

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.



Financial Statements as of and for the Year Ended June 30, 2014, Required Supplemental Information and Additional Information for the Year Ended June 30, 2014, Federal Awards Supplemental Information for the Year Ended June 30, 2014 and Independent Auditor's Reports

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

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## Independent Auditor's Report

To the Board of Directors  
Atlanta Heights Charter School, Inc.

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Atlanta Heights Charter School, Inc. as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Atlanta Heights Charter School, Inc.'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.

#### ***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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 opinions.

To the Board of Directors  
Atlanta Heights Charter School, Inc.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Atlanta Heights Charter School, Inc. as of June 30, 2014 and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlanta Heights Charter School, Inc.'s basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and statement of revenues - General Fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statement of revenues - General Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Atlanta Heights Charter School, Inc.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 on our consideration of Atlanta Heights Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Atlanta Heights Charter School, Inc.'s internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

September 22, 2014

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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This section of the annual financial report for Atlanta Heights Charter School, Inc. (the "School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School financially as a whole. The School-wide financial statements provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School's operations in more detail than the School-wide financial statements by providing information about the School's significant fund (the "General Fund").

Management's Discussion and Analysis  
(Required Supplemental Information)

#### Basic Financial Statements

School-wide Financial Statements      Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for the General Fund

(Additional Information)  
Statement of Revenues — General Fund

### ***Reporting the School as a Whole — School-wide Financial Statements***

One of the most important questions asked about the School is, "As a whole, what is the School's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School's financial statements, report information on the School as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The School's Statement of Net Position – the difference between assets and liabilities, as reported in the Statement of Net Position – is one way to measure the School's financial position. The relationship between revenues and expenses is the School's operating results. The School's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the School.

The Statement of Net Position and the Statement of Activities report the activities of the School, all of which are classified as governmental. These activities encompass all the School's services, including instruction, support services and food services. State aid (based on student count) and state and federal grants finance most of these activities. The School has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources.

### ***Reporting the School's Fund Financial Statements***

The School's fund financial statements provide information about the most significant funds – not the School as a whole. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

*Governmental Funds* — All of the School's services, other than food service activities, are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the School and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

*Proprietary Funds* – The School's food service activities are reported in the School Food Service Fund. The proprietary funds are reported on the accrual basis. The School Food Service Fund had no net position at the end of the year.

## The School as a Whole

Recall that the Statement of Net Position provides the perspective of the School as a whole. The table below provides a summary of the School's net position as of June 30:

	<b>2014</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets	\$ 611,444	\$ 4,448	\$ 615,892
Capital assets, net of accumulated depreciation	<u>43,801</u>	<u>-</u>	<u>43,801</u>
<b>Total assets</b>	<b>655,245</b>	<b>4,448</b>	<b>659,693</b>
<b>Liabilities - current</b>	<b><u>568,514</u></b>	<b><u>4,448</u></b>	<b><u>572,962</u></b>
<b>Net position:</b>			
Net Investment in capital assets	43,801	-	43,801
Unrestricted	<u>42,930</u>	<u>-</u>	<u>42,930</u>
<b>Total net position</b>	<b><u>\$ 86,731</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 86,731</u></b>
<b>2013</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets	\$ 432,960	\$ 1,541	\$ 434,501
Capital assets, net of accumulated depreciation	<u>4,494</u>	<u>-</u>	<u>4,494</u>
<b>Total assets</b>	<b>437,454</b>	<b>1,541</b>	<b>438,995</b>
<b>Liabilities - current</b>	<b><u>397,609</u></b>	<b><u>1,541</u></b>	<b><u>399,150</u></b>
<b>Net position:</b>			
Net Investment in capital assets	4,494	-	4,494
Unrestricted	<u>35,351</u>	<u>-</u>	<u>35,351</u>
<b>Total net position</b>	<b><u>\$ 39,845</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 39,845</u></b>

The unrestricted net position of governmental activities represents the accumulated results of life to date operations. These assets can be used to finance day to day operations without constraints, such as legislative or legal requirements. The results of the current year operations for the School as a whole are reported in the statement of activities, which shows the change in net position.

