

Gray Collegiate Academy

Report on Financial Statements

For the year ended June 30, 2021

Gray Collegiate Academy

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Independent Auditor's Report

Board of Directors
Gray Collegiate Academy
West Columbia, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Gray Collegiate Academy (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School'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 the 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 School'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 School'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 and each major fund of Gray Collegiate Academy as of June 30, 2021, 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.

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 listed 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 the School's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 supplementary information is 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 October 27, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.



Charleston, South Carolina
October 27, 2021

Gray Collegiate Academy

Management's Discussion and Analysis

June 30, 2021

As management of Gray Collegiate Academy (the School), we offer readers of the School's audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights:

Overall

- The 2020-2021 45-day average daily membership (ADM) was 621.
- The 2020-2021 135-day ADM was 621.

Government-Wide Financial Statements

- The assets of the School exceeded its liabilities as of June 30, 2021 by \$1,550,731 (**net position**).
- Governmental activities increased the School's net position by \$1,583,771 for the year ended June 30, 2021.
- The School had \$12,622,012 in long-term obligations as of June 30, 2021, including \$46,347 related to capital leases, \$2,407,362 related to notes payable, \$10,144,376 related to economic development revenue bonds, net of unamortized bond discounts, and \$23,927 related to accrued interest.

Fund Financial Statements

- As of June 30, 2021, the School's governmental funds reported combined ending fund balances of \$3,667,115.
- As of June 30, 2021, the unassigned fund balance in the general fund was \$2,711,613.

Gray Collegiate Academy

Management's Discussion and Analysis

June 30, 2021

Overview of the Financial Statements:

Management's Discussion and Analysis serves as an introduction to the School's **Basic Financial Statements**. The School's basic financial statements consist of three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

The **Basic Financial Statements** present two distinct financial perspectives of the School using **Government-Wide Financial Statements** and **Fund Financial Statements**. In addition to the **Basic Financial Statements**, this report contains **Supplementary Information** that will enhance the reader's understanding of the financial condition of the School.

Basic Financial Statements:

Government-Wide Financial Statements - Pages 9 and 10

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. They provide both short and long-term information about the School's financial standing.

The two **Government-Wide Financial Statements** are the *Statement of Net Position* and the *Statement of Activities*. Measuring net position is one way to gauge the School's financial condition and the *Statement of Activities* shows the change in net position during the year. Net position equals assets less liabilities.

The **Government-Wide Financial Statements** include all governmental activities. The governmental activities include the School's instruction and support services. The School does not have any business type activities.

Fund Financial Statements - Pages 11 and 12

The **Fund Financial Statements** are more detailed than the **Government-Wide Financial Statements**. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related requirements, such as the School's budget, where and when applicable. All of the funds of the School are governmental funds. The major governmental funds of the School are: 1) General Fund 2) Special Projects Fund 3) Education Improvement Act Fund and 4) Debt Service Fund.

Notes to the Financial Statements - Pages 13 through 26

The **Notes to the Financial Statements** offer a more detailed explanation of certain data contained in the **Government-Wide Financial Statements** and **Fund Financial Statements**.

Supplementary Information:

Supplementary Information shows detailed information about the School's funds. Budgetary comparison information for the School's general fund is included in the required **Supplementary Information**.

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2021

Government-Wide Financial Statement Analysis - Statement of Net Position:

As noted earlier, net position may serve over time as one useful indicator of the School's financial condition. The assets of the School exceeded its liabilities by \$1,550,731 as of June 30, 2021. \$(1,973,482) reflects the School's investment in capital assets of \$8,505,628, less any related debt still outstanding that was issued to acquire those items, which totaled \$10,598,085, plus unspent bond proceeds, which totaled \$118,975. The School uses these capital assets to provide services to its students; therefore, these assets are not available for future spending. Although the School's investment in capital assets is reported net of any related outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A total of \$922,999 is restricted for debt service and the remaining net position balance of \$2,601,214 is unrestricted.

Significant changes on the Statement of Net Position are as follows:

- Current assets increased primarily due to the increase in cash from the Paycheck Protection Program loan and operations.
- Capital assets, net of accumulated depreciation, increased over prior year primarily due to current year capital outlay exceeding depreciation expense. The School is in the process of construction on a weight room.
- Long-term liabilities decreased from prior year primarily due to payment on capital leases.

Gray Collegiate Academy's Net Position

	<u>2021</u>	<u>2020</u>
Current assets	\$ 3,948,588	\$ 2,716,728
Capital assets, net of accumulated depreciation	8,505,628	8,160,715
Other non-current assets	<u>2,000,000</u>	<u>2,000,000</u>
Total assets	<u>14,454,216</u>	<u>12,877,443</u>
Current liabilities	281,473	200,730
Long-term liabilities	<u>12,622,012</u>	<u>12,709,753</u>
Total liabilities	<u>12,903,485</u>	<u>12,910,483</u>
Net position		
Net investment in capital assets	(1,973,482)	(2,406,171)
Restricted for debt service	922,999	782,597
Unrestricted	<u>2,601,214</u>	<u>1,590,534</u>
Total net position	<u>\$ 1,550,731</u>	<u>\$ (33,040)</u>

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2021

Government-Wide Financial Statement Analysis - Statement of Activities:

Aspects of the School's financial operations that significantly contributed to the change in net position are as follows:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- State and Federal Revenues are calculated utilizing the 45th and 135th day ADM. The 45th day ADM for 2020/2021 was 621 compared to 507 for 2019/2020. The 135th day ADM for 2020/2021 was 621 compared to 503 for 2019/2020. This was an average increase of 116 students.
- In addition to State and Federal Revenues, the School had an increase of \$75,000 in local revenues from the prior year primarily due to an in-kind donation of a modular building from another high school offset by a decrease in fee revenue.
- The School had an increase of approximately \$460,000 in instruction expenditures from prior year primarily due to an increase in headcount.
- The School had a decrease of approximately \$593,000 in support services expenditures from prior year primarily due to nonrecurring expenditures related to the purchase of the building in the prior year.

Gray Collegiate Academy's Changes in Net Position

	<u>2021</u>	<u>2020</u>
Local revenues	\$ 408,295	\$ 333,337
State and federal revenues	<u>6,989,654</u>	<u>5,268,095</u>
Total revenues	<u>7,397,949</u>	<u>5,601,432</u>
Instruction	1,604,697	1,144,128
Support services	3,555,136	4,148,527
Interest and other objects	<u>654,345</u>	<u>698,154</u>
Total expenditures	<u>5,814,178</u>	<u>5,990,809</u>
Change in net position	1,583,771	(389,377)
Net position, July 1	<u>(33,040)</u>	<u>356,337</u>
Net position, June 30	<u>\$ 1,550,731</u>	<u>\$ (33,040)</u>

Gray Collegiate Academy

Management's Discussion and Analysis

June 30, 2021

Government-Wide Financial Statement Analysis - Capital Assets and Long-term Debt:

Capital Assets - The School's investment in capital assets for its governmental activities as of June 30, 2021, totaled \$8,505,628 (net of accumulated depreciation). Capital assets include land, construction in progress, a building, building improvements, land improvements, vehicles, and equipment. In the current fiscal year, the School is in the process of weight room construction.

