

EAGLE'S NEST ACADEMY
Flint, Michigan

FINANCIAL STATEMENTS
June 30, 2021



Gardner | Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 9, 2021

To the Board of Directors
Eagle's Nest Academy

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Eagle's Nest Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Eagle's Nest 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 of 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 remaining fund information of Eagle's Nest Academy as of June 30, 2021 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2021, on our consideration of Eagle's Nest 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle's Nest Academy's internal control over financial reporting and compliance.

Mardner, Provanzano, Thomas & Lupton

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAGLE'S NEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

This section of the annual financial report presents management's discussion and analysis of Eagle's Nest Academy's financial results for the fiscal year ended June 30, 2021. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the Academy.

Using This Report

The annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Academy as a whole (government-wide statements) and also in more detail (governmental fund statements) showing the year's activity by fund.

Academy Wide Financial Statements

The Academy Wide Financial Statements appear first and report all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statement of activities covers all of the Academy's services including instruction and support services which are financed through Unrestricted State Aid and State and Federal grants. In addition, revenue less expense results in the change in net position, which can either increase or decrease on an annual basis.

Fund Financial Statements

The Fund Financial Statements are reported on a modified accrual basis and are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The Academy uses funds to help control and manage money for specific purposes or to meet legal responsibilities for certain grants. Funds provide a detailed short-term view of the operations and services of the Academy, show how money flows through and out of funds, and the balances left at year-end. Reviewing the funds helps the reader consider whether the Academy is accountable for the resources taxpayers and others provide and gives insight into the Academy's overall financial health.

The relationship between governmental activities (Academy Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the report.

EAGLE'S NEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Condensed Financial Statements

Analysis of Overall Financial Position and Results of Operations

The table below provides a summary of the Academy's net position as of June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 590,659	\$ 435,003
Capital assets - net of accumulated depreciation	<u>954,525</u>	<u>976,925</u>
Total assets	<u><u>1,545,184</u></u>	<u><u>1,411,928</u></u>
Liabilities		
Current liabilities	130,565	148,023
Noncurrent liabilities	<u>1,061,760</u>	<u>1,061,760</u>
Total liabilities	<u><u>1,192,325</u></u>	<u><u>1,209,783</u></u>
Net position		
Net investment in capital assets	(107,235)	(95,254)
Unrestricted	<u>460,094</u>	<u>296,399</u>
Total net position	<u><u>\$ 352,859</u></u>	<u><u>\$ 201,145</u></u>

The Academy's net position was \$352,859 at June 30, 2021. Net investment in capital assets of (\$107,235) was computed by taking the original cost of the assets and subtracting the depreciation expense and related debt. The remaining amount of net position \$460,094 is unrestricted and represents the accumulation of prior and current years' operations. The operating results of the general fund will have a significant impact on the change in unrestricted net position from year to year.

The Academy's results of operations for the years ended June 30, 2021 and 2020 are reported below.

EAGLE'S NEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

	<u>2021</u>	<u>2020</u>
Revenue		
Program revenue		
Grants and contributions	\$ 712,405	\$ 587,882
General revenue		
State foundation allowance	1,428,890	1,452,591
Other	10,056	34,208
Total revenue	<u>2,151,351</u>	<u>2,074,681</u>
Function/program expenses		
Instruction	612,938	698,052
Support services	1,187,234	1,207,402
Food service	140,390	151,539
Interest	37,675	37,675
Depreciation (unallocated)	22,400	22,400
Total expenses	<u>2,000,637</u>	<u>2,117,068</u>
Increase (decrease) in net position	<u>\$ 150,714</u>	<u>\$ (42,387)</u>

Analysis of Overall Financial Position and Results of Operations (cont.)

Funding for the above activities comes from a variety of sources. Some activities are partially funded by those who benefit from the programs or by grants and categoricals from governments and organizations. The remaining activities are paid for by the State Foundation Allowance and other revenues from local sources.

Budget Highlights

Eagle's Nest Academy's budget was developed according to the Uniform Budget Act of the State of Michigan requirements. The Act requires that the original budget for the upcoming fiscal year be approved prior to July 1, the start of the fiscal year.