The results of operations for the School as a whole are reported in the summarized Statement of Activities (below) which shows the changes in net position for the years ended June 30:

	<b>2014</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenues:			
State aid	\$ 4,431,567	\$ -	\$ 4,431,567
Operating grants	728,095	386,573	1,114,668
Charges for meals	-	7,936	7,936
Private sources - NHA	<u>723,434</u>	<u>-</u>	<u>723,434</u>
 Total revenues	 5,883,096	 394,509	 6,277,605
Expenses—			
Contracted service fee:			
Instruction	2,772,225	-	2,772,225
Support services	3,035,881	-	3,035,881
Food services	-	419,517	419,517
Depreciation (unallocated)	<u>3,045</u>	<u>-</u>	<u>3,045</u>
 Total expenses	 <u>5,811,151</u>	 <u>419,517</u>	 <u>6,230,668</u>
Transfers	<u>(25,008)</u>	<u>25,008</u>	<u>-</u>
Change in net position	<u>\$ 46,937</u>	<u>\$ -</u>	<u>\$ 46,937</u>

	<b>2013</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenues:			
State aid	\$ 3,860,162	\$ -	\$ 3,860,162
Operating grants	723,807	347,596	1,071,403
Charges for meals	-	5,874	5,874
Private sources - NHA	<u>984,538</u>	<u>-</u>	<u>984,538</u>
 Total revenues	 5,568,507	 353,470	 5,921,977
Expenses—			
Contracted service fee:			
Instruction	2,590,309	-	2,590,309
Support services	2,940,736	-	2,940,736
Food services	-	378,569	378,569
Depreciation (unallocated)	<u>670</u>	<u>-</u>	<u>670</u>
 Total expenses	 <u>5,531,715</u>	 <u>378,569</u>	 <u>5,910,284</u>
Transfers	<u>(25,099)</u>	<u>25,099</u>	<u>-</u>
Change in net position	<u>\$ 11,693</u>	<u>\$ -</u>	<u>\$ 11,693</u>

As reported in the Statement of Activities, the cost of governmental and business-type activities was \$6,230,668. These activities were primarily funded by the School's state aid (based on student count) and governments and organizations that subsidized certain programs with grants.

*Revenues — Private sources — NHA* represent a contribution by NHA for excess of School expenditures over public revenues available.

The School experienced an increase in net position of \$46,937 for the year ended June 30, 2014. Under the terms of the agreement, NHA provides a spending account to the board of directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of governmental fund to the statement of activities appears on page 13.

### **Fund Financial Statements**

As we noted earlier, the School uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the School is being accountable for the resources that the State and others provide to it and may provide more insight into the School's overall financial health.

The School's instruction and support services activities are reported in the General Fund. The School's combined fund balance for governmental funds was \$42,930 at June 30, 2014.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 12.

### **General Fund Budgetary Highlights**

Over the course of the year, the School revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Budgeted revenues for the General Fund were increased by \$187,546 from the original budget. Revenues were changed to reflect an increase in other state sources, private sources, private sources from NHA, and a decrease in state aid and federal sources. Budgeted expenditures for the General Fund were increased by \$185,476. This change reflects the change in anticipated funding. Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements.

### **Capital Assets**

At June 30, 2014, the School had \$43,801 invested in capital assets, primarily other equipment. Capital assets are substantially provided as a part of the agreement with NHA.

## **General Economic Factors and Next Year's Budgets**

Our officials and administration consider many factors when setting the School's 2014-15 fiscal year budget. One of the most important factors affecting the budget is our student count. The state quality basic education funding is based on student count and the state funding formula. The 2014 budget was adopted in May 2014. Approximately 73% of total General Fund revenue is from state aid. As a result, School funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2015 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2015 budget. Once the final student count and related per pupil funding are validated, state law requires the School to amend the budget if actual School resources are not sufficient to fund original appropriations.