Gray Collegiate Academy's Capital Assets (net of accumulated depreciation)

	Balance <u>July 1, 2020</u>	Governmental Activities <u>2021</u>	Balance <u>June 30, 2021</u>
Land	\$ 1,942,627	\$ -	\$ 1,942,627
Construction in progress	-	354,216	354,216
Building	5,756,933	79,879	5,836,812
Building improvements	107,397	(13,223)	94,174
Land improvements	136,220	(6,803)	129,417
Vehicles	45,714	(13,146)	32,568
Equipment	<u>171,824</u>	<u>(56,010)</u>	<u>115,814</u>
Total	<u>\$ 8,160,715</u>	<u>\$ 344,913</u>	<u>\$ 8,505,628</u>

Additional information about the School's capital assets can be found in **Note 5** of the **Basic Financial Statements**.

The School's net investment in capital assets reflects the School's investment in capital assets (\$1,973,482), less any related debt that was issued to acquire those items (\$10,598,085), net of unamortized bond discounts of \$180,624 plus unspent bond proceeds (\$118,975).

Long-term Debt - As of June 30, 2021, the School had \$12,622,012 in long-term debt, including capital leases.

As of June 30, 2021, the School had long-term debt in the amount of \$10,144,376, net of \$180,624 unamortized bond discount, relating to Economic Development Revenue Series 2020A and 2020B Bonds for the purchase of their building and property.

During the year ended June 30, 2014, Gray Collegiate Academy, Limited Partnership (the Partnership) received advances totaling \$2,000,000 from four limited partners. The Partnership expects to repay these advances, and therefore, the School has elected to treat these advances to the Partnership as notes payable on the Statement of Net Position. See Note 1.

Capital leases - As of June 30, 2021, the School had \$46,347 in capital lease obligations related to Chromebooks.

Additional information about these obligations and other long-term obligations can be found in **Note 8** of the **Basic Financial Statements**.

Gray Collegiate Academy

Management's Discussion and Analysis

June 30, 2021

Fund Financial Statements Analysis:

As noted earlier, the School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related requirements. The major governmental funds of the School are: 1) General Fund 2) Special Projects Fund 3) Education Improvement Act Fund and 4) Debt Service Fund.

The General Fund is the chief operating fund of the School. As of June 30, 2021, unassigned fund balance of the General Fund was \$2,711,613.

General Fund Budgetary Highlights:

The positive variance in revenue from local sources of \$101,295 is primarily due to an in-kind donation of a modular building from another high school.

The positive variance in revenue from federal sources of \$507,332 is due to the School not budgeting for proceeds from a Paycheck Protection Program loan that was forgiven during the year. See Note 12.

The negative variance in revenue from state sources of \$1,986,019 is due to the School budgeting for Education Improvement Act (EIA) Fund revenues in the General Fund.

The positive variance in instruction expenses of \$1,103,457 are due to the School budgeting salaries and related benefits in the General Fund budget when those expenditures are paid through the Special Projects Fund.

The negative variance in debt service expenses of \$576,284 is due to the School budgeting for Debt Service Fund expenditures in the General Fund.

Economic Factors:

The following key economic indicators reflect the growth and prosperity of the School:

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School will continue to seek both federal and private grant funds to supplement its Education Finance Act (EFA) funding.

Requests for Information:

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Principal, Gray Collegiate Academy, 3833 Leaphart Road, West Columbia, South Carolina 29169, telephone number (803) 951-3321.

Gray Collegiate Academy

Statement of Net Position

As of June 30, 2021

	Governmental activities
Assets	
Current assets	
Cash	\$ 2,795,522
Restricted cash	
Bond funds	11,244
Reserve funds	742,775
Project fund	118,975
Repair and replace fund	50,005
Accounts receivable	344
Due from other governmental units	197,220
Prepaid items	32,503
Total current assets	<u>3,948,588</u>
Non-current assets	
Notes receivable	2,000,000
Non-depreciable capital assets	2,296,843
Capital assets, net of accumulated depreciation	6,208,785
Total non-current assets	<u>10,505,628</u>
Total assets	<u>14,454,216</u>
Liabilities	
Current liabilities	
Accounts payable	188,289
Unearned revenue	69,525
Payroll liabilities	151
Due to pupil activities	23,508
Total current liabilities	<u>281,473</u>
Long-term liabilities	
Due within one year	
Capital leases	30,957
Notes payable	37,466
Bonds payable, net of unamortized bond discounts	153,644
Accrued interest	23,927
Due in more than one year	
Capital leases	15,390
Notes payable	2,369,896
Bonds payable, net of unamortized bond discounts	9,990,732
Total long-term liabilities	<u>12,622,012</u>
Total liabilities	<u>12,903,485</u>
Net position	
Net investment in capital assets	(1,973,482)
Restricted for debt service	922,999
Unrestricted	2,601,214
Total net position	<u>\$ 1,550,731</u>

See Notes to Basic Financial Statements

Gray Collegiate Academy*Statement of Activities**For the year ended June 30, 2021*

	Expenses	Program Revenues Operating Grants and Contributions	Net (expense) revenue and changes in net position Governmental activities
<u>Functions/Programs</u>			
Governmental activities			
Instruction	\$ 1,604,697	\$ 6,482,322	\$ 4,877,625
Support services	3,555,093	-	(3,555,093)
Interest and other objects	654,388	-	(654,388)
Total governmental activities	5,814,178	6,482,322	668,144
Total	\$ 5,814,178	\$ 6,482,322	668,144
		General revenues:	
		In-kind donations	106,800
		Forgiveness of PPP loan	507,332
		Other local	301,495
		Total local revenues	915,627
		Change in net position	1,583,771
		Net position, beginning of year	(33,040)
		Net position, end of year	\$ 1,550,731

