

Audited Financial Statements

Charyl Stockwell Academy

Howell, Michigan

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Charyl Stockwell Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Charyl Stockwell Academy'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 opinions 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy, as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charyl Stockwell Academy's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, 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 and individual nonmajor fund financial statements, and schedules of revenues and expenditures, 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 November 20, 2020, on our consideration of Charyl Stockwell Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charyl Stockwell Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
November 20, 2020



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Board of Directors
of Charyl Stockwell Academy**

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, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Charyl Stockwell Academy's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charyl Stockwell Academy'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 Charyl Stockwell Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Charyl Stockwell Academy'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charyl Stockwell Academy'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.



Croskey Lanni, PC

Rochester, Michigan
November 20, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

Charyl Stockwell Academy is Preschool through 12th grade Public School Academy District located in Howell and Brighton, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Charyl Stockwell Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 8,111	\$ 7,871
Enrollment	1,129.48	1,115.98
General Fund Balance Increase/(Decrease)	\$ 33,178	\$ 124,350
General Fund Balance as Percent of Unrestricted State Aid Revenue	16%	16%

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

FUND FINANCIAL STATEMENTS

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is 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. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

ACADEMY - WIDE FINANCIAL STATEMENTS

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Charyl Stockwell Academy’s Annual Financial Report

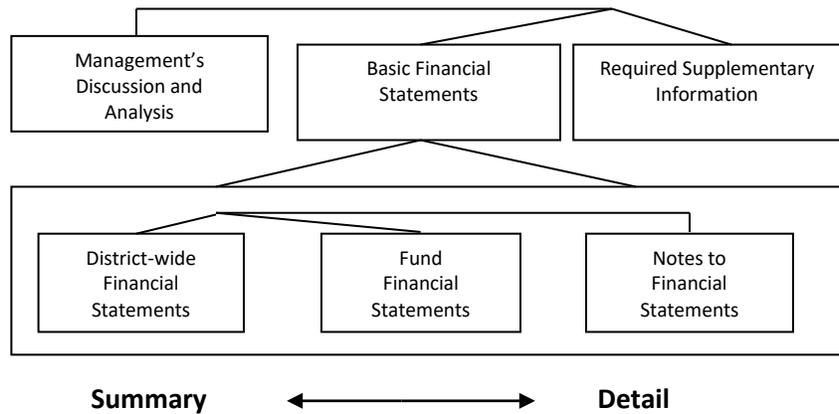


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,594,574	\$ 1,561,396
Total General Fund Revenue	\$ 10,974,218	\$ 10,651,905
State Aid Foundation Allowance as percent of Academy Revenues	88%	89%
Total Cost of Instructional Programs	\$ 5,583,385	\$ 4,986,034
Instructional Expenditures as percent of Total Expenditures	51%	49%
Total Cost of Support/Operational Services	\$ 4,195,392	\$ 4,077,538
Support/Operational Services as percent of Total Expenditures	39%	40%
Total Expenditures transferred to Debt Service	\$ 1,112,260	\$ 1,113,884
Transfer to Debt Service as percent of Total Expenditures	10%	11%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2020 and 2019:

Table 3 - Net Position Detail

	2020	2019
Assets		
Current Assets	\$ 4,903,245	\$ 4,936,069
Capital Assets	18,164,727	17,974,308
Less: Accumulated Depreciation	(6,535,843)	(6,060,165)
Capital Assets, Net Book Value	11,628,884	11,914,143
Total Assets and Deferred Outflows	\$ 16,532,129	\$ 16,850,212
Liabilities		
Current Liabilities	\$ 1,786,820	\$ 1,705,682
Long-term Liabilities	14,361,349	14,660,202
Total Liabilities and Deferred Inflows	\$ 16,148,169	\$ 16,365,884
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ (3,045,837)	\$ (3,047,844)
Restricted for Debt Service	1,790,520	1,743,351
Unrestricted	1,639,277	1,788,821
Total Net Position	\$ 383,960	\$ 484,328

Results of Operations:

