part of these financial statements.

FOUNDERS ACADEMY OF LAS VEGAS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2017

NOTE 1: NATURE OF ORGANIZATION

The Founders Academy of Las Vegas (the School) was established on January 28, 2014 after receiving their charter from the Nevada State Public Charter School Authority (the Authority). The School's charter is awarded in six year increments and is subject to renewal at the discretion of the Authority. The charter for the School expires on June 30, 2020. 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 twelfth grade a public supported academic education based on proven curricula and instruction practices.

The School's mission is to train the minds and improve the hearts of young people through a rigorous, classical education in the liberal arts and sciences, with instruction in the principles of moral character and civic virtue.

The Organization consists of the following:

Primary government

- Founders Academy of Las Vegas – operates as an elementary, middle, and high school in Las Vegas, Nevada and serves approximately 570 students. At capacity the School will serve approximately 700 students.

Discretely Presented Component Unit

- Founders Education Legacy, Inc. (Legacy) – Legacy is a legally separate, tax-exempt organization that acts primarily as a fund-raising organization to supplement the resources of the School. Legacy is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Because these restricted resources can only be used by or for the benefit of the School, Legacy is considered a component unit of the School and is discretely presented in the School's financial statements.

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:

a) *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.

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The reporting entity consists of the School and its discretely presented component unit. Component units are legally separate organizations for which the board is financially accountable for or other organizations whose nature and significant relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. The School is financially accountable if it appoints a majority of Legacy's board and (1) is able to impose its will on Legacy, or (2) there is a potential to provide specific financial benefit or to impose a burden on the school.

The basic financial statements include a discretely presented component unit, Founders Education Legacy, Inc. The discretely presented component unit, although not part of the primary government, is reported in a separate column to emphasize it is legally separate from the government and included in the memorandum only total of the financial statements.

For the year ended June 30, 2017, the School entered into an agreement with Legacy wherein Legacy provides certain educational services to the School. Employees of Legacy provide these services to the students of the School and the School reimburses Legacy for the costs related to providing the services accordingly. For the fiscal year ending June 30, 2017, Legacy charged the School \$308,940 for these services and as of June 30, 2017, the School had a payable to Legacy in the amount of \$125,000.

Legacy is a non-profit organization that reports under Financial Accounting Standards Board (FASB) accounting standards. As such, certain revenue recognition criteria and financial presentation features are different from GASB revenue recognition and financial presentation features.

Complete financial statements for Founders Education Legacy, Inc. can be obtained from the School's business office located at 5730 W. Alexander Road, Las Vegas, NV 89130.

b) *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. Additionally, Legacy is considered a component unit of the School and is presented in the basic financial statements as a discretely presented component unit of the School. The component unit has a June 30 fiscal year end.

c) *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.

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) *Tax Status*

The School was established under a charter granted by The Nevada Charter Authority and operates as part of the State of Nevada and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Legacy is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

e) *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, 2017 the School held no cash equivalents.

f) *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, 2017, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

g) *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.

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

h) *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.

i) *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.

j) *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 non-operating revenues and expenses.

k) *Capital Assets*

Property and equipment are recorded at cost, if purchased or at fair market 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, 5 years for equipment, 5 years for furniture and fixtures and 30 years or the remaining life of the lease for leasehold improvements, whichever is shorter.

l) *Classification of Net Position*

Unrestricted Net Position – portion of funds to support operations

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

m) *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.

n) *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.

o) *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, 2017 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

p) *Memorandum Only – Financial Reporting Entity*

The financial statements include *Memorandum Only* totals for the year ended June 30, 2017. These totals include all the activity of the financial reporting entity as described above and do not take into consideration any eliminating entries that would be prepared if the entities were consolidated.

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* \$525,748 of the School's deposits as of June 30, 2017 were fully insured.

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 4: CAPITAL ASSETS

Changes in capital assets during fiscal year ended June 30, 2017 are as follows:

	<i>Founders Academy of Las Vegas</i>			
	Balance	Additions		Balance
	June 30, 2016	and transfers	Disposals	June 30, 2017
Furniture, fixtures, equipment	\$ 25,295	\$ -	\$ -	\$ 25,295
Leasehold improvements	270,771	-	-	270,771
Less accumulated depreciation	(102,128)	(59,213)	-	(161,341)
Subtotal	193,938	(59,213)	-	134,725
Non-depreciable assets:				
Construction in Progress	-	91,250	-	91,250
Property and equipment, net	<u>\$ 193,938</u>	<u>\$ 32,037</u>	<u>\$ -</u>	<u>\$ 225,975</u>

	<i>Component Unit- Founders Education Legacy, Inc.</i>			
	Balance	Additions		Balance
	June 30, 2016	and transfers	Disposals	June 30, 2017
Non-depreciable assets:				
Construction in Progress	<u>\$ 16,000</u>	<u>\$ (16,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Property and equipment, net	<u>\$ 16,000</u>	<u>\$ (16,000)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2017 are as follows:

	<i>Founders Academy of Las Vegas</i>	<i>Component Unit - Founders Education Legacy, Inc.</i>
Payables to vendors	\$ 66,828	\$ 202
Accrued salaries and benefits	198,081	-
Total	<u>\$ 264,909</u>	<u>\$ 202</u>

NOTE 6: NOTES PAYABLE

In fiscal year 2014, the School received a \$25,000 personal loan to assist with start up costs. The loan is unsecured and does not accrue interest. The loan originally matured in August 2015, but was renegotiated in September 2015 to extend the due date to September 2017. The balance due at June 30, 2017 is \$20,000.