See Notes to Basic Financial Statements

Gray Collegiate Academy
Balance Sheet - Governmental Funds
As of June 30, 2021

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>General</u>	<u>Special Projects</u>	<u>Education Improvement Act</u>	<u>Debt Service</u>	
Assets					
Cash	\$ 2,623,468	\$ 172,054	\$ -	\$ -	\$ 2,795,522
Restricted cash					
Bond funds	-	-	-	11,244	11,244
Reserve funds	-	-	-	742,775	742,775
Project fund	-	-	-	118,975	118,975
Repair and replace fund	-	-	-	50,005	50,005
Accounts receivable	344	-	-	-	344
Due from other governmental units	6,605	190,615	-	-	197,220
Due from other funds	122,090	-	-	-	122,090
Prepaid items	32,503	-	-	-	32,503
Total assets	<u>\$ 2,785,010</u>	<u>\$ 362,669</u>	<u>\$ -</u>	<u>\$ 922,999</u>	<u>\$ 4,070,678</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 17,386	\$ 170,903	\$ -	\$ -	\$ 188,289
Unearned revenue	-	69,525	-	-	69,525
Payroll liabilities	-	151	-	-	151
Due to pupil activities	23,508	-	-	-	23,508
Due to other funds	-	122,090	-	-	122,090
Total liabilities	<u>40,894</u>	<u>362,669</u>	<u>-</u>	<u>-</u>	<u>403,563</u>
Fund balances:					
Nonspendable	32,503	-	-	-	32,503
Restricted	-	-	-	922,999	922,999
Unassigned	2,711,613	-	-	-	2,711,613
Total fund balances	<u>2,744,116</u>	<u>-</u>	<u>-</u>	<u>922,999</u>	<u>3,667,115</u>
Total liabilities and fund balances	<u>\$ 2,785,010</u>	<u>\$ 362,669</u>	<u>\$ -</u>	<u>\$ 922,999</u>	<u>\$ 4,070,678</u>

Total governmental fund balances \$ 3,667,115

Amounts reported in the Statement of Net Position for governmental activities are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$11,195,559 and the accumulated depreciation is \$2,689,931.	8,505,628
Notes receivable that are not expected to be collected within one year are not reported in the funds.	2,000,000
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(10,144,376)
Notes payable	(2,407,362)
Capital leases	(46,347)
Accrued interest	(23,927)
Net position of governmental activities	<u>\$ 1,550,731</u>

See Notes to Basic Financial Statements

Gray Collegiate Academy

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2021

	General Fund	Special Revenue Funds		Debt Service	Total
		Special Projects	Education Improvement Act		
Revenues					
Local	\$ 408,295	\$ -	\$ -	\$ -	\$ 408,295
Intergovernmental	2,985,429	172,643	3,324,250	-	6,482,322
Total revenues	<u>3,393,724</u>	<u>172,643</u>	<u>3,324,250</u>	<u>-</u>	<u>6,890,617</u>
Expenditures					
Instruction	681,447	829,351	110,846	-	1,621,644
Support services	2,485,634	875,798	-	-	3,361,432
Capital outlay	615,724	-	-	-	615,724
Debt service					
Redemption of principal	31,097	-	-	-	31,097
Interest	36,662	-	-	570,675	607,337
Other objects	-	-	-	9,598	9,598
Total expenditures	<u>3,850,564</u>	<u>1,705,149</u>	<u>110,846</u>	<u>580,273</u>	<u>6,246,832</u>
Excess (deficit) of revenues over (under) expenditures	(456,840)	(1,532,506)	3,213,404	(580,273)	643,785
Other financing sources (uses)					
Transfers (to) from other funds	1,079,163	1,532,506	(3,213,404)	601,735	-
Proceeds from PPP loan	507,332	-	-	-	507,332
Total other financing sources (uses)	<u>1,586,495</u>	<u>1,532,506</u>	<u>(3,213,404)</u>	<u>601,735</u>	<u>507,332</u>
Net change in fund balances	1,129,655	-	-	21,462	1,151,117
Fund balances, beginning of year	<u>1,614,461</u>	<u>-</u>	<u>-</u>	<u>901,537</u>	<u>2,515,998</u>
Fund balances, end of year	<u>\$ 2,744,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,999</u>	<u>\$ 3,667,115</u>

Total net change in fund balances - governmental funds \$ 1,151,117

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$561,504) exceeds depreciation expense (\$216,591) in the period.

344,913

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Position. In the current year, these amounts consisted of:

Capital leases
Notes payable

63,000
31,097

Governmental funds report the effect of discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount of bond discounts amortized in the current period.

(6,356)

Change in net position of governmental activities

\$ 1,583,771

See Notes to Basic Financial Statements

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 1. Summary of Significant Accounting Policies

Gray Collegiate Academy (the School) is a nonprofit organization incorporated in the State of South Carolina and organized under the South Carolina Charter School Act. The School opened in August 2014. Through June 30, 2018 the School operated within the South Carolina Public Charter School District. The School transferred to the Charter Institute at Erskine effective July 1, 2018. The School serves approximately 620 students in grades 8 through 12 in Lexington County, South Carolina with a focus on earning college credits in conjunction with a high school diploma.

A. Reporting entity

The School's financial statements include all funds over which the Board of Directors is considered to be financially accountable. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters.

As required by state law, for the year ended June 30, 2021, the School was a component unit of the Charter Institute at Erskine. The School has determined that there are no support entities that meet the requirements for inclusion as a discretely presented component unit.

Blended Component Unit - Gray Collegiate Academy, Limited Partnership (the Partnership) was formed on January 30, 2014, for the purpose of securing capital to advance funding to the developer and owner of the School's new facility. In order to access the EB-5 Immigrant Investor Program (EB-5) funding, the Partnership is required to employ all teachers and staff associated with the School. The Partnership received \$2,000,000 in capital advanced from four partners during the fiscal year ended June 30, 2014. The Partnership immediately advanced these proceeds to American Charter Development, the developer and owner of the School's facility. These advances allowed the developer to provide the School a lower lease payment (see Note 8) and there are no set repayment terms on the advances. The Partnership is comprised of the Pinnacle Charter Management Group (a related party – see Note 11), Education Fund of America (EFA), a Special General Partner who secures the EB-5 investments, and four limited partners, who are the EB-5 investors. Pinnacle Charter Management Group is the general partner and is a greater than 50% owner in the partnership. However, the intent of the Partnership is for School use/benefit, therefore, the School and the Partnership have substantively the same governing body and a financial benefit or burden relationship. Therefore, the operations of the Partnership are blended with the operations of the School as required by accounting principles generally accepted in the United States of America. The Partnership activities are tracked as a separate fund within the special projects fund.

B. Basis of presentation

The statements of the School are presented as follows:

Government-wide financial statements - The Statement of Net Position and the Statement of Activities display information about the School as a whole, except fiduciary funds, if any. For the most part, the effect of interfund activity has been removed from these statements. The School's activities are governmental activities generally financed through intergovernmental revenues and other non-exchange transactions. Intergovernmental revenue included on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds includes all state sourced revenue and any federal revenue that flowed to the School primarily through the Charter Institute at Erskine.

