

JOHNSTON & AHLSCHEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

FINANCIAL STATEMENTS
with
AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2016

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

FINANCIAL STATEMENTS

JUNE 30, 2016

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JOHNSTON & AHLSCHEWEDE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58th STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – (405) 917-7272

Independent Auditors' Report

Board of Directors

Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements – regulatory basis of Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, as of and for the year ended June 30, 2016 and the related notes to financial statements which collectively comprise the District'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 financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of material misstatement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1, the financial statements are prepared by Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects of the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, as of June 30, 2016, or the changes in its financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed assets account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amounts that should be recorded in the general fixed assets account group are not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, as of June 30, 2016, and the revenues collected and expenditures paid/expensed, and budgetary results, for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements. The combining statements – regulatory basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Oklahoma Department of Education and is not a required part of the basic financial statements.

The combining statements – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining statements – regulatory basis and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, reading "Johnston & Associates, P.C.", written in a cursive style.

Oklahoma City, Oklahoma
December 13, 2016

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY
COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES

REGULATORY BASIS

JUNE 30, 2016

	Governmental Fund Types		Trust Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Grant and Gift	Student Activity	
ASSETS					
Cash and cash equivalents	\$ 17,704	\$ 33,140	\$ 159,281	\$ 67,260	\$ 277,385
Total assets	<u>\$ 17,704</u>	<u>\$ 33,140</u>	<u>\$ 159,281</u>	<u>\$ 67,260</u>	<u>\$ 277,385</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	-	-	-	67,260	67,260
Total liabilities	-	-	-	67,260	67,260
Fund balances	17,704	33,140	159,281	-	210,125
Total liabilities and fund balances	<u>\$ 17,704</u>	<u>\$ 33,140</u>	<u>\$ 159,281</u>	<u>\$ 67,260</u>	<u>\$ 277,385</u>

The accompanying notes are an integral part of these financial statements

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL & TRUST FUND TYPES

REGULATORY BASIS

JUNE 30, 2016

	Governmental Fund Types		Trust Fund Type	Total (Memorandum Only)
	General	Special Revenue	Grant and Gift	
Revenues collected				
Local sources	\$ 9,347	\$ 36,139	\$ 113,716	\$ 159,202
Intermediate sources	-	-	-	-
State sources	1,831,791	-	-	1,831,791
Federal sources	143,291	72,119		215,410
Non-revenue receipts	-	-	-	-
Total revenues collected	1,984,429	108,258	113,716	2,206,403
Expenditures paid				
Instruction	1,292,402	-	14,515	1,306,917
Support services	659,439	-	27,034	686,473
Non-Instruction services	-	102,046	-	102,046
Facilities acquisition & construction services	18,730	-	57,104	75,834
Other outlays	59,409	-	-	59,409
Total expenditures paid	2,029,980	102,046	98,653	2,230,679
Revenues over (under) expenditures	(45,551)	6,212	15,063	(24,276)
Beginning fund balance	26,255	26,928	181,218	234,401
Funds transfers	37,000	-	(37,000)	-
Ending fund balance	\$ 17,704	\$ 33,140	\$ 159,281	\$ 210,125

The accompanying notes are an integral part of these financial statements.

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies

The accompanying financial statements of Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, (“District”) conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy, an Oklahoma not-for-profit corporation described in Internal Revenue Code Section 501(c) (3), was formed for the benefit of a school to be called Harding Fine Arts Academy. Currently, no other activity is conducted by the corporation. The District was formed under the provisions of the Oklahoma Charter Schools Act (Oklahoma Statutes 70-3-130) through a contract with Oklahoma City Public Schools No. 89 of Oklahoma County, Oklahoma. The contract commenced on July 1, 2015 and terminates on June 30, 2020. Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy is entitled to receive its pro rata share of revenue generated by the District’s enrollment as calculated by the State Department of Education, minus a 3% administrative fee retained by the Oklahoma City Public Schools. The governing body of the District is the board of directors of Harding Fine Arts Center, Inc.

Although Harding Fine Arts, Inc., d/b/a Harding Fine Arts Academy is a not-for-profit entity that would normally follow the presentation requirements of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) No. 958-205, the District is considered a quasi-governmental entity subject to the reporting requirements of the Oklahoma State Department of Education. Therefore, Harding Fine Arts Academy is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma’s support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes and the Oklahoma Charter Schools Act.

B. Mission and Nature of Organization

Harding Fine Arts, Inc., d/b/a Harding Fine Arts Academy is a college preparatory high school focused on the integration of arts and academics. Their mission is to provide an arts enriched learning environment merging aesthetic and academic content to enhance student achievement and to encourage arts related careers and lifelong arts appreciation.

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies, (continued)

C. Tax Status

Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy's, gift fund activities are reported for federal and state income tax purposes under the provision of Internal Revenue Code Section 501(c) (3) and is generally exempt from income taxes. As a result, no provision for federal or state income taxes is recognized in the accompanying financial statements. Federal and state income tax statutes dictate that that returns filed in any of the previous three reporting period remain open to examination. Currently, there are no open examinations with either the Internal Revenue Service or state taxing authorities.