For the fiscal year ended June 30, 2020 and 2019, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2020		2019	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 8,964,496	81.55%	\$ 8,786,252	82.06%
Other	20,892	0.19%	57,678	0.54%
Total General Revenue	8,985,388	81.74%	8,843,930	82.60%
Program Revenue:				
Charges for Services	442,961	4.03%	429,379	4.01%
Operating Grants - Federal and State	1,563,907	14.23%	1,434,070	13.39%
Total Program Revenue	2,006,868	18.26%	1,863,449	17.40%
Total Revenue	10,992,256	100.00%	10,707,379	100.00%
Expenses:				
Instruction and Instructional Services	5,583,385	50.33%	4,986,034	48.16%
Support Services	4,006,624	36.12%	3,844,401	37.13%
Community Services	163,258	1.47%	183,106	1.77%
Unallocated Depreciation	475,678	4.29%	458,542	4.43%
Interest on Long-term Debt	863,679	7.79%	880,495	8.51%
Total Expenses	11,092,624	100.00%	10,352,578	100.00%
Change in Net Position	<u>\$ (100,368)</u>		<u>\$ 354,801</u>	

During the fiscal year ended June 30, 2020, the Academy's net position decreased by \$100,368 as compared to a net increase of \$354,801 in the prior fiscal year. One factor between prior year and current year is the unanticipated reduction in state revenues of \$197,659 due to the COVID-19 pandemic. Additional factors affecting the change in net position during the year are discussed below.

State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Charyl Stockwell Academy foundation allowance was \$8,111 compared to only \$7,871 in 2018-2019.
- Student Enrollment: The Academy's student enrollment blend for 2019-2020 was 1,128.24. To calculate total state aid, a blend of 90% of the adjusted current-year fall count of 1,130.59 and 10% of the prior-year spring count of 1,107.04 was multiplied by the Academy's foundation allowance. Section 25e was again in effect wherein the funding follows the student, but Section 25e additions were minimal at .84 FTE or \$6,813 in added revenue.
- In mid-March, an executive order was issued from the Governor of the State of Michigan that closed all K-12 schools due to the Coronavirus (COVID-19) pandemic. The Academy moved to a strictly virtual learning platform developed by the Academy's leadership team. This executive order remained in place for the remainder of the 2019-2020 academic school year.

- As a result of the COVID-19 pandemic and significantly reduced state revenues (primarily sales tax and delay in collecting income tax due to extended filing deadlines), school aid was reduced in August 2020 by \$175 per pupil (\$197,659 total for the Academy) in the form of a new categorical “SAF Revenue Shortfall Reduction.”
- With the reduction in state aid revenues, the Academy was granted \$62,959 in the way of federal CARES Act funding, all of which was carried over to the 2020-2021 academic school year since the finalized 2019-2020 revenues could support all expenditures without this federal aid. Funds were provided to continue a high-quality academic program.

Subsequent to year-end June 30, 2020, preliminary student enrollments for 2020-2021 indicate that the 2020 fall student enrollment should remain at or close to 2019-2020 levels, however, enrollment is always budgeted conservatively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, and community services) since the original budget was adopted.

The Academy’s revenues from General Fund operations exceeded expenditures and transfers out by \$33,178 for the fiscal year ended June 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Academy’s net investment in capital assets increased by \$190,419 during the fiscal year, but total net capital assets decreased by \$285,259 due to accumulated depreciation. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning		Ending	
	Balance 6/30/19	Additions	Disposals	Balance 6/30/20
Non-Depreciable Capital Assets (Land)	\$ 2,505,812	\$ -	\$ -	\$ 2,505,812
Building	14,252,536	190,419	-	14,442,955
Equipment	286,814	-	-	286,814
Furniture	208,431	-	-	208,431
Computers	720,715	-	-	720,715
Less: Accumulated Depreciation	6,060,165	475,678	-	6,535,843
Net Investment in Capital Assets	\$ 11,914,143	\$ (285,259)	\$ -	\$ 11,628,884

Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

For fiscal year ended June 30, 2020, the net increase in accumulated depreciation was \$475,678.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

Debt, Principal Payments

A summary of long-term debt service activities is as follows:

Table 6 - Debt, Principal Payments

	Balance 6/30/2019	New Financings	Principal Payments	Balance 6/30/2020
Revenue Bonds	\$ 15,205,000	\$ -	\$ 265,000	\$ 14,940,000
Other Long-Term Debt	163,705	-	37,330	126,375
Total Long-term Obligations	\$ 15,368,705	\$ -	\$ 302,330	\$ 15,066,375

ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2020-21 fiscal year was adopted by the Board of Directors in June 2020. Few definite factors were known during budget preparation due to the COVID-19 pandemic, so budget projections were estimated by management and school leadership knowing that more information about the 2020-2021 year would be released during summer 2020. Key factors affecting the 2020-2021 budget preparation process include:

- Continued approach to budgeting enrollment conservatively at 1100;
- A freeze on staff pay increases until more information was released about funding;
- New leases costs commencing June 2021 for a new middle school in Brighton;
- No planned transfers to Capital Projects for new middle school improvements until more information was released about funding.