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

B. Basis of presentation, continued

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements - Fund financial statements report detailed information about the School. 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. The School has no non-major funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are: a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

C. Measurement focus and basis of accounting

Fund accounting

The accounts of the School are organized and operated on the basis of funds during the fiscal year, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts.

Governmental funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may, or must, be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is separated as fund balance. The following are the School's major governmental funds:

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement focus and basis of accounting, continued

Governmental funds, continued

General fund - to account for all financial transactions not properly accounted for in another fund. The School uses this fund to account for expenditures principally for administration, instruction, pupil services, operation and maintenance of plant and related fixed charges.

Special revenue funds - to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The School has two special revenue funds:

1. Special projects fund - a fund used to account for financial resources provided by federal, state and local projects and grants;
2. The Education Improvement Act (EIA) fund - a budgeted fund used to account for the revenue from the Education Improvement Act of 1984 and legally required to be accounted for as a specific revenue source.

Debt service fund - to account for financial resources that are restricted or accumulated for expenditures for principal and interest on bonds.

Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds, if any, also use the accrual basis of accounting. On the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. Under the modified accrual basis of accounting, revenues and expenditures are recognized when they become both measurable and available.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected, soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. On the accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, entitlements, grants, and student fees.

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement focus and basis of accounting, continued

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year, if any, is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

D. Assets, liabilities and equity

Cash - The School may have cash presented on the financial statements which includes cash held in local financial institutions. The School had no cash equivalents at June 30, 2021.

Bond funds - Monthly interest and principal bond payments are held in this fund until bond payments are due.

Bond reserve funds - Monies in the reserve fund may be used for the payment of principal and interest in the event that monies in the bond funds are insufficient to make such payments when due.

Bond project fund - Costs of the project are disbursed from this account.

Bond repair and replacement fund - Disbursements from this account are for costs of extraordinary maintenance and replacements which may be required to keep the School in sound condition.

Prepaid items - Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. At June 30, 2021, prepaid items consisted of insurance that totaled \$32,503.

Receivables and payables - During the course of operations, numerous transactions occur between the School and vendors and revenue sources or individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables are classified as accounts receivable, due from other governmental units, accounts payable or "due from other funds" or "due to other funds" on the Balance Sheet. The transactions between funds are eliminated in the governmental activities columns of the Statement of Net Position.

Notes receivable - Amounts advanced to American Charter Development to assist in financing construction of a facility for the School are recorded as notes receivable. As of June 30, 2021, the balance on these notes receivable was \$2,000,000.

Capital assets - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The costs and accumulated depreciation of property sold or retired are removed from the accounts, and gains or losses, if any, are reflected in revenues or expenditures/expenses for the year. The School maintains a capitalization threshold of \$5,000. The School does not possess any infrastructure.

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, liabilities and equity, continued

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extends an asset's life are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation for financial reporting are as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	35 years
Building improvements	10-20 years
Vehicles	6 years
Equipment	4-6 years

Unearned revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period are also reported as unearned revenue. The School had \$69,525 of unearned revenue at June 30, 2021.

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, claims and judgments 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. Debt and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund balances and net position - There are five classifications of governmental fund balances: nonspendable, restricted, committed, assigned and unassigned. Where applicable, these classifications are presented on the face of the governmental funds Balance Sheet. For the government-wide financial statements the School applies restricted resources when an expenditure is incurred for the purposes for which both restricted and unrestricted net assets are available. For the governmental funds financial statements the School applies committed, then assigned, then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets reduced by accumulated depreciation and the outstanding balances of any borrowings used for the acquisition, construction or improvement of the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 1. Summary of Significant Accounting Policies, Continued

E. Use of 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 School's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

F. New accounting pronouncements

In June 2018, the GASB issued Statement 87, Leases, which provides guidance for lease contracts for nonfinancial assets-including vehicles, heavy equipment, and buildings but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). Under the new standard, a lessee entity is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset. A lessor entity is required to recognize a lease receivable and a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The provisions and amendments of Statement 87 are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The School is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Note 2. Cash

The School is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Banks and savings and loan associations to the extent they are guaranteed by the Federal Deposit Insurance Corporation (FDIC);
4. Deposits in certificates of deposit, where the certificates are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest;
5. The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina State laws);
6. Repurchase agreements.

At June 30, 2021, the carrying amount of the School's deposits was \$3,718,521 and the bank balance was \$4,395,959.

Custodial credit risk:

Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. The School's deposits were fully collateralized by securities at June 30, 2021.

Credit risk:

South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The School has no investment policy that would further restrict its choices.

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2021

Note 2. Cash, Continued

Interest rate risk:

The School 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 credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investments in a single issuer. The School does not have a policy that limits the amount that may be invested in any one issuer.

Note 3. Due from Other Governmental Units

Intergovernmental receivables at June 30, 2021 consisted of intergovernmental grants and reimbursements. All governmental receivables are considered fully collectible.

Due from state government	
NBC excess EIA formula	\$ 6,605
Total due from state government	<u>6,605</u>
Due from federal government	
CRF per pupil funding	112,404
Coronavirus aid, relief, and economic security act	<u>78,211</u>
Total due from federal government	<u>190,615</u>
Total due from other governmental units	<u>\$ 197,220</u>

Note 4. Transfers From and To Other Funds

During the course of normal operations, the School has transactions between funds to provide services. These transactions are generally reflected as transfers. During the year, the School transferred \$3,213,404 from the EIA Fund to the General Fund. South Carolina law requires the Charter Institute at Erskine to receive an allocation of funding based on a per weighted pupil formula, with the funding being recorded in the EIA Fund. There are no restrictions on how these funds may be spent at the School level; therefore, these funds are transferred to the General Fund to be expended. During the year, the School also transferred \$1,532,506 from the General Fund to the Special Projects Fund to cover salary and other expenditures paid by the Partnership. The School also transferred \$601,735 from the General Fund to the Debt Service Fund to meet debt service requirements. Total transfers during the year ended June 30, 2021 are reflected in the fund statements as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 3,213,404	\$ 2,134,241
Special projects fund	1,532,506	-
EIA fund	-	3,213,404
Debt service fund	<u>601,735</u>	<u>-</u>
	<u>\$ 5,347,645</u>	<u>\$ 5,347,645</u>