D. Measurement Focus

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

Funds are classified into three categories: governmental, trust and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state funding passed through the Oklahoma City Public School District and various federal grants. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs, building maintenance and school construction. The general fund includes federal restricted monies that must be expended for specific programs.

HARDING FINE ARTS CENTER, INC.
D/B/A
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies, (continued)

D. Measurement Focus - continued

Special Revenue Fund – Special revenue funds for the District include the child nutrition fund which accounts for revenues collected; including any federal and state reimbursements for food service for children’s programs, for meals served, and associated costs of the programs.

Trust Fund Types

Trust funds are used to account for assets held in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds.

Gifts and Grants Fund - The gifts and grants fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. The fund is used to promote the general welfare of the District.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund - The Agency fund is the Student Activity Fund, which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

General Fixed Asset Account Group

This account group is used to account for property, plant and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only — Total Column

The total column on the financial statements is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation.

HARDING FINE ARTS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies, (continued)

E. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basis Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

F. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget that must be submitted to the Board of Education by October 1 for the fiscal year beginning the following July 1. The formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

HARDING FINE ARTS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies, (continued)

H. Revenue, Expenses and Expenditures - continued

The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

I. Warrants Payable

The District has authorized the issuance of checks instead of warrants.

NOTE 2 — Cash and Investments

The District does not have a written investment policy. However, the District's investment policies are governed by Title 19 of the Oklahoma State Statutes. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or saving certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's cash and cash equivalents includes one certificate of deposit at June 30, 2016. The certificate of deposit is nonnegotiable.

Custodial Credit Risk – At June 30, 2016, the District held deposits of approximately \$387,998 in financial institutions, which was comprised of money market accounts \$381,832 and certificate of deposit \$6,166. The District's cash deposits and certificates of deposit at June 30, 2016, were not completely insured or collateralized by Federal Depository Insurance (FDIC). Deposits in held at BancFirst exceeded the FDIC amount by \$137,998.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: \$6,166 in certificate of deposits and \$387,998 in money market funds.

HARDING FINE ARTS CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 — Summary of Significant Accounting Policies, (continued)

F. Budgets and Budgetary Accounting - continued

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting — under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund — is utilized in all governmental and trust funds of the District.

G. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents – The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank, which are subject to early withdrawal penalties no matter what the maturity period, to be cash.

Investments – The District has no investments.

Inventories – The value of consumable inventories at June 30, 2016, is not material to the financial statements.

Compensated Absences – The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase order, legal contracts and outstanding warrants.

H. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs.

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 3 — Employee Retirement System

The District participates in the state-administered Teachers' Retirement Systems of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date of the first contribution made to the System. The System is administered by a board of trustees, which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, Post Office Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the District, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings plus employer paid fringe benefits.

The District is required to contribute 9.50% of applicable compensation for the year ended June 30, 2016. Participating members are required to contribute 7.0% on all applicable compensation. The District pays the employees' share for support personnel and the principal.

The compensation for employees covered by the System for the year ended June 30, 2016, was \$1,283,608 the District's total compensation was \$1,361,806. Total contributions made during the year ended June 30, 2016, amounted to \$194,940, of which \$121,943 was contributed by the District and \$72,997 by the District's employees. These contributions represented 9.50% and 5.69%, respectively, of covered compensation.

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 3 — Employee Retirement System - continued

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and are adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation, in millions, dated June 30, 2016, was \$7,615.4.

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teachers' Retirement System of Oklahoma Annual Report for the year ended June 30, 2016. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

NOTE 4 — Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, employees' health and life and natural disasters for which the District carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 5 — Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial. School officials are not aware of any pending or threatening litigation, claims or assessments or unasserted claims of assessments against the district.

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments against the District.

NOTE 6 — Subsequent Events

Management has evaluated all subsequent events through December 13, 2016, the date the financial statements were available to be issued.

HARDING FINE ARTS CENTER, INC.
D/B/A
HARDING FINE ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 — Surety Bonds

The district maintained a public official position schedule bond for the year ended June 30, 2016 for certain positions – see Schedule of Surety Bonds page 21 for details.

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
BUDGETED GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