## **Contacting the School's Financial Management**

The financial report is designed to provide users of the report with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## STATEMENT OF NET POSITION JUNE 30, 2014

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	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash	\$ 512,934	\$ -	\$ 512,934
Due from governmental revenue sources	<u>98,510</u>	<u>4,448</u>	<u>102,958</u>
Total current assets	<u>611,444</u>	<u>4,448</u>	<u>615,892</u>
NON-CURRENT ASSETS:			
Capital assets	48,090	-	48,090
Less accumulated depreciation	<u>(4,289)</u>	<u>-</u>	<u>(4,289)</u>
Total capital assets, net of accumulated depreciation	<u>43,801</u>	<u>-</u>	<u>43,801</u>
TOTAL	<u>\$ 655,245</u>	<u>\$ 4,448</u>	<u>\$ 659,693</u>
<b>LIABILITIES AND NET POSITION</b>			
LIABILITIES:			
Unearned revenue	\$ -	\$ 1,278	\$ 1,278
Contracted service fee payable	<u>568,514</u>	<u>3,170</u>	<u>571,684</u>
Total liabilities	<u>568,514</u>	<u>4,448</u>	<u>572,962</u>
NET POSITION:			
Net Investment in capital assets	43,801	-	43,801
Unrestricted	<u>42,930</u>	<u>-</u>	<u>42,930</u>
Total net position	<u>86,731</u>	<u>-</u>	<u>86,731</u>
TOTAL	<u>\$ 655,245</u>	<u>\$ 4,448</u>	<u>\$ 659,693</u>

See notes to financial statements.

**ATLANTA HEIGHTS CHARTER SCHOOL, INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants	Governmental Activities		Business-Type Activities
FUNCTIONS/PROGRAMS —						
Governmental activities:						
Contracted service fee:						
Instruction	\$ 2,772,225	\$ -	\$ 399,353	\$ (2,372,872)	\$ -	\$ (2,372,872)
Support services	3,035,881	-	328,742	(2,707,139)	-	(2,707,139)
Depreciation (unallocated)	3,045	-	-	(3,045)	-	(3,045)
Total governmental activities	\$ 5,811,151	\$ -	\$ 728,095	\$ (5,083,056)	\$ -	\$ (5,083,056)
Business-type activities - contracted						
service fee - food service	\$ 419,517	\$ 7,936	\$ 386,573	\$ -	\$ (25,008)	(25,008)
Total	\$6,230,668	\$ 7,936	\$1,114,668	\$ (5,083,056)	\$ (25,008)	(5,108,064)
GENERAL PURPOSE REVENUES:						
State aid unrestricted				4,431,567	-	4,431,567
Private sources - NHA				723,434	-	723,434
Total general purpose revenue				5,155,001	-	5,155,001
TRANSFERS						
				(25,008)	25,008	-
CHANGE IN NET POSITION						
				46,937	-	46,937
NET POSITION:						
Beginning of year				39,794	-	39,794
End of year				\$ 86,731	\$ -	\$ 86,731

See notes to financial statements.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## BALANCE SHEET — GOVERNMENTAL FUNDS JUNE 30, 2014

	<b>Total Governmental Funds - General Fund</b>
<b>ASSETS</b>	
Cash	\$ 512,934
Due from governmental revenue sources	<u>98,510</u>
<b>TOTAL</b>	<b><u>\$ 611,444</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Contracted service fee payable	<u>556,514</u>
Total liabilities	<u>556,514</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Unavailable revenue	<u>12,000</u>
Total liabilities and deferred inflows of resources	<u>568,514</u>
<b>FUND BALANCE:</b>	
Committed	30,245
Unassigned	<u>12,685</u>
Total fund balance	<u>42,930</u>
<b>TOTAL</b>	<b><u>\$ 611,444</u></b>

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total governmental fund balance	<u>\$ 42,930</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Capital assets cost	48,090
Accumulated depreciation	<u>(4,289)</u>
	<u>43,801</u>
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds	<u>12,000</u>
Contracted service fee payable not due and payable in the current period and not reported in the funds	<u>(12,000)</u>
Net position of governmental activities	<b><u>\$ 86,731</u></b>

See notes to financial statements.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	<b>Total Governmental Funds - General Fund</b>
REVENUES:	
State aid	\$ 4,431,567
Other state sources	237,438
Federal sources	465,793
Private sources	12,864
Private sources - NHA	<u>735,434</u>
 Total revenues	 <u>5,883,096</u>
EXPENDITURES — Contracted service fee:	
Instruction	2,772,225
Support services	<u>3,078,233</u>
 Total expenditures	 <u>5,850,458</u>
 REVENUES OVER EXPENDITURES	 32,638
OTHER FINANCING (USES) — Operating transfers (out)	 <u>(25,008)</u>
 NET CHANGE IN FUND BALANCE	 7,630
 FUND BALANCE — Beginning of year	 <u>35,300</u>
 FUND BALANCE — End of year	 <u>\$ 42,930</u>