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2021

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	<u>Balance, July 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2021</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,942,627	\$ -	\$ -	\$ 1,942,627
Construction in progress	-	354,216	-	354,216
Total capital assets, not being depreciated	<u>1,942,627</u>	<u>354,216</u>	-	<u>2,296,843</u>
Capital assets, being depreciated				
Building	7,728,315	172,159	-	7,900,474
Building improvements	166,195	-	-	166,195
Land improvements	157,968	6,000	-	163,968
Vehicles	119,870	-	-	119,870
Equipment	519,080	29,129	-	548,209
Total capital assets, being depreciated	<u>8,691,428</u>	<u>207,288</u>	-	<u>8,898,716</u>
Totals at historical cost	<u>10,634,055</u>	<u>561,504</u>	-	<u>11,195,559</u>
Less accumulated depreciation				
Building	(1,971,382)	(92,280)	-	(2,063,662)
Building improvements	(58,798)	(13,223)	-	(72,021)
Land improvements	(21,748)	(12,803)	-	(34,551)
Vehicles	(74,156)	(13,146)	-	(87,302)
Equipment	(347,256)	(85,139)	-	(432,395)
Total accumulated depreciation	<u>(2,473,340)</u>	<u>(216,591)</u>	-	<u>(2,689,931)</u>
Total capital assets being depreciated, net	<u>6,218,088</u>	<u>(9,303)</u>	-	<u>6,208,785</u>
Governmental activities capital assets, net	<u>\$ 8,160,715</u>	<u>\$ 344,913</u>	<u>\$ -</u>	<u>\$ 8,505,628</u>

The carrying value of assets acquired under capital lease transactions at June 30, 2021 is \$56,499.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 31,531
Support services	<u>185,060</u>
Total depreciation expense	<u>\$ 216,591</u>

Note 6. Fund Balances and Net Position

The fund balances/net position and other credits have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Governmental fund financial statements

Fund balances - Nonspendable - balances that by their nature are unable to be spent.

Fund balances - Restricted - balances that can only be spent for the specific purpose stipulated by constitution, external resources providers, or through enabling legislation.

Fund balances - Committed - balances that can only be used for the specific purpose determined by the School's Board of Directors. The Board of Directors must take a formal action during one of its meetings to establish, modify, or commit funds under the committed classification.

Fund balances - Assigned - balances meant to be used for a specific purpose but do not meet the criteria as restricted or committed. For the School, the Board or any other governing authority above the board may assign fund balances by formal action such as Board of Directors vote, ordinance or law.

Fund balances - Unassigned - balances that are spendable amounts not contained in other classifications.

Government-wide financial statements

Net investment in capital assets - represents the net cost less accumulated depreciation and outstanding debt less unexpended proceeds attributable to the investment in capital assets. Details of net investment in capital assets are:

	<u>Governmental Activities</u>
Capital assets, net of depreciation	\$ 8,505,628
Deduct capital-related debt:	
Bonds, notes payable, and capital leases	(10,598,085)
Add: unspent bond proceeds	<u>118,975</u>
Net investment in capital assets	<u><u>\$ (1,973,482)</u></u>

Restricted - represents net position restricted externally by creditors, grantors, contributors or laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - represents the remainder of the School's net position in government-wide activities.

Note 7. Commitments and Contingencies

Amounts received, or receivable, from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 School expects such amounts, if any, to be immaterial.

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 7. Commitments and Contingencies, Continued

The School is by law, a public school. The operations of the School are subject to administrative directives, rules and regulations of its federal and state funding services. Such directions and funding levels are subject to change with little notice. If the School's funding levels are significantly impacted by reductions in federal and state funding, it may adversely affect the School's ability to operate.

The School entered into a management agreement with a charter school management group that provides curriculum and management services, as well as educational services and administrative services based on an approved budget. The agreement commenced on July 1, 2014 and terminates on June 30, 2025. The School was to pay the group an annual base fee plus 15% of all gross funding in excess of the amount noted in the agreement, excluding student activity fees and federal grants, up to a maximum fee, for curriculum and management services. The fees increase each year based on student headcount and are adjusted for the most recently published Consumer Price Index (CPI). For the year ended June 30, 2021, the School incurred a total of \$671,524 for management and curriculum fees and \$3,025 for fiscal management services. The School renegotiated this contract subsequent to year end. See Note 12.

Note 8. Long-term Obligations

Notes payable to Partnership Investors - As part of the EB-5 program, the Partnership entered into an agreement with four limited partners on May 7, 2014. Each advanced \$500,000 to the Partnership, for a total of \$2,000,000. In return for these advances, under the EB-5 Program, the limited partners are entitled to temporary US Work Visas. The Partnership expects to repay these advances, and therefore, the School has elected to treat these advances to the Partnership as notes payable in the Statement of Net Position. Under the partnership agreement, there is no specific due date of these obligations and there is no provision whereby the advance is payable upon request of the partner. Therefore, these notes have been treated as a long-term obligations.

Note payable for modular unit - On August 15, 2017, the School purchased the modular building it was previously leasing. The modular building was purchased for a total price of \$100,096. The School entered into a promissory note agreement for \$84,000 to finance a portion of the purchase of the modular. The note is payable in 59 equal payments of \$1,589, including interest of 5%. Payments began on October 5, 2017. A single, final payment of the entire unpaid balance of principal and interest will be due September 5, 2022.

Note payable for land - On August 13, 2018, the School purchased the land it was leasing. The land was purchased for a total price of \$420,000. The School entered into a promissory note agreement for \$420,000 to finance the purchase of the land. The note is payable in 228 equal payments of \$3,092, including interest of 6%, beginning on September 1, 2018 and ending on August 1, 2037.

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2021

Note 8. Long-term Obligations, Continued

Scheduled maturities of the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 37,466	\$ 23,335
2023	15,385	21,750
2024	16,334	20,764
2025	17,315	19,757
2026	18,412	18,687
2027-2031	110,559	74,934
2032-2036	149,127	36,366
2037-2038	<u>42,764</u>	<u>1,581</u>
	<u>\$ 407,362</u>	<u>\$ 217,174</u>

Capital Lease I - On August 31, 2016 the School entered into a 3 year capital lease for computers. On August 1, 2017, the lease was amended to include additional computers. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation was recorded at the net present value of the future minimum lease payments. This lease was paid off as of June 30, 2021.

Capital Lease II - On March 2, 2018 the School entered a 39 month capital lease for computers. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments. This lease was paid off as of June 30, 2021.

Capital Lease III - On February 27, 2019 the School entered a 39 month capital lease for computers. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments totaling \$13,395 at June 30, 2021.

Capital Lease IV - On March 1, 2020 the School entered a 36 month capital lease for computers. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments totaling \$32,952 at June 30, 2021.