FOUNDERS ACADEMY OF LAS VEGAS

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

NOTE 6: NOTES PAYABLE

In August 2014, the School received a \$175,000 loan from the Nevada State Public Charter School Authority. The loan is unsecured and accrues interest at rate of 3.25%. Annual principal and interest payments of \$58,333 are deducted from the School's per pupil funding starting in August 2015. The balance due at June 30, 2017 is \$89,629.

In May 2016, the School received a \$306,159 loan from Charter Schools Development Corporation (CSDC). The note accrues interest of 7% and requires monthly principal and interest payments of \$26,491. The loan matures in July 2017. The balance due at June 30, 2017 \$26,369.

In September 2015, Legacy received a \$150,000 loan from Hillsdale College to assist with the launch of the School. Legacy loaned \$125,000 to the School and kept \$25,000. The loan is unsecured and does not accrue interest. The loan matures in March 2018. The balance due for Legacy at June 30, 2017 is \$150,000. The balance due to Legacy from the School at June 30, 2017 is \$125,000.

The following summarizes long-term debt activity of the Organization for the year ended June 30, 2017:

<i>Founders Academy of Las Vegas</i>					
	Balance			Balance	Due within
	June 30, 2016	Additions	Reductions	June 30, 2017	one year
Revolving loan	\$ 118,549	\$ -	\$ 28,920	\$ 89,629	\$ 89,629
Notes payable	331,159	-	284,790	46,369	46,369
	<u>\$ 449,708</u>	<u>\$ -</u>	<u>\$ 313,710</u>	<u>\$ 135,998</u>	<u>\$ 135,998</u>

<i>Component Unit- Founders Education Legacy, Inc.</i>					
	Balance			Balance	Due within
	June 30, 2016	Additions	Reductions	June 30, 2017	one year
Notes payable	\$ 150,000	\$ -	\$ -	\$ 150,000	\$ 150,000
	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The minimum principal payments on the long term debt at June 30, 2017 are as follows:

Year Ended			
June 30,	Principal	Interest	Total
2018	\$ 135,998	\$ 3,067	\$ 139,065
	<u>\$ 135,998</u>	<u>\$ 3,067</u>	<u>\$ 139,065</u>

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7: CONCENTRATION - REVENUE

For the year ended June 30, 2017, the State of Nevada provided 87% of the School's total revenue.

NOTE 8: LEASE COMMITMENTS

The School leases facilities under three lease agreements. One, is a five year lease agreement that expires in July 2019. The second is a five year lease agreement that expires in August 2020. These leases each require monthly rental payments of \$19,271. The third agreement is a 10 year lease with the option to extend for three additional five-year periods. After the second year, the annual rent increases by 3% each year. The rent expense under these leases was \$620,309 for the year ended June 30, 2017. The three leases were terminated as of June 30, 2017.

NOTE 9: 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, 2017, the School's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for the retirement plan are as follows:

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
NVPERS	\$ 3,108,281	\$ 2,784,152	\$ 358,602	\$ 812,054

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

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 9: RETIREMENT PLAN

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.

The NVPERS provisions and benefits in effect at June 30, 2017 are summarized as follows:

Provisions and Benefits	Nevada Public Employee's Retirement System Plan		
Hire date	On or Before December 31, 2009	On or after January 1, 2010	On or after July 1, 2015
Benefit formula	Service factors multiplied by average of 36 highest consecutive months of salary	Service factors multiplied by average of 36 highest consecutive months of	Service factors multiplied by average of 36 highest consecutive months of salary
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	65 with 5 years of service 60 with 10 years of service Any age with 30 years of service	65 with 5 years of service 62 with 10 years of service Any age with 30 years of service	62 with 10 years of service 55 with 30 years of service At any age with 33 1/3 years of service
Monthly benefits as a percentage of eligible compensation	2.5% before July 1, 2001 2.67% after July 1, 2001	2.5%	2.25%
Required employee contribution rate	14.50%	14.50%	14.50%
Required employer contribution rate	14.50%	14.50%	14.50%

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. The School's contributions for the year ended June 30, 2017 were \$292,109.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the School reported net pension liabilities for its proportionate share of the NVPERS net pension liability totaling \$3,108,281. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined. At June 30, 2016, the School's proportion was 0.02310%.