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Net change in fund balance — total governmental funds	\$ 7,630
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation	
Capital asset cost	42,352
Depreciation	<u>(3,045)</u>
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	12,000
Contracted service fee recognized consistent with the revenue policy	<u>(12,000)</u>
 Change in net position of governmental activities	 <u>\$ 46,937</u>

See notes to financial statements.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## STATEMENT OF NET POSITION — PROPRIETARY FUND YEAR ENDED JUNE 30, 2014

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	<b>School Food Service Fund</b>
CURRENT ASSETS:	
Due from governmental revenue sources	\$ <u>4,448</u>
Total current assets	4,448
CURRENT LIABILITIES:	
Unearned revenue	1,278
Contracted service fee payable	<u>3,170</u>
Total current liabilities	4,448
NET ASSETS — Unrestricted	<u><u>\$ -</u></u>

See notes to financial statements.

## ATLANTA HEIGHTS CHARTER SCHOOL, INC.

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION — PROPRIETARY FUND YEAR ENDED JUNE 30, 2014

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	<b>School Food Service Fund</b>
OPERATING REVENUES — Charges for meals	\$ 7,936
OPERATING EXPENSES — Contracted service fee — food services	<u>419,517</u>
OPERATING LOSS	(411,581)
NONOPERATING REVENUES — Federal reimbursements	<u>386,573</u>
LOSS BEFORE TRANSFER	(25,008)
TRANSFERS FROM OTHER FUNDS	<u>25,008</u>
CHANGE IN NET POSITION	-
TOTAL NET POSITION — Beginning of year	<u>-</u>
TOTAL NET POSITION — End of year	<u><u>\$ -</u></u>

See notes to financial statements.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## STATEMENT OF CASH FLOWS — PROPRIETARY FUND YEAR ENDED JUNE 30, 2014

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	<b>School Food Service Fund</b>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 7,673
Cash paid for goods and services	<u>(416,296)</u>
Cash flows used by operating activities	<u>(408,623)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal reimbursements	383,615
Transfer-payments for goods and services by the general fund	<u>25,008</u>
Cash flows from noncapital financing activities	<u>408,623</u>
NET CHANGE IN CASH	-
CASH — Beginning of year	<u>-</u>
CASH — End of year	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES — Operating loss	
	\$ (411,581)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Change in unearned revenue	(263)
Change in contracted service fee payable	3,170
Change prepaid expenses	<u>51</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (408,623)</u></u>

See notes to financial statements.

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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### 1. NATURE OF OPERATIONS

Atlanta Heights Charter School, Inc. (the "School") was incorporated on March 9, 2009, and began operations on July 1, 2010. The School is a public charter school, which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. For the period ending June 30, 2014, the School operated under a charter with the Georgia State Charter Schools Commission to operate as a State Special School. The charter expires June 30, 2018, and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the seventh grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School operates as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue was provided by the State of Georgia, passed through the Georgia State Charter School Commission. The revenue consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2013 through June 2014.

The board of directors of the School has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter contract, unless at least 90-days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources. *Revenues — Private sources* — NHA represent a contribution by NHA for the excess of School expenditures over revenue available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (“FASB”) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB statements or interpretations issued after November 30, 1989.

**School-wide and Fund Financial Statements** — The School-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The governmental activities are related to the general activities of the School and the business-type activities are related to the food service activities of the School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*School-wide and Proprietary Fund Statements* — The School-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the School’s policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School’s policy to spend funds in this order: committed, assigned and unassigned.

*Fund-Based Statements* — The fund financial statements provide information about the School’s funds. Separate statements for each fund category – governmental and proprietary – are presented.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is

collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenue, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

*Fund Classification* — The financial activities of the School are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School reports the following major governmental funds:

General Fund — General Fund is used to account for the general educational program of the School. Its revenues are derived primarily from the State of Georgia.

The School reports the following major proprietary fund:

School Food Service Fund – The School Food Service Fund is used to account for the food service program within the School.

