

BLANCHE KELSO BRUCE ACADEMY
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
JUNE 30, 2009

BLANCHE KELSO BRUCE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Academy-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	13
Notes to Financial Statements	14-18
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	19-20



**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Blanche Kelso Bruce Academy as of and for the year ended June 30, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

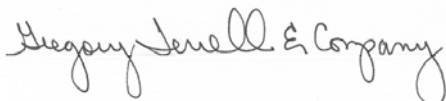
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Blanche Kelso Bruce Academy as of June 30, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated November 7, 2009 on our consideration of the Blanche Kelso Bruce Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

GREGORY TERRELL & COMPANY
Certified Public Accountants

November 7, 2009

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

This section of the Blanche Kelso Bruce Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year ended on June 30, 2009. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Academy-Wide Financial Statements

The first two statements are academy-wide financial statements that provide short-term and long-term financial information about the Academy's overall financial status. These statements are required by accounting principles generally accepted in the United States of America (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the Academy's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with the requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities, if present, are reported in various other funds. These may include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The Academy As A Whole

Recall that the statement of net assets (deficit) provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2009 and 2008:

TABLE 1	Governmental Activities June 30	
	2009	2008
Assets		
Cash and Cash Equivalents	728,699	969,103
Other Receivables		
Due from Other Governmental Units	2,135,511	3,844,910
Prepaid Expense	34,000	24,000
Capital assets, net of accumulated depreciation	126,133	187,749
Total assets	3,024,343	5,025,762
Liabilities		
Accounts Payable	-	900
Notes Payable	-	-
Management Company Payable	2,171,753	3,299,886
Accrued Expenses	16,649	16,687
Due to Other Governmental Units	647,094	1,458,242
Total liabilities	2,835,496	4,775,715
Net Assets (Deficit)		
Invested in capital assets – Net of related debt	126,133	187,749
Restricted	-	-
Unrestricted	62,714	62,298
Total net assets (deficit)	188,847	250,047

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net assets were \$188,847 at June 30, 2009. Capital assets, net of related debt totaling \$126,133, compares the original cost, less depreciation of the Academy's capital assets to long-term debt used to finance the acquisition of those assets. The academy does not carry any long-term debt. The Academy has no restricted net assets.

The \$62,714 in unrestricted net results of operations from governmental activities mentioned above represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2009 compared with fiscal year 2008.

Table 2	Governmental Activities	
	(in millions)	
	2009	2008
Revenue		
Program revenue – Operating grants	448,244	572,613
General revenue:		
State foundation allowance	4,050,910	4,923,706
Other	2,360,990	2,586,881
Total Revenue	6,411,900	7,510,587
Functions/Program Expenses		
Instruction	3,965,893	4,943,686
Support services	2,827,786	3,000,269
Capital Outlay	-	31,273
Food Services	61,292	29,638
Transportation	4,757	1,266
Depreciation (unallocated)	61,616	62,680
Total functions/program expenses	6,921,344	8,068,812
Increase (Decrease) in Net Assets	(61,200)	14,388

Increase (Decrease) in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was \$6,921,344. Certain activities were partially funded from other governments and organizations that subsidized certain programs with grants and contributions of \$448,244. We paid for the remaining “public benefit” portion of our governmental activities with \$4,050,910 in state foundation allowance, and with our other revenue, (i.e., interest and other local sources) of \$2,360,990.

The Academy experienced a decrease in net assets of (\$61,200). The key reason for the change in net assets was the excess of expenditures over revenues resulting primarily from cost increases due to the high level of costs associated with serving additional smaller school buildings this year.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The Academy's Funds

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

As the Academy completed this year, the governmental funds reported a combined fund balance of \$62,714, which is an increase of \$416 from last year.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2009. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided as required supplemental information of these financial statements.

There were significant revisions made to the 2008-2009 original General Fund budget. Budgeted revenues were decreased \$207,269 principally due to:

- An amendment of expected 2008-2009 grant monies to the actual amount awarded decreasing these funds in the approximate amount of (\$74,625)
- A decrease in State Aid revenue resulting from lower actual student enrollment than original estimates of (\$132,644).