The following is a schedule of the future minimum capital lease payments and the net present value of the minimum lease payments as of June 30, 2021:

2022	\$ 32,736
2023	<u>15,780</u>
Total minimum lease payments	48,516
Less: Amount representing interest	<u>(2,169)</u>
Present value of the minimum lease payments	<u>\$ 46,347</u>

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 8. Long-term Obligations, Continued

Economic development revenue bonds - On December 1, 2019, the School issued \$9,940,000 and \$385,000 in economic development revenue bonds Series 2019A and Series 2019B, respectively, with bond discounts totaling \$190,688. A portion of the bonds mature annually on June 15, commencing June 15, 2022. Interest is paid semiannually on June 15 and December 15, commencing June 15, 2020. The bond coupon rates range from 5.6% - 6.00%.

These bonds are subject to covenants for debt service coverage ratio and days of cash on hand as well as other requirements. The debt service coverage ratio requirement of 1.15:1.0 is tested annually every June 30th, commencing June 30, 2020. The School is required to maintain at least 45 days cash on hand every June 30th, commencing June 30, 2020. Additionally, the School is required to maintain its trade payables such that at the end of each fiscal quarter 90% of such payables are no more than 60 days old and the remaining 10% are no more than 90 days old. At June 30, 2021, management believes it is in compliance with the bond covenants.

The aggregate maturities of economic development revenue bonds due are as follows:

	Economic Development Revenue Bonds	
	Principal	Interest
2022	\$ 160,000	\$ 582,225
2023	170,000	572,775
2024	180,000	562,725
2025	190,000	552,094
2026	200,000	541,406
2027-2031	1,175,000	2,525,906
2032-2036	1,545,000	2,156,344
2037-2041	2,035,000	1,668,938
2042-2046	2,675,000	1,029,375
2047-2049	1,995,000	228,375
	<u>\$ 10,325,000</u>	<u>\$ 10,420,163</u>

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2021

Note 8. Long-term Obligations, Continued

Changes in general long-term obligations - The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2021:

	<u>Balance, July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2021</u>	<u>Current Portion</u>
Governmental activities:					
Economic development revenue bonds	\$ 10,325,500	\$ -	\$ -	\$ 10,325,000	\$ 160,000
Unamortized bond discount	<u>(186,980)</u>	<u>-</u>	<u>6,356</u>	<u>(180,624)</u>	<u>(6,356)</u>
Total bonds payable	<u>10,138,020</u>	<u>-</u>	<u>6,356</u>	<u>10,144,376</u>	<u>153,644</u>
Note payable for modular unit	40,421	-	(17,447)	22,974	22,974
Notes payable to Partnership Investors	2,000,000	-	-	2,000,000	-
Note payable for land	<u>398,038</u>	<u>-</u>	<u>(13,650)</u>	<u>384,388</u>	<u>14,492</u>
Total notes payable obligations	<u>2,438,459</u>	<u>-</u>	<u>(31,097)</u>	<u>2,407,362</u>	<u>37,466</u>
Capital lease I	14,888	-	(14,888)	-	-
Capital lease II	18,808	-	(18,808)	-	-
Capital lease III	26,075	-	(12,680)	13,395	13,395
Capital lease IV	<u>49,576</u>	<u>-</u>	<u>(16,624)</u>	<u>32,952</u>	<u>17,562</u>
Total capital lease obligations	<u>109,347</u>	<u>-</u>	<u>(63,000)</u>	<u>46,347</u>	<u>30,957</u>
Total	<u>\$ 12,685,826</u>	<u>\$ -</u>	<u>\$ (87,741)</u>	<u>\$ 12,598,085</u>	<u>\$ 222,067</u>

On April 10, 2021, the Small Business Administration approved a Paycheck Protection Program loan in the amount of \$507,332 to the School. The loan has been forgiven in full. See Note 12.

Note 9. Risks and Uncertainties

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. The School pays premiums to a private insurance carrier for all forms of coverage. The insurance carrier promises to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in the last three years.

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread and may adversely affect the School's business, financial condition, and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the School's operations or other businesses of the School's suppliers and funding agencies. The extent of the adverse impact of the COVID-19 outbreak on the School cannot be predicted at this time.

Gray Collegiate Academy

Notes to Basic Financial Statements

June 30, 2021

Note 9. Risks and Uncertainties, Continued

In October 2020, the charter school management group filed a suit against the School for breach of contract, among other claims. The litigation resulted in an amended agreement between the charter school management group and the School. See Note 12.

Note 10. Employee Benefits

Retirement plan

The School sponsors a retirement savings plan (the Plan) provided under Section 403(b) of the Internal Revenue Code, which covers substantially all employees who meet eligibility requirements. In January 2021, the School transferred all Plan funds into a new retirement savings plan provided under Section 401(k) of the Internal Revenue Code. Under the 403(b) plan, employees were eligible to participate upon employment. Under the 401(k) plan, employees must be at least 21 years old and complete one hour of service to be eligible for elective deferrals and matching contributions. Employer and employee contributions to the Plan for the year ended June 30, 2021 were \$40,845 and \$73,621, respectively.

Note 11. Related Parties

Through October 2020, the School had a contract with a charter school management group, which delegated certain duties of the School to the partners of this group. Subsequent to October 2020, the Board of Directors has retained all management responsibilities of the School. As described in Note 7, the School pays the management group for curriculum and management services. The School also reimburses the management group for certain office supplies. The School also employs, under separate employment contracts through June 30, 2021, certain employees of the management company for specific services those employees provide to the School. At June 30, 2021, the School had \$11,499 in payables due to the management group. See Note 12 related to the renegotiation of this management contract.

Note 12. Subsequent Events

On September 27, 2021, subsequent to year end, the School received a Letter of Forgiveness from the Small Business Administration for the full amount of the PPP loan. As forgiveness was received subsequent to year end but before the issuance of the audited financial statements, proceeds from the loan are recorded as revenue from other federal sources in the General Fund.

As mentioned in Note 7, on July 1, 2021, the School entered an amended agreement with the charter school management group that provides curriculum and management services. The School will pay the group an annual base fee of \$680,000 plus 15% of all gross funding, excluding student activity fees and federal grants, in excess of \$4,533,333 for each year, up to a maximum annual management fee of \$850,000 for these services. The fee is subject to renegotiation with an increase in headcount. Also see Note 11.