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 its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State’s available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties related to COVID-19 we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy’s office at 9758 East Highland Road, Howell, MI 48843.

CHARYL STOCKWELL ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,182,663
Investments - restricted for debt service and capital projects	1,790,520
Accounts receivable	30,949
Deposits	23,143
Due from other governmental units	1,589,346
Prepaid expenses	286,624
	<hr/>
Total current assets	4,903,245

Capital Assets - Net of Accumulated Depreciation

11,628,884

Total assets and deferred outflows

\$ 16,532,129

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 625,261
Notes payable	642,638
Due to agency fund	13,140
Other accrued expenses	192,409
Long-term debt - current portion	313,372
	<hr/>
Total current liabilities	1,786,820

Long-Term Debt - Long-Term Portion

14,361,349

Net Position

Net investment in capital assets	(3,045,837)
Restricted for debt services and capital projects	1,790,520
Unrestricted	1,639,277
	<hr/>
Total net position	383,960
	<hr/>
Total liabilities, deferred inflows and net position	<u>\$ 16,532,129</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 4,350,239	\$ -	\$ 109,342	\$ (4,240,897)
Added needs	1,233,146	-	1,233,146	-
Support services				
Pupil support services	531,846	-	171,542	(360,304)
Instructional staff support services	373,486	-	20,290	(353,196)
General administration	1,058,497	-	29,123	(1,029,374)
School administration	795,947	-	-	(795,947)
Business support services	56,527	-	-	(56,527)
Operations and maintenance	849,811	-	-	(849,811)
Pupil transportation services	86,988	-	464	(86,524)
Central support services	108,203	-	-	(108,203)
Athletic activities	119,968	119,968	-	-
Community services	163,258	322,993	-	159,735
Facilities acquisition, construction and improvements				
Unallocated depreciation	25,351	-	-	(25,351)
Unallocated interest	475,678	-	-	(475,678)
	863,679	-	-	(863,679)
Total primary government	\$ 11,092,624	\$ 442,961	\$ 1,563,907	(9,085,756)
General Purpose Revenues				
State school aid - unrestricted				8,964,496
Earnings on investments				19,313
Miscellaneous revenues				1,579
Total general purpose revenues				8,985,388
Change in net position				(100,368)
Net position - July 1, 2019				484,328
Net position - June 30, 2020				\$ 383,960

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Capital Projects</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,182,663	\$ -	\$ -	\$ 1,182,663
Investments	-	1,657,772	132,748	1,790,520
Accounts receivable	30,949	-	-	30,949
Deposits	23,143	-	-	23,143
Due from other governmental units	1,589,346	-	-	1,589,346
Due from other funds	-	-	183,867	183,867
Prepaid expenses	286,624	-	-	286,624
Total assets	<u>\$ 3,112,725</u>	<u>\$ 1,657,772</u>	<u>\$ 316,615</u>	<u>\$ 5,087,112</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 625,261	\$ -	\$ -	\$ 625,261
Notes payable	642,638	-	-	642,638
Due to agency funds	13,140	-	-	13,140
Due to other funds	183,867	-	-	183,867
Other accrued expenses	53,245	-	-	53,245
Total liabilities	1,518,151	-	-	1,518,151

Fund Balance

Nonspendable	309,767	-	-	309,767
Restricted	-	1,657,772	316,615	1,974,387
Assigned	110,064	-	-	110,064
Unassigned	1,174,743	-	-	1,174,743
Total fund balance	<u>1,594,574</u>	<u>1,657,772</u>	<u>316,615</u>	<u>3,568,961</u>
Total liabilities and fund balance	<u>\$ 3,112,725</u>	<u>\$ 1,657,772</u>	<u>\$ 316,615</u>	<u>\$ 5,087,112</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