<u>General fund</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>	<u>Actual</u>	<u>Variance</u>
Total revenue	\$ 1,964,343	\$ 2,037,260	3.58%	\$ 1,974,667	-3.17%
Total expenditures	1,989,598	2,026,330	1.81%	1,837,849	-10.26%
Excess revenue/expenditures	<u>\$ (25,255)</u>	<u>\$ 10,930</u>		<u>\$ 136,818</u>	

Changes to the original General Fund budget were as follows:

- When establishing the original 2020/21 revenue and expenditure budget in the summer of 2020 only estimates could be used due to the uncertain state of the amount of the per-pupil foundation grant and uncertainties regarding enrollment. Once student enrollment became known and State aid amounts became certain, in the fall of 2020 new budgets were prepared to reflect an increase in the number of students served from the original estimate. While an increase in the number of students' results in more revenue to the Academy, an increase in students' results in required expenditures increasing as well.

EAGLE'S NEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Final vs. Actual Budget

- Management believes that the final budget to actual results variances were not significant.

Academy's Funds

General Fund

The General Fund is the primary operating fund for the Academy. For fiscal year ending June 30, 2021, the fund increased by \$136,818.

Food Service Fund

The Academy maintained the school lunch program for the fiscal year. The food service fund balance increased to \$40,859 at June 30, 2021.

Capital Assets

As of June 30, 2021, the Academy has \$954,525 in capital assets including equipment and leasehold improvements, less depreciation.

	<u>2021</u>	<u>2020</u>
Equipment and improvements	\$ 1,063,410	\$ 1,063,410
Less accumulated depreciation	(108,885)	(86,485)
Net capital assets	<u>\$ 954,525</u>	<u>\$ 976,925</u>

Long-term Debt

The Academy entered into an installment purchase agreement for leasehold improvements. A summary of the transactions associated with this obligation follows.

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
Installment contracts	<u>\$ 1,061,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,760</u>

Conditions Affecting Next Year's Budget

Our Board members and administration consider many factors when setting the Academy's 2020/21 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020/21 fiscal year is 25 percent and 75 percent of the February 2020 and September 2020 student counts, respectively. The 2021 budget was adopted in June 2020, based on an estimate of students that will be enrolled in September 2020. Approximately 72 percent of the total General Fund revenue is from the foundation allowance.

**EAGLE'S NEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2021/22 school year, we anticipate that the fall student count will be similar to the estimates used in creating the 2020/21 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

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 academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The overall State economy remains a cause for concern, and the Academy will continue to be properly cautious in fiscal matters.

Requests for Information

This report is designed to provide our stakeholders with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Academy Business Office, 26999 Central Park Blvd., Southfield, Michigan 48076.

BASIC FINANCIAL STATEMENTS

EAGLE'S NEST ACADEMY
Academy Wide
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 199,017
Receivables	391,642
Capital assets less accumulated depreciation	954,525
Total Assets	<u>1,545,184</u>
Liabilities	
Accounts payable	60,872
Accrued expenses	19,567
Accrued interest	9,419
Due to management company	40,707
Installment contract due in more than year	1,061,760
Total Liabilities	<u>1,192,325</u>
Net Position	
Net investment in capital assets	(107,235)
Unrestricted	460,094
Total Net Position	<u>\$ 352,859</u>

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

EAGLE'S NEST ACADEMY
District Wide
Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Instruction	\$ 612,938	\$ -	\$ 310,305	\$ (302,633)
Support services	1,187,234	-	225,416	(961,818)
Food service	140,390	-	176,684	36,294
Interest	37,675	-	-	(37,675)
Depreciation (unallocated)	22,400	-	-	(22,400)
Totals	<u>\$ 2,000,637</u>	<u>\$ -</u>	<u>\$ 712,405</u>	<u>(1,288,232)</u>
General revenues:				
State aid - unrestricted				1,428,890
Other				<u>10,056</u>
Total General Revenues				1,438,946
Change in Net Position				150,714
Net Position - Beginning of Year				202,145
Net Position - End of Year				<u>\$ 352,859</u>

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

EAGLE'S NEST ACADEMY
Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	(Non-Major Fund) Food Service	Totals
<u>Assets</u>			
Cash	\$ 199,017	\$ -	\$ 199,017
Due from other governmental units	387,892	-	387,892
Accounts receivable	3,750	-	3,750
Due from other funds	-	40,859	40,859
Total Assets	<u>\$ 590,659</u>	<u>\$ 40,859</u>	<u>\$ 631,518</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 60,872	\$ -	\$ 60,872
Accrued expenses	19,567	-	19,567
Due to management company	40,707	-	40,707
Due to other funds	40,859	-	40,859
Total Liabilities	<u>162,005</u>	<u>-</u>	<u>162,005</u>
Fund balance			
Assigned	-	40,859	40,859
Unassigned	428,654	-	428,654
Total Fund Balance	<u>428,654</u>	<u>40,859</u>	<u>469,513</u>
Total Liabilities and Fund balance	<u>\$ 590,659</u>	<u>\$ 40,859</u>	<u>\$ 631,518</u>