Economic Factors and Next Year's Budgets and Rates

Our officials and administration consider many factors when setting the Academy's 2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 69 percent of total General Fund revenue is from the foundation allowance and another 21 percent is from other governmental sources also driven by enrollment. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on the delay in opening two school buildings at the start of the 2009 school year, we anticipate that the fall student count will be short of the estimates used in creating the 2009 budget. Once the final student count and related per pupil funding is validated, State law requires that Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

BLANCHE KELSO BRUCE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund it appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The Legislature will hold another revenue-estimating conference in early calendar 2010. Changes in the State's ability to fund the appropriation are likely and will be offset by existing contract provisions with local government units involving educational and support services youth.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 728,699
Due from Other Governmental Units	2,135,511
Prepaid Expense	34,000
Total Current Assets	\$ 2,898,210
Noncurrent Assets:	
Capital Assets	\$ 566,961
Less Accumulated Depreciation	(440,828)
Total Noncurrent Assets	\$ 126,133
Total Assets	\$ 3,024,343
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accrued Expenditures	\$ 16,649
Management Company Payable	2,171,753
Due to Other Governmental Units	647,094
Total Current Liabilities	\$ 2,835,496
Net Assets:	
Invested in Capital Assets Net of Related Debt	\$ 126,133
Unrestricted	62,714
Total Net Assets	\$ 188,847
Total Liabilities and Net Assets	\$ 3,024,343

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 3,965,893	\$ -	\$ 287,921	\$ (3,677,972)
Support Services	2,827,786	-	138,650	(2,689,136)
Food Services	61,292	-	21,673	(39,619)
Transportation	4,757	-	-	(4,757)
Unallocated Depreciation	<u>61,616</u>	<u>-</u>	<u>-</u>	<u>(61,616)</u>
Total Governmental Activities:	<u>\$ 6,921,344</u>	<u>\$ -</u>	<u>\$ 448,244</u>	<u>\$ (6,473,100)</u>
General Revenues:				
State of Michigan school aid unrestricted				\$ 4,050,910
Local sources				<u>2,360,990</u>
Total General Revenues				<u>\$ 6,411,900</u>
Change in Net Assets				\$ (61,200)
Net Assets , Beginning of Year				<u>250,047</u>
Net Assets , Ending of Year				<u>\$ 188,847</u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 728,699	\$ -	\$ 728,699
Due from Other Governmental Units	2,125,708	9,803	2,135,511
Prepaid Expense	34,000	-	34,000
Total Assets	<u>\$ 2,888,407</u>	<u>\$ 9,803</u>	<u>\$ 2,898,210</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued Expenditures	\$ 16,649	\$ -	\$ 16,649
Management Company Payable	2,161,950	9,803	2,171,753
Due to Other Governmental Units	647,094	-	647,094
Total Liabilities	<u>\$ 2,825,693</u>	<u>\$ 9,803</u>	<u>\$ 2,835,496</u>
Fund Balances			
Reserved for:			
Unreserved, reported in:			
Prepaid Expense	\$ 34,000	\$ -	\$ 34,000
Unrestricted	28,714	-	28,714
Total Fund Balances	<u>\$ 62,714</u>	<u>\$ -</u>	<u>\$ 62,714</u>
Total Liabilities and Fund Balances	<u>\$ 2,888,407</u>	<u>\$ 9,803</u>	<u>\$ 2,898,210</u>
 Total Governmental Fund Balances			 \$ 62,714
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
The cost of the capital assets is		566,961	
Accumulated depreciation is		<u>(440,828)</u>	<u>126,133</u>
Net assets of governmental activities			<u>\$ 188,847</u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Local Sources	\$ 2,321,371	\$ 39,619	\$ 2,360,990
State Sources	4,050,910	-	4,050,910
Federal Sources	<u>426,571</u>	<u>21,673</u>	<u>448,244</u>
Total Revenues	<u>\$ 6,798,852</u>	<u>\$ 61,292</u>	<u>\$ 6,860,144</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic Programs	\$ 3,397,667	\$ -	\$ 3,397,667
Added Needs	<u>568,226</u>	<u>-</u>	<u>568,226</u>
Total Instruction	<u>\$ 3,965,893</u>	<u>\$ -</u>	<u>\$ 3,965,893</u>
Support Services:			
Pupil	\$ 1,246,360	\$ -	\$ 1,246,360
Instructional	218,193	-	218,193
General Administration	143,951	-	143,951
School Administration	763,106	-	763,106
Business	10,800	-	10,800
Operations and Maintenance	429,613	-	429,613
Central Support	<u>15,763</u>	<u>-</u>	<u>15,763</u>
Total Support Services	<u>\$ 2,827,786</u>	<u>\$ -</u>	<u>\$ 2,827,786</u>
Transportation	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ 4,757</u>
Food Service	<u>-</u>	<u>\$ 61,292</u>	<u>\$ 61,292</u>
Total Expenditures	<u>\$ 6,798,436</u>	<u>\$ 61,292</u>	<u>\$ 6,859,728</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 416</u>	<u>\$ -</u>	<u>\$ 416</u>
NET CHANGE IN FUND BALANCES	\$ 416	\$ -	\$ 416
Beginning of Year	<u>62,298</u>	<u>-</u>	<u>62,298</u>
End of Year	<u>\$ 62,714</u>	<u>\$ -</u>	<u>\$ 62,714</u>