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

Total Governmental Fund Balances	\$ 3,568,961
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$18,164,727 and the accumulated depreciation is \$6,535,843.	11,628,884
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(139,164)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,674,721)</u>
Net Position of Governmental Activities	<u>\$ 383,960</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major Capital Projects</u>	<u>Total</u>
Revenues				
Local sources	\$ 445,815	\$ 16,827	\$ 1,211	\$ 463,853
State sources	9,689,878	-	-	9,689,878
Federal sources	118,786	-	-	118,786
Interdistrict sources	719,739	-	-	719,739
Total governmental fund revenues	10,974,218	16,827	1,211	10,992,256
Expenditures				
Instruction				
Basic programs	4,350,239	-	-	4,350,239
Added needs	1,233,146	-	-	1,233,146
Support services				
Pupil support services	531,846	-	-	531,846
Instructional staff support services	373,486	-	-	373,486
General administration	1,058,497	-	-	1,058,497
School administration	795,947	-	-	795,947
Business support services	54,836	1,691	-	56,527
Operations and maintenance	849,811	-	-	849,811
Pupil transportation services	86,988	-	-	86,988
Central support services	108,203	-	-	108,203
Athletic activities	119,968	-	-	119,968
Community services	163,258	-	-	163,258
Facilities acquisition, construction and improvements	-	-	25,351	25,351
Capital outlay	5,895	-	184,524	190,419
Debt principal and interest	46,657	1,106,441	-	1,153,098
Total governmental fund expenditures	9,778,777	1,108,132	209,875	11,096,784
Excess (deficiency) of revenues over expenditures	1,195,441	(1,091,305)	(208,664)	(104,528)
Other Financing Sources (Uses)				
Operating transfers in	-	1,112,260	50,003	1,162,263
Operating transfers out	(1,162,263)	-	-	(1,162,263)
Total other financing sources (uses)	(1,162,263)	1,112,260	50,003	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	33,178	20,955	(158,661)	(104,528)
Fund balance - July 1, 2019	1,561,396	1,636,817	475,276	3,673,489
Fund balance - June 30, 2020	<u>\$ 1,594,574</u>	<u>\$ 1,657,772</u>	<u>\$ 316,615</u>	<u>\$ 3,568,961</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$	(104,528)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	190,419	
Depreciation and amortization expense		<u>(475,678)</u>	(285,259)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	302,330	
Interest expense		<u>(12,911)</u>	<u>289,419</u>

Change in Net Position of Governmental Activities	\$	<u><u>(100,368)</u></u>
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CHARYL STOCKWELL ACADEMY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$	96,924
Due from general fund		<u>13,140</u>
Total assets	\$	<u><u>110,064</u></u>

LIABILITIES

Due to student groups	\$	<u>110,064</u>
Total liabilities	\$	<u><u>110,064</u></u>

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Charyl Stockwell Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Charyl Stockwell Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 1995, and began operation in September, 1996.

In April 2013, the Academy entered into a ten year contract with Central Michigan University’s Board of Trustees, beginning in July 2013 and expiring June 2023. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Central Michigan University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2020 were approximately \$268,580.

In July 2013, the Academy entered into a ten year agreement with CS Partners, LLC. Under the terms of this agreement, CS Partners, LLC provides a variety of management services including the support of the Academy’s instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CS Partners, LLC a fee of no more than 10% of its total received from the state through the termination of the contract. Per the contract, fees charged for these services amounted to \$626,757 for the year ended June 30, 2020.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. 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 sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2020 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2020 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The balances shown as restricted, include \$1,657,772 of resources held in trust for the payment of revenue bond obligations.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Academy has evaluated the impact this statement will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ended June 30, 2021.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2020 the budget was amended in a legally permissible manner. A comparison of the budget versus actual can be found on page 22 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,279,587
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,790,520</u>
Total deposits and investments			<u>\$ 3,070,107</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - Fiduciary Fund			\$ 96,924
Cash - General Fund			1,182,663
Investments:			
Investments - Debt Service Fund			1,657,772
Investments - Capital Projects Fund			<u>132,748</u>
Total deposits and investments			<u>\$ 3,070,107</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represent 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2020, \$946,300 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2020.