For the year ended June 30, 2017, the School recognized pension expense of \$812,054. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 9: RETIREMENT PLAN

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 292,109	\$ -
Difference between expected and actual experience	-	208,139
Difference in proportion	2,203,090	150,463
Net differences between projected and actual earnings on plan investments	288,953	-
Total	<u>\$ 2,784,152</u>	<u>\$ 358,602</u>

The deferred outflows of resources resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	Amortization
2018	\$ 508,034
2019	508,034
2020	508,034
2021	411,716
2022	197,623
Total	<u>\$ 2,133,441</u>

Actuarial Methods and Assumptions

Total pension liability for the pension plan was determined by an actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2012
Actuarial Cost Method	Entry Age Normal
Discount Rate	8.00%
Investment Rate of Return	8.00%
Consumer Price Inflation	3.50%
Wage Growth	6.50%

Mortality assumptions are based on mortality rates resulting from the most recent NVPERS experience study adopted by the NVPERS Board. For purposes of the post-retirement mortality rates, those revised

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 9: RETIREMENT PLAN

rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, NVPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Geometric Expected Real Rate of Return</u>
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private Markets	10%	6.80%

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the School's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 9: RETIREMENT PLAN

Discount rate	Net Pension Liability
1% decrease (7.00%)	\$ 4,556,597
Current discount rate (8.00%)	3,108,598
1% increase (9.00%)	1,903,880

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.

NOTE 10: ACCOUNTING SERVICES CONTRACT

The School has an agreement with Charter School Management Corporation (CSMC) to perform the accounting functions of the School. The agreement states that CSMC shall receive a one time \$5,000 setup fee and \$5,000 monthly. For the year ended June 30, 2017 the School paid CSMC \$60,000 for these services. The School had no amounts due to CSMC at June 30, 2017.

NOTE 11: RELATED PARTY TRANSACTIONS

Legacy is a supporting not for profit tax exempt organization and a related party of the School. For the year ended June 30, 2017, the School entered into an agreement with Legacy wherein Legacy provides certain educational services to the School. Employees of Legacy provide these services to the students of the School and the School reimburses Legacy for the costs related to providing the services. For the fiscal year ending June 30, 2017, Legacy charged the School \$308,940 for these services and Legacy donated \$102,064 to the School. As discussed in Note 6, as of June 30, 2017 the School had a payable to Legacy in the amount of \$125,000.

NOTE 12: 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.

The School’s former property owner, 4025 Rancho LLC, has brought a claim regarding the School for failure to make monthly rent payments from July through December 2015. The School vehemently disputes the claim. The ultimate outcome of this case is unknown. If the case is decided against the School, management estimates a loss of no more than \$94,157.

REQUIRED SUPPLEMENTARY INFORMATION

FOUNDERS ACADEMY OF LAS VEGAS

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2017**

	2017	2016	2015
School's proportion of the net pension liability (assets)	0.02310%	0.01768%	n/a*
School's proportionate share of the net pension liability (asset)	\$ 3,108,281	\$ 2,025,680	n/a*
School's covered-employee payroll	\$ 1,518,000	\$ 1,402,000	n/a*
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.8%	144.5%	n/a*
Plan fiduciary net position as a percentage of the total pension liability	72.2%	75.1%	76.3%

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.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See independent auditor's report and notes to required supplementary information.

FOUNDERS ACADEMY OF LAS VEGAS

**SCHEDULE OF SCHOOL CONTRIBUTIONS
NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 292,109	\$ 233,539	\$ 186,325
Contributions in relation to the contractually required contribution	<u>292,109</u>	<u>233,539</u>	<u>186,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,962,000	\$ 1,518,000	\$ 1,402,000
Contributions as a percentage of covered-employee payroll	14.89%	15.38%	13.29%

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.

See independent auditor's report and notes to required supplementary information.

FOUNDERS ACADEMY OF LAS VEGAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES:

A. 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. In the future, as data becomes available, 10 years of information will be presented.

B. 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.

**INDEPENDENT AUDITOR'S 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 Directors
Founders Academy Las Vegas
Las Vegas, NV

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Founders Academy Las Vegas (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 28, 2017. The financial statements of the component unit of Founders Academy of Las Vegas were not audited in accordance with Governmental Auditing Statements and accordingly this report does not extend to this component unit.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 School'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.

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.


**INDEPENDENT AUDITOR’S 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***

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 the School’s 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 non-compliance or other matters that is 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.



CliftonLarsonAllen LLP

Glendora, CA

November 28, 2017

**FOUNDERS ACADEMY OF LAS VEGAS
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
For the Year Ended June 30, 2017**

There were no findings related to the basic financial statements or state awards for the year ended June 30, 2017.

**FOUNDERS ACADEMY OF LAS VEGAS
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2017**

There were no findings related to the basic financial statements or state awards for the prior year.