The accompanying notes are an integral part of this financial statement.

BLANCHE KELSO BRUCE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances total governmental funds \$ 416

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense (61,616)

Change in net assets of governmental activities \$ (61,200)

The accompanying notes are an integral part of this financial statement

BLANCHE KELSO BRUCE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Positive / (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 2,493,502	\$ 2,360,928	\$ 2,321,371	\$ (39,557)
State Sources	5,215,854	4,245,959	4,050,910	(195,049)
Federal Sources	<u>526,707</u>	<u>253,469</u>	<u>426,571</u>	<u>173,102</u>
Total Revenues	<u>\$ 8,236,063</u>	<u>\$ 6,860,356</u>	<u>\$ 6,798,852</u>	<u>\$ (61,504)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 4,271,231	\$ 3,406,632	\$ 3,397,667	\$ 8,965
Added Needs	<u>632,971</u>	<u>561,640</u>	<u>568,226</u>	<u>(6,586)</u>
Total Instruction	<u>\$ 4,904,202</u>	<u>\$ 3,968,272</u>	<u>\$ 3,965,893</u>	<u>\$ 2,379</u>
Support Services:				
Pupil	\$ 1,367,900	\$ 1,242,580	\$ 1,246,360	\$ (3,780)
Instructional Support	24,133	215,427	218,193	(2,766)
General Administration	241,038	148,802	143,951	4,851
School Administration	966,337	762,724	763,106	(382)
Business	1,269	-	10,800	(10,800)
Operations and Maintenance	649,787	438,812	429,613	9,199
Central Support	<u>-</u>	<u>21,127</u>	<u>15,763</u>	<u>5,364</u>
Total Support Services	<u>\$ 3,250,464</u>	<u>\$ 2,829,472</u>	<u>\$ 2,827,786</u>	<u>\$ 1,686</u>
Transportation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,757</u>	<u>\$ (4,757)</u>
Total Expenditures	<u>\$ 8,154,666</u>	<u>\$ 6,797,744</u>	<u>\$ 6,798,436</u>	<u>\$ (692)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 81,397</u>	<u>\$ 62,612</u>	<u>\$ 416</u>	<u>\$ (62,196)</u>
Beginning of Year	<u>62,298</u>	<u>62,298</u>	<u>62,298</u>	<u>-</u>
End of Year	<u><u>\$ 143,695</u></u>	<u><u>\$ 124,910</u></u>	<u><u>\$ 62,714</u></u>	<u><u>\$ (62,196)</u></u>

The accompanying notes are an integral part of this financial schedule.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **ORGANIZATION**

Blanche Kelso Bruce Academy ("Academy") is a Public School Academy the State of Michigan has delegated to Wayne County RESA the responsibility of authorizing the establishment of public school academies. The Academy was formed as a Public School Academy pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