Custodial Credit Risk - Investments

For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	<u>\$ 1,589,346</u>
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CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not subject to depreciation				
Land	\$ 2,505,812	\$ -	\$ -	\$ 2,505,812
Capital assets subject to depreciation				
Building	14,252,536	190,419	-	14,442,955
Equipment	286,814	-	-	286,814
Furniture	208,431	-	-	208,431
Computer	720,715	-	-	720,715
Sub-total	17,974,308	190,419	-	18,164,727
Accumulated depreciation				
Building	4,924,951	453,374	-	5,378,325
Equipment	253,540	6,174	-	259,714
Furniture	172,593	10,469	-	183,062
Computer	709,081	5,661	-	714,742
Sub-total	6,060,165	475,678	-	6,535,843
Total net capital assets	<u>\$ 11,914,143</u>	<u>\$ (285,259)</u>	<u>\$ -</u>	<u>\$ 11,628,884</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2020 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 18/19	4.25%	August, 2019	Paid in full
SAAN 19/20	4.25%	August, 2020	Issued to provide the Academy with funds to finance its operations; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2020</u>
SAAN 18/19	\$ 642,638	\$ -	\$ 642,638	\$ -
SAAN 19/20	-	2,000,000	1,357,362	642,638
Total notes payable	<u>\$ 642,638</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 642,638</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30, 2020 may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
University oversight fee	\$ 43,981	\$ 43,981
Other expenditures	5,246	5,246
Interest	143,182	4,018
Total other accrued expenses	<u>\$ 192,409</u>	<u>\$ 53,245</u>

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2020:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Monthly Installments</u>	<u>Original Issue Amount</u>
Business loan 1	4.50%	July, 2023	\$ 3,700	\$ 237,659
Revenue bonds	4.88% - 5.75%	October, 2045	Varying	15,925,000

Loan Activity

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Business loan 1	\$ 163,705	\$ -	\$ 37,330	\$ 126,375	\$ 38,372
Revenue bonds	15,205,000	-	265,000	14,940,000	275,000
	<u>\$ 15,368,705</u>	<u>\$ -</u>	<u>\$ 302,330</u>	15,066,375	<u>\$ 313,372</u>
Less unamortized discount				391,654	
Total loan activity				<u>\$ 14,674,721</u>	

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 313,372	840,713
2022	330,848	825,222
2023	343,045	808,887
2024	324,110	792,830
2025	335,000	777,213
2026 - 2030	1,970,000	3,588,238
2031 - 2035	2,570,000	2,984,613
2036 - 2040	3,375,000	2,184,350
2041 - 2045	4,455,000	1,098,825
2046	1,050,000	60,375
	<u>\$ 15,066,375</u>	<u>\$ 13,961,266</u>

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

As of June 30, 2020, the Academy was not in compliance with the Debt Service Coverage Ratio (DSCR) Covenant or the Days Cash on Hand Covenant required by the Revenue Bonds. These covenants require that the Academy maintain either 1) a DSCR of 1.0 with 60 Days Cash on Hand OR 2) a DSCR of 1.10 with 30 Days Cash on Hand. The DSCR and Days Cash on Hand at 6/30 were 1.04 and 25.11 respectively and fell short of requirements due to unforeseen economic factors related directly to the COVID-19 pandemic. Non-compliance with these Covenants does not trigger an "Event of Default" under the Revenue Bond agreement and the Academy will continue to meet all of its obligations under this agreement. The Academy has continued to report its debt as long term over the course of its original payback schedules. The Academy enjoys a good relationship with and continues to work with its lenders to ensure that all compliance requirements are met. As of the date of these financial statements, the Academy is back in compliance with this Covenant.

NOTE 9 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Copier	August, 2022	\$59,295 yearly	Monthly payment of \$4,941 plus usage fees
Transportation Equipment	July, 2021	\$34,800 yearly	Bus leases (2) at \$2,900 monthly

The approximate amount of lease obligations coming due during the next three years is as follows:

2021	\$	94,095
2022		59,295
2023		4,941

Total equipment lease expense included in the statement of activities for the year ended June 30, 2020 amounted to \$103,855.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 1,112,260	\$ 50,003
Transfer Out	1,162,263	-	-

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - CONTINGENCIES

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses, the economy and school. As a precaution to slow the spread of the virus the 2019 – 2020 school year ended in person education early pursuant to the governor of Michigan's executive order on March 13, 2020. There were also resulting budget cuts to state aid that resulted in reduced state funding for the last payment of the year. The Academy is economically dependent upon this state funding for normal and continued operations. The reduced funding will be supplemented two for one with federal program funds during the 2020 – 2021 school year however the existence and continuation of federal resources beyond this coming fiscal year is not currently known. While the situation continues to evolve, and the full impact is yet to be determined, it can be reasonably expected that state funding for schools will be affected due to the economic effects of COVID-19.

The Academy is currently a defendant in a lawsuit regarding services for former special education student. The suit is being handled by the Academy's insurance provider, and no outcome can be easily predicted as of the date of these financial statements.