Capital Assets – Capital assets, which include other equipment, consist of assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, and are reported in the applicable governmental column in the School-wide financial statements.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

*Estimates* — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

*Cash* — Cash as of June 30, 2014 represents bank deposits of which \$250,000 are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Unavailable and Unearned Revenue* — Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2014 a liability for unearned revenue was recognized for \$1,278 and a deferred inflow for unavailable revenue was recognized for \$12,000.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2014, represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

*Fund Balance* — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2014, the School had \$30,245 in committed fund balance and \$12,685 in unassigned fund balance. The committed fund balance has been committed by resolutions of the board for student, parent, and staff appreciation, staff retreat, athletics, and board training and development.

*Budgetary Information* — Annual budgets are adopted on a basis utilizing generally accepted accounting principles and consistent with state law for the general fund.

The budget document presents information by fund and function. The budget can be amended by the Board of Directors as considered necessary. The budget was amended to increase budgeted revenues and expenditures for the General Fund by \$187,546 and \$185,476 respectively.

During the year, the School incurred expenditures in the General Fund that were in excess of amounts budgeted for pupil transportation services expenditures with a final budget and actual amount of \$704 and \$2,020, respectively.

### **3. DUE FROM GOVERNMENTAL REVENUE SOURCES**

Receivables as of June 30, 2014, for the School included \$43,539 in state aid and grants and \$59,419 in federal grants receivable. The School considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

### **4. RISK MANAGEMENT**

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2014, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

## 5. CAPITAL ASSETS

Capital asset activity of the School's governmental activities was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Governmental activities — Other equipment	<u>\$ 5,738</u>	<u>\$ 42,352</u>	<u>\$ -</u>	<u>\$ 48,090</u>
Total capital assets at historical cost	<u>5,738</u>	<u>42,352</u>	<u>-</u>	<u>48,090</u>
Less accumulated depreciation — Other equipment	<u>1,244</u>	<u>3,045</u>	<u>-</u>	<u>4,289</u>
Total accumulated depreciation	<u>1,244</u>	<u>3,045</u>	<u>-</u>	<u>4,289</u>
Total governmental activities capital assets, net	<u>\$ 4,494</u>	<u>\$ 39,307</u>	<u>\$ -</u>	<u>\$ 43,801</u>

## 6. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

## 7. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2010 through June 30, 2015. Annual rent under the sublease agreement is 15% of the School's revenue for the fiscal year. Rental payments for the year ended June 30, 2014 totaled \$833,126. The projected rental payments for fiscal year 2015 are approximately \$873,000.

## 8. TEACHERS RETIREMENT SYSTEM OF GEORGIA

The NHA employees at the School participate in the Teachers Retirement System of Georgia, pursuant to the School's charter agreement as a State Special School. For the period ended June 30, 2014, NHA paid both the employee and employer contributions. The employee contribution was 6% of annual salary, and the employer contribution was 11.41% of annual salary for the year ended June 30, 2014. Total employee and employer contributions paid by NHA were \$127,616 and \$261,188, respectively.

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**REQUIRED SUPPLEMENTAL INFORMATION**

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2014

	Original Budget	Final Amended Budget	Actual	Over (Under) Final Budget
<b>REVENUES:</b>				
State Aid	\$ 4,434,899	\$ 4,388,000	\$ 4,431,567	\$ 43,567
Other State Sources	111,642	237,500	237,438	(62)
Federal Sources	554,067	536,000	465,793	(70,207)
Private Sources	-	7,200	12,864	5,664
Private Sources - NHA	1,118,667	1,238,121	735,434	(502,687)
Total Revenues	<u>6,219,275</u>	<u>6,406,821</u>	<u>5,883,096</u>	<u>(523,725)</u>
<b>EXPENDITURES - Contracted Service fee:</b>				
Instruction:				
Basic Instruction	2,249,705	2,249,870	2,152,210	(97,660)
Added Needs	483,889	413,286	355,487	(57,799)
Special Education	237,257	290,030	264,528	(25,502)
Support Services:				
Pupil Services	148,413	253,020	164,743	(88,277)
Instructional Staff Services	607,814	668,153	621,456	(46,697)
Board of Education	113,838	79,181	49,833	(29,348)
Executive Administration	146,898	141,753	65,985	(75,768)
Grant Procurement	18,269	18,561	19,016	455
Office of the Principal	305,370	356,588	322,487	(34,101)
Other School Administration	197,920	170,622	172,700	2,078
Business Support Services	65,454	62,318	64,894	2,576
Central Services	236,900	211,587	206,790	(4,797)
Pupil Transportation Services	-	704	2,020	1,316
Operations and Maintenance	1,393,158	1,474,688	1,388,309	(86,379)
Total Expenditures	<u>6,204,885</u>	<u>6,390,361</u>	<u>5,850,458</u>	<u>(539,903)</u>
REVENUES OVER EXPENDITURES	14,390	16,460	32,638	16,178
OTHER FINANCING USES - Operating transfers out				
	<u>(14,390)</u>	<u>(51,760)</u>	<u>(25,008)</u>	<u>26,752</u>
NET CHANGE IN FUND BALANCE	-	(35,300)	7,630	42,930
FUND BALANCE - Beginning of year	<u>-</u>	<u>35,300</u>	<u>35,300</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,930</u>	<u>\$ 42,930</u>