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 or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (cont'd)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the General Fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Blanche Kelso Bruce Academy (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and equipment	5-20 years
-------------------------	------------

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

The Academy's capitalization policy is individual amounts exceeding \$500 and an estimated useful life in excess of three years.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund and School Service Fund budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year end June 30, 2009, expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Added Needs	\$ 561,640	\$ 568,226	\$ (6,586)
Pupil Support	1,242,580	1,246,360	(3,780)
Instructional Support	215,427	218,193	(2,766)
School Administration	762,724	763,106	(382)
Business	-	10,800	(10,800)
Transportation	-	4,757	(4,757)

(4) **DEPOSITS AND INVESTMENTS**

State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

(4) **DEPOSITS AND INVESTMENTS** (cont'd)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The Academy's bank balances were \$738,699 at June 30, 2009 and \$250,000 was covered by FDIC insurance.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's policy does not address custodial credit risk. The Academy does not have investments with custodial credit risk.

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Furniture and equipment	\$ 566,961	\$ -	\$ -	\$ 566,961
Less Accumulated Depreciation	<u>379,212</u>	<u>61,616</u>	<u>-</u>	<u>440,828</u>
Net capital assets	<u>\$ 187,749</u>	<u>\$ 61,616</u>	<u>\$ -</u>	<u>\$ 126,133</u>

Depreciation for fiscal year ended June 30, 2009 amounted to \$61,616. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

(6) **MANAGEMENT COMPANY PAYABLE**

The Academy contracted with Evans Solutions, Inc. to provide all staffing personnel during the audit year. Consequently, all staffing costs are treated as purchased services in these financial statements.

During the audit year, the Academy entered into a contract with the County of Wayne and the Michigan Department of Human Services to provide instructional and support services to students. At the year end, \$2,171,753 was outstanding to the management company for services provided.

(7) **RELATED PARTIES**

The Academy contracted with an accounting firm that employs a member of the Academy's Board of Directors. The firm was paid \$10,800 for the year ended June 30, 2009.

(8) **OPERATING LEASE COMMITMENT**

The Academy is party to an operating lease with the Samaritan Center. The lease requires various monthly payments and totaled \$428,191 for June 30, 2009. Some of these current period costs were absorbed by the management company. The lease term was for three (3) years which started July 1, 2007 and expires June 30, 2010 with the option to renew.

The minimum future lease payments are presented below:

2010	<u>\$ 429,901</u>
	<u>\$ 429,901</u>

The Academy is also a party to an operating lease with Divine Inspiration Missionary Baptist Church. The lease requires various monthly payments and totaled \$128,300 for June 30, 2009. Some of these current period costs were absorbed by the management company. The lease term is for five (5) years which started September 1, 2008 and expires August 31, 2013.

The minimum future lease payments are presented below:

2010	\$ 220,000
2011	280,000
2012	288,000
2013	<u>48,000</u>
	<u>\$ 836,000</u>



**GREGORY
TERRELL
& COMPANY**

**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**

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited the financial statements of Blanche Kelso Bruce Academy (the “Academy”) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 7, 2009. 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.

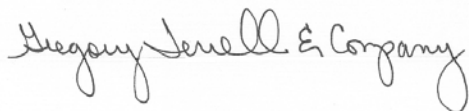
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy’s financial statements are free of 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”.

This report is intended for the information of the Board of Directors, Management and the Michigan Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

November 7, 2009



**GREGORY
TERRELL
& COMPANY**

November 7, 2009

To the Board of Directors
Blanche Kelso Bruce Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanche Kelso Bruce Academy (the "Academy") for the year ended June 30, 2009, and have issued our report thereon dated November 7, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 27, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2009.

Management Consultations with Other Independent Accountants

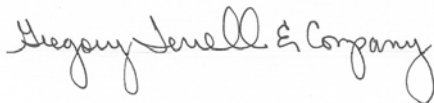
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Blanche Kelso Bruce-Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



GREGORY TERRELL & COMPANY

Certified Public Accountants

November 7, 2009