	General Fund			Special Revenue Fund Child Nutrition Fund		
	Original Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balance, budgetary basis	\$ 26,255	\$ 26,255	\$ -	\$ 26,928	\$ 26,928	\$ -
Revenues						
Local sources	-	9,347	9,347	5,158	36,139	30,981
Intermediate sources	-	-	-	-	-	-
State sources	1,835,862	1,831,791	(4,071)	-	-	-
Federal sources	141,068	143,291	2,223	101,461	72,119	(29,342)
Non-revenue receipts	-	-	-	-	-	-
Total revenues, budgetary basis	1,976,930	1,984,429	7,499	106,619	108,258	1,639
Expenditures						
Instruction	1,265,607	1,292,402	26,795	-	-	-
Support Services	659,439	659,439	-	-	-	-
Non-Instruction services	-	-	-	133,547	102,046	(31,501)
Facilities acquisition & construction services	18,730	18,730	-	-	-	-
Other outlays	59,409	59,409	-	-	-	-
Total expenditures, budgetary basis	2,003,185	2,029,980	26,795	133,547	102,046	(31,501)
Excess of revenues and beginning fund over expenditures - budgetary basis	\$ -	(19,296)	\$ (19,296)	\$ -	33,140	\$ 33,140
Estopped checks (warrants)		-			-	
Excess of revenues, estopped warrants, cancelled encumbrances and beginning fund balances over expenditures		(19,296)			33,140	
Fund transfer		37,000			-	
Ending fund balance		\$ 17,704			\$ 33,140	

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY
COMBINING STATEMENT OF CHANGES IN CASH BALANCES - ACTIVITY FUNDS
REGULATORY BASIS
JULY 1, 2015 TO JUNE 30, 2016

	Balance 7/1/2015	Receipts	Disbursements	Transfers & Adjustments	Balance 6/30/2016
School Clothing	\$ 2,687	\$ 4,321	\$ 3,828	\$ (1,102)	\$ 2,078
Music Programs	4,081	10,595	7,529	(445)	6,702
Art Programs	5,594	34,203	22,587	1	17,211
Miscellaneous	15,951	20,902	21,544	(1,099)	14,210
Sports Refs and Fees	2,214	9,519	10,047	3,000	4,686
Year Book	3,535	3,730	3,624	-	3,641
Prom	5,584	4,498	10,212	-	(130)
Speech & Debate	124	602	561	-	165
Student Council	1,980	4,305	5,953	-	332
Student Trips	658	1,534	270	-	1,922
Vending Machines	1,210	498	-	-	1,708
Cheer	5,872	12,986	14,766	(203)	3,889
Fashion Club	220	-	-	-	220
Native American	273	-	-	-	273
Key Club	266	-	-	-	266
Senior Activities	5,634	10,286	11,309	(1,560)	3,051
National Honor Society	1,920	1,326	1,274	-	1,972
PTO	899	9,833	8,672	-	2,060
Latino Leadership	2,438	337	256	-	2,519
New Student Orientation	-	610	1,125	1,000	485
	<u>\$ 61,140</u>	<u>\$ 130,085</u>	<u>\$ 123,557</u>	<u>\$ (408)</u>	<u>\$ 67,260</u>

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed through Oklahoma Department of Education		
Title I Part A	84.010	\$ 70,246
Title II Part A	84.367	6,148
Individuals with Disabilities, IDEA-Part B	84.027	57,335
<u>U.S. Department of Agriculture</u>		
Passed through Oklahoma Department of Education		
School Breakfast Program	10.553	9,855
National School Lunch Program	10.555	62,264
Commodities - nonmonetary	10.553 & 10.555	11,110
TOTAL FEDERAL EXPENDITURES		<u><u>\$ 216,958</u></u>

Note : Basis of Presentation - The schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the regulatory basis of accounting consistent with the preparation of the combined financial statements. The information in the schedule is presented in accordance with requirements by the Oklahoma Department of Education.

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58th STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – (405) 917-7272

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Directors
Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements – regulatory basis within the combined financial statements of the Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy as of June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 13, 2016, which was adverse with the respect to presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Harding Fine Arts Center, Inc. d/b/a Harding Fine Arts Academy Response to Findings

Harding Fine Arts Center, Inc., d/b/a Harding Fine Arts Academy's response to the findings identified in our audit, are described in the corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on their response.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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.



Oklahoma City, Oklahoma
December 13, 2016

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2016

2016-1 Finding

Statement of Condition – The District exceeded their general fund appropriations by \$26,794.72.

Criteria – Expenditures should be compared to appropriations. Supplemental appropriations should be requested if needed.

Cause/Effect of Condition – Appropriations were not comparing in a timely manner to expenditures to request supplemental appropriations.

Recommendations – Internal controls should be developed to insure expenditures are within appropriated amounts.

DISTRICT'S RESPONSE TO FINDINGS

The District is generally in agreement with the findings and recommendations above and will review current procedures in order to implement changes in internal controls to insure accounting records are properly maintained.

HARDING FINE ARTS CENTER, INC.
D/B/A HARDING FINE ARTS ACADEMY

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2016


Farmers Alliance Mutual Insurance Company – Public Official Position Schedule Bond #BD102119.
Following are positions and amounts in force as of 6/30/16:

Encumbrance Clerk	\$ 10,000
Activity Fund Custodian	\$ 10,000
Treasurer	\$ 100,000
Superintendent	\$ 100,000

SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

[illegible]

JOHNSTON & AHLSCHEDE, P.C.
Auditing Firm


Linda L. Ahlschwede, Authorized Agent

SUBSCRIBED AND SWORN before me this 13th day of Dec 2016

My Commission Expires:

Kathy A. Brew
Notary Public

(SEAL)