## **ADDITIONAL INFORMATION**

# ATLANTA HEIGHTS CHARTER SCHOOL, INC.

## ADDITIONAL INFORMATION STATEMENT OF REVENUES — GENERAL FUND YEAR ENDED JUNE 30, 2014

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State aid	\$ 4,431,567
Other state sources:	
Special education	195,086
Grants	<u>42,352</u>
Total	<u>237,438</u>
Federal sources — grants	<u>465,793</u>
Private sources — other	<u>12,864</u>
Private sources — NHA	<u>735,434</u>
TOTAL	<u>\$ 5,883,096</u>

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*

Independent Auditor's Report

To Management and the Board of Directors  
Atlanta Heights Charter School, Inc.

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 the governmental activities and each major fund of Atlanta Heights Charter School, Inc. as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated September 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Atlanta Heights Charter School, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

To Management and the Board of Directors  
Atlanta Heights Charter School, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Atlanta Heights Charter School, Inc.'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.

*Plante & Morse, PLLC*

Grand Rapids, Michigan  
September 22, 2014

## **SUPPLEMENTAL INFORMATION**

Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors  
Atlanta Heights Charter School, Inc.

**Report on Compliance for the Major Federal Program**

We have audited Atlanta Heights Charter School, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Atlanta Heights Charter School, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Atlanta Heights Charter School, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlanta Heights Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Atlanta Heights Charter School, Inc.'s compliance.

***Opinion on the Major Federal Program***

In our opinion, Atlanta Heights Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

To the Board of Directors  
Atlanta Heights Charter School, Inc.

### **Report on Internal Control Over Compliance**

Management of Atlanta Heights Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlanta Heights Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Atlanta & Morson, PLLC*

Grand Rapids, Michigan  
September 22, 2014

# ATLANTA HEIGHTS CHARTER SCHOOL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Education - (Passed through the Georgia Department of Education):		
Title I Grants to Local Educational Agencies	84.010	\$ 388,588
Title IIA Improving Teacher Quality	84.367	11,650
IDEA Flowthrough	84.027	<u>77,555</u>
Total U.S. Department of Education		<u>477,793</u>
United States Department of Agriculture - (Passed through the Georgia Department of Education and Nutrition Program) - Child Nutrition Cluster:		
National School Breakfast Program	10.553	121,140
National School Lunch Program	10.555	<u>265,433</u>
Total U.S. Department of Agriculture		<u>386,573</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$ 864,366</u></b>

**ATLANTA HEIGHTS CHARTER SCHOOL, INC.**

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**RECONCILIATION OF BASIC FINANCIAL STATEMENTS  
FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
Year Ended June 30, 2014**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$	852,366
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds		<u>12,000</u>
Federal expenditures per the schedule of expenditures of federal awards	\$	<u><b>864,366</b></u>

## ATLANTA HEIGHTS CHARTER SCHOOL, INC.

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### NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

#### **Note 1 - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Atlanta Heights Charter School, Inc. under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Atlanta Heights Charter School, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Atlanta Heights Charter School, Inc. Pass-through entity identifying numbers are presented where available.

**ATLANTA HEIGHTS CHARTER SCHOOL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title 1 Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**ATLANTA HEIGHTS CHARTER SCHOOL, INC.**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
YEAR ENDED JUNE 30, 2014**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None