Gray Collegiate Academy
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2021

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 5,000	\$ 338	\$ (4,662)
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	302,000	407,957	105,957
Total revenue from local sources	<u>307,000</u>	<u>408,295</u>	<u>101,295</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3180 Fringe benefits employer contributions	-	718,834	718,834
3186 State aid to classrooms - teacher salary increase	-	27,861	27,861
3189 Teacher step	-	10,382	10,382
3199 Other restricted state grants	-	33	33
3300 State aid to classrooms - Education Finance Act (EFA)			
3310 Full-time programs			
3313 Elementary	-	189,587	189,587
3314 High school	4,971,448	3,659	(4,967,789)
3316 Speech handicapped	-	1,561	1,561
3320 Part-time programs			
3323 Learning disabilities	-	79,385	79,385
3324 Hearing handicapped	-	6,397	6,397
3327 Pre-career and career technology	-	1,680,088	1,680,088
3330 Miscellaneous EFA programs			
3334 Limited English proficiency	-	996	996
3351 Academic assistance	-	46,807	46,807
3352 Pupils in poverty	-	105,678	105,678
3353 Dual credit enrollment	-	107,555	107,555
3392 NBC excess EFA formula	-	6,606	6,606
Total revenue from state sources	<u>4,971,448</u>	<u>2,985,429</u>	<u>(1,986,019)</u>
Total revenue all sources	<u>5,278,448</u>	<u>3,393,724</u>	<u>(1,884,724)</u>
Expenditures			
100 Instruction			
110 General instruction			
114 High school programs			
100 Salaries	815,000	-	815,000
200 Employee benefits	602,722	361,353	241,369
300 Purchased services	76,000	88,415	(12,415)
400 Supplies and materials	221,000	191,463	29,537
500 Capital outlay	25,000	14,522	10,478
	<u>1,739,722</u>	<u>655,753</u>	<u>1,083,969</u>
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	40,000	-	40,000
200 Employee benefits	12,704	39,772	(27,068)
300 Purchased services	5,000	-	5,000
400 Supplies and materials	2,000	444	1,556
	<u>59,704</u>	<u>40,216</u>	<u>19,488</u>
Total instruction	<u>1,799,426</u>	<u>695,969</u>	<u>1,103,457</u>
200 Support services			
210 Pupil services			
212 Guidance services			
100 Salaries	122,000	-	122,000
200 Employee benefits	35,407	55,716	(20,309)
	<u>157,407</u>	<u>55,716</u>	<u>101,691</u>
213 Health services			
200 Employee benefits	-	21,014	(21,014)
	<u>-</u>	<u>21,014</u>	<u>(21,014)</u>

Gray Collegiate Academy

Budgetary Comparison Schedule - General Fund

For the year ended June 30, 2021

		Original and Final Budget	Actual	Variance from Final Budget
Expenditures, Continued				
200	Support services, continued			
230	General administrative services			
231	Board of education			
300	Purchased services	70,000	158,444	(88,444)
318	Audit services	19,000	12,535	6,465
600	Other objects	49,000	40,928	8,072
		<u>138,000</u>	<u>211,907</u>	<u>(73,907)</u>
233	School administration			
100	Salaries	348,000	-	348,000
200	Employee benefits	83,463	178,816	(95,353)
300	Purchased services	775,700	838,888	(63,188)
400	Supplies and materials	140,000	148,301	(8,301)
500	Capital outlay	-	107,100	(107,100)
600	Other objects	-	100,604	(100,604)
		<u>1,347,163</u>	<u>1,373,709</u>	<u>(26,546)</u>
250	Finance and operations services			
252	Fiscal services			
300	Purchased services	-	3,025	(3,025)
600	Other objects	4,000	3,016	984
		<u>4,000</u>	<u>6,041</u>	<u>(2,041)</u>
253	Facilities acquisition and construction			
500	Capital outlay	-	429,859	(429,859)
		<u>-</u>	<u>429,859</u>	<u>(429,859)</u>
254	Operation and maintenance of plant			
100	Salaries	50,000	-	50,000
200	Employee benefits	19,974	18,985	989
300	Purchased services	331,243	218,849	112,394
321	Public utility services	25,000	27,182	(2,182)
400	Supplies and materials	35,000	10,481	24,519
470	Energy	110,000	55,826	54,174
500	Capital outlay	76,175	56,743	19,432
		<u>647,392</u>	<u>388,066</u>	<u>259,326</u>
255	Student transportation (state mandated)			
600	Other objects	7,500	9,591	(2,091)
		<u>7,500</u>	<u>9,591</u>	<u>(2,091)</u>
258	Security			
500	Capital outlay	20,000	7,500	12,500
		<u>20,000</u>	<u>7,500</u>	<u>12,500</u>
260	Central support services			
263	Information services			
300	Purchased services	40,000	18,639	21,361
		<u>40,000</u>	<u>18,639</u>	<u>21,361</u>
266	Technology and data processing services			
100	Salaries	35,000	-	35,000
200	Employee benefits	11,431	8,799	2,632
		<u>46,431</u>	<u>8,799</u>	<u>37,632</u>
270	Support services - pupil activity			
271	Pupil service activities			
100	Salaries	125,000	-	125,000
200	Employee benefits	49,527	69,936	(20,409)
300	Purchased services	158,500	99,698	58,802
400	Supplies and materials	300,000	386,361	(86,361)
		<u>633,027</u>	<u>555,995</u>	<u>77,032</u>
	Total support services	<u>3,040,920</u>	<u>3,086,836</u>	<u>(45,916)</u>
500	Debt services			
610	Redemption of principal	19,000	31,097	(12,097)
620	Interest	610,000	36,662	573,338
690	Other objects	15,000	-	15,000
	Total debt service	<u>644,000</u>	<u>67,759</u>	<u>576,241</u>
	Total expenditures	<u>5,484,346</u>	<u>3,850,564</u>	<u>1,633,782</u>

Gray Collegiate Academy

Budgetary Comparison Schedule - General Fund

For the year ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Other financing sources (uses)			
5400 Proceeds from PPP loan	-	507,332	507,332
5230 Transfer from special revenue EIA fund	-	3,213,404	3,213,404
421-710 Transfer to special revenue fund	-	(1,532,506)	(1,532,506)
423-710 Transfer to debt service fund	-	(601,735)	(601,735)
Total other financing sources (uses)	<u>-</u>	<u>1,586,495</u>	<u>1,586,495</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (205,898)</u>	1,129,655	<u>\$ 1,335,553</u>
Fund balance, beginning of year		<u>1,614,461</u>	
Fund balance, end of year		<u>\$ 2,744,116</u>	

Gray Collegiate Academy
Special Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2021