SUPPLEMENTARY INFORMATION

CHARYL STOCKWELL ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 450,700	\$ 449,603	\$ 445,815	\$ (3,788)
State sources	9,499,823	9,887,496	9,689,878	(197,618)
Federal sources	116,701	181,747	118,786	(62,961)
Interdistrict sources	605,000	710,776	719,739	8,963
Total general fund revenues	10,672,224	11,229,622	10,974,218	(255,404)
Expenditures				
Instruction				
Basic programs	4,160,730	4,395,929	4,350,239	(45,690)
Added needs	1,187,898	1,238,445	1,233,146	(5,299)
Support sources				
Pupil support services	450,820	519,308	531,846	12,538
Instructional staff support services	252,922	373,602	373,486	(116)
General administration	1,098,908	1,093,911	1,058,497	(35,414)
School administration	802,592	791,382	795,947	4,565
Business support services	56,100	55,243	54,836	(407)
Operations and maintenance	873,862	851,441	849,811	(1,630)
Pupil transportation services	96,015	87,102	86,988	(114)
Central support services	81,000	112,000	108,203	(3,797)
Athletic activities	112,862	118,421	119,968	1,547
Community services	206,323	164,364	163,258	(1,106)
Capital outlay	10,000	11,276	5,895	(5,381)
Debt principal and interest	47,000	47,000	46,657	(343)
Total general fund expenditures	9,437,032	9,859,424	9,778,777	(80,647)
Excess (deficiency) of revenues over expenditures	1,235,192	1,370,198	1,195,441	(174,757)
Other Financing Sources (Uses)				
Operating transfers out	(1,187,015)	(1,362,262)	(1,162,263)	199,999
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	48,177	7,936	33,178	25,242
Fund balance - July 1, 2019	1,561,396	1,561,396	1,561,396	-
Fund balance - June 30, 2020	\$ 1,609,573	\$ 1,569,332	\$ 1,594,574	\$ 25,242

CHARYL STOCKWELL ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Local Sources

Earnings on investments	\$ 1,275
Student enrichment program	442,961
Other local revenues	<u>1,579</u>
Total local sources	445,815

State Sources

At risk	134,541
Early literacy targeted instruction	15,800
Headlee obligation for data collection	29,123
Special education	539,701
State aid	8,964,496
Summer reading program	<u>6,217</u>
Total state sources	9,689,878

Federal Sources

Title I	88,496
Title II A	20,290
Title IV	<u>10,000</u>
Total federal sources	118,786

Interdistrict Sources

	<u>719,739</u>
Total general fund revenues	<u>\$ 10,974,218</u>

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Basic Programs

Purchased services	\$ 4,064,209
Equipment lease	69,055
Supplies and materials	169,156
Non-depreciable capital assets	15,493
Other expenditures	<u>32,326</u>
Total basic programs	4,350,239

Added Needs

Purchased services	1,233,146
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Pupil Support Services

Guidance services	70,068
Health services	99,090
Psychological services	27,611
Speech pathology and audiology	185,913
Social work services	148,314
Other pupil services	<u>850</u>
Total pupil support services	531,846

Instructional Staff Support Services

Purchased services	370,579
Supplies and materials	<u>2,907</u>
Total instructional staff support services	373,486

General Administration

Purchased services	1,054,522
Other expenditures	<u>3,975</u>
Total general administration	1,058,497

School Administration

Purchased services	774,955
Supplies and materials	6,077
Other expenditures	<u>14,915</u>
Total school administration	795,947

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2020

Business Support Services

Other expenditures	54,836
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Operations and Maintenance

Purchased services	416,586
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Repairs and maintenance	203,501
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Supplies and materials	229,724
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Total operations and maintenance	849,811
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Pupil Transportation Services

Purchased services	44,626
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Rentals	34,800
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Supplies and materials	7,384
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Other expenditures	178
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Total pupil transportation services	86,988
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Central Support Services

Purchased services	49,893
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Supplies and materials	58,310
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Total central support services	108,203
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Athletic Activities

Purchased services	85,474
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Supplies and materials	34,494
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Total athletic activities	119,968
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Community Services

Purchased services	122,667
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Supplies and materials	40,591
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Total community services	163,258
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CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2020

Capital Outlay	5,895
Debt Principal and Interest	<u>46,657</u>
Total general fund expenditures	<u>\$ 9,778,777</u>