	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
Revenues			
3000 Revenue from state sources			
3100 Restricted state funding			
3110 Occupational education			
3118 EEDA career specialists	\$ 47,153	\$ -	\$ 47,153
3130 Special programs			
3187 Teacher supplies	4,400	-	4,400
3900 Other state revenue			
3995 CRF per pupil funding	-	42,879	42,879
Total revenue from state sources	<u>51,553</u>	<u>42,879</u>	<u>94,432</u>
4000 Revenues from federal sources			
4900 Other federal sources			
4975 Coronavirus aid, relief and economic security act	-	78,211	78,211
Total revenue from federal sources	<u>-</u>	<u>78,211</u>	<u>78,211</u>
Total revenue all sources	<u>51,553</u>	<u>121,090</u>	<u>172,643</u>
Expenditures			
100 Instruction			
110 General instruction			
114 High school programs			
100 Salaries	-	741,934	741,934
400 Supplies and materials	4,400	14,593	18,993
Total instruction	<u>4,400</u>	<u>756,527</u>	<u>760,927</u>
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	-	42,424	42,424
Total instruction	<u>-</u>	<u>42,424</u>	<u>42,424</u>
170 Summer school programs			
173 High school summer school			
100 Salaries	-	6,000	6,000
Total instruction	<u>-</u>	<u>6,000</u>	<u>6,000</u>
175 Instructional programs beyond regular school day			
100 Salaries	-	20,000	20,000
Total instruction	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total instruction	<u>4,400</u>	<u>824,951</u>	<u>829,351</u>
200 Support services			
210 Pupil services			
212 Guidance services			
100 Salaries	47,153	98,300	145,453
Total instruction	<u>47,153</u>	<u>98,300</u>	<u>145,453</u>
213 Health services			
100 Salaries	-	38,333	38,333
Total instruction	<u>-</u>	<u>38,333</u>	<u>38,333</u>
230 General administrative services			
233 School administration			
100 Salaries	-	423,791	423,791
Total instruction	<u>-</u>	<u>423,791</u>	<u>423,791</u>
250 Finance and operations services			
254 Operation and maintenance of plant			
100 Salaries	-	28,500	28,500
300 Purchased services	-	15,392	15,392
Total instruction	<u>-</u>	<u>43,892</u>	<u>43,892</u>

**Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements**

Gray Collegiate Academy
Special Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2021

	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
Expenditures, continued			
200 Support services, continued			
260 Central support services			
266 Technology and data processing services	-	28,350	28,350
100 Salaries	-	28,350	28,350
270 Support services - pupil activity			
271 Pupil service activities	-	195,979	195,979
	-	195,979	195,979
Total support services	47,153	828,645	875,798
Total expenditures	51,553	1,653,596	1,705,149
Other financing sources			
5000 Other sources			
5200 Interfund transfers			
5210 Transfer from general fund	-	1,532,506	1,532,506
Total other financing sources	-	1,532,506	1,532,506
Excess of revenues and other financing sources over expenditures	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

**Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements**

Gray Collegiate Academy

Education Improvement Act

Schedule of Revenues, Expenditures and Changes in Fund Balance

For the year ended June 30, 2021

Revenues

3000	Revenue from state sources		
3500	Education Improvement Act		
3519	Grade 10 assessments	\$	2,176
3538	Students at risk of school failure		31,860
3550	Teacher salary increase		31,063
3555	Teacher salary fringe		7,558
3577	Teacher supplies		825
3583	Charter school payments		3,213,404
3595	EEDA - supplies and materials		787
3597	Aid to districts		36,577
	Total revenue		<u>3,324,250</u>

Expenditures

100	Instruction		
110	General instruction		
114	High school programs		
100	Salaries		31,063
200	Employee benefits		7,558
400	Supplies and materials		39,578
			<u>78,199</u>
120	Exceptional programs		
127	Learning disabilities		
100	Salaries		31,860
400	Supplies and materials		787
			<u>32,647</u>
	Total instruction		<u>110,846</u>
	Total expenditures		<u>110,846</u>

Other financing uses

400	Other charges		
420	Interfund transfers		
420-710	Transfer to general fund		(3,213,404)
	Total other financing uses		<u>(3,213,404)</u>

Excess of revenues over expenditures and other financing uses -

Fund balance, beginning of year	-
Fund balance, end of year	<u>\$ -</u>

**Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements**

Gray Collegiate Academy

Special Projects Fund

Summary Schedule for Designated State Restricted Grants

For the year ended June 30, 2021

<u>Subfund</u>	<u>Revenue</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/ (Out)</u>	<u>Unearned Revenue</u>
917	3187	Teacher supplies	\$ 4,400	\$ 4,400	\$ -	\$ -
928	3118	EEDA career specialists	47,153	47,153	-	-
			<u>\$ 51,553</u>	<u>\$ 51,553</u>	<u>\$ -</u>	<u>\$ -</u>

Gray Collegiate Academy

Education Improvement Act

Summary Schedule by Program

For the year ended June 30, 2021

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/Out</u>	<u>Unearned Revenue</u>
3500 Education Improvement Act				
3519 Grade 10 assessments	\$ 2,176	\$ 2,176	\$ -	\$ -
3538 Students at risk of school failure	31,860	31,860	-	-
3550 Teacher salary increase	31,063	31,063	-	-
3555 Teacher salary fringe	7,558	7,558	-	-
3577 Teacher supplies	825	825	-	-
3583 Charter school payments	3,213,404	-	(3,213,404)	-
3595 EEDA - supplies and materials	787	787	-	-
3597 Aid to districts	36,577	36,577	-	-
Total	<u>\$ 3,324,250</u>	<u>\$ 110,846</u>	<u>\$ (3,213,404)</u>	<u>\$ -</u>

Gray Collegiate Academy**Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2021**

Expenditures

500	Debt service		
	620	Interest	\$ 570,675
	690	Other objects	9,598
		Total debt service	<u>580,273</u>
		Total expenditures	<u>580,273</u>

Deficiency of revenues under expenditures (580,273)

Other financing sources

5000	Other sources		
	5200	Interfund transfers	
		5210	Transfer from general fund
			601,735
		Total other financing sources	<u>601,735</u>

Excess of other financing sources over expenditures 21,462

Fund balance, beginning of year 901,537

Fund balance, end of year \$ 922,999

Gray Collegiate Academy

Detailed Schedule of Due to State Department of Education / Federal Government

As of June 30, 2021

<u>Program</u>	<u>Grant or project number</u>	<u>Revenue code</u>	<u>Description</u>	<u>Amount due</u>	<u>Status of Amount due</u>
None					



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed In Accordance With
Government Auditing Standards**

Board of Directors
Gray Collegiate Academy
West Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gray Collegiate Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of 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 did not disclose instances of noncompliance 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
October 27, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No material weaknesses relating to the audit of the financial statements were disclosed during the audit.
3. No significant deficiencies relating to the audit of the financial statements were disclosed during the audit.
4. No instances of noncompliance relating to the financial statements were disclosed during the audit.

B. Findings - Financial Statement Audit

None

C. Findings - Compliance

None