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

EAGLE'S NEST ACADEMY
Reconciliation of Balance Sheet of Governmental Funds to Net Position
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 469,513
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets are:	1,063,410
Accumulated depreciation is:	(108,885)

Accrued interest on long-term installment contract	(9,419)
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Long-term liabilities are not due and payable in the current
period and are not reported in the funds.

Installment contract	(1,061,760)
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Total Net Position - Governmental Activities (Academy Wide)	<u><u>\$ 352,859</u></u>
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The accompanying notes are an integral part of these financial statements.

EAGLE'S NEST ACADEMY
Governmental Funds
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	(Non-Major Fund) Food Service	Totals
Revenue			
Local	\$ 10,055	\$ -	\$ 10,055
State	1,586,047	25,194	1,611,241
Federal	378,565	151,490	530,055
Total Revenue	<u>1,974,667</u>	<u>176,684</u>	<u>2,151,351</u>
Expenditures			
Instruction			
Basic programs	344,695	-	344,695
Added needs	268,243	-	268,243
Support Services			
Pupil services	30,633	-	30,633
Staff	78,029	-	78,029
General administration	255,918	-	255,918
School administration	181,880	-	181,880
Business	62,099	-	62,099
Operation and maintenance	444,964	-	444,964
Transportation	62,376	-	62,376
Central services	104,409	-	104,409
Community service	4,601	-	4,601
Food service	-	140,390	140,390
Total Expenditures	<u>1,837,847</u>	<u>140,390</u>	<u>1,978,237</u>
Excess (Deficiency) of Revenues over Expenditures	136,820	36,294	173,114
Other Financing Sources (Uses)			
Operating transfers in	-	2	2
Operating transfers out	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>(2)</u>	<u>2</u>	<u>-</u>
Net Change in Fund Balances	136,818	36,296	173,114
Fund Balance, Beginning of Year	<u>291,836</u>	<u>4,563</u>	<u>296,399</u>
Fund Balance, End of Year	<u>\$ 428,654</u>	<u>\$ 40,859</u>	<u>\$ 469,513</u>

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

EAGLE'S NEST ACADEMY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Governmental Funds	\$ 173,114
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are capitalized
and depreciated over their estimated useful lives.

Depreciation expense	(22,400)
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Change in Net Position of Governmental Activities (Academy Wide)	<u>\$ 150,714</u>
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The accompanying notes are an integral part of these financial statements.

EAGLE'S NEST ACADEMY NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

Eagle's Nest Academy was formed as a Charter School Academy pursuant to the Michigan School Code of 1976, as amended by Act 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.

In July 2015, the Academy entered into an agreement with Grand Valley State University to operate as a public school academy. The Academy began operations as a public school academy in the 2015/2016 school year. The Academy is required to act exclusively as a governmental agency and is prohibited to take any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Grand Valley State University 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 Grand Valley State University two percent of unrestricted state aid as administrative fees. The total administrative fees incurred to Grand Valley State University for the year ended June 30, 2021 was \$42,537.

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

A. Academy-Wide Statements

The statement of net position and the statement of activities display information about the Academy as a whole. The usual purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Currently, all activities of the Academy are considered to be governmental.

The Academy-wide statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. This basis is different from the manner in which the governmental fund financial statements are prepared. Therefore, reconciliations are included to identify the relationship between the Academy-wide statements and the statements for the governmental funds.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

A. Academy-Wide Statements (continued)

The Academy-wide statement of activities presents a comparison between program expenses and program revenues; revenues that are not classified as direct program revenues are presented as general revenues. The comparison of program expenses and revenues identifies the extent to which each program is self-financed or draws resources from the Academy.

The Academy-wide approach is focused more on the sustainability of the Academy as an entity and the change in the Academy's net position from the current year's activities.

B. Fund Financial Statements

The accounts of the Academy are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the Academy:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the Academy.

General Fund is the general operating fund of the Academy. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specified purpose. The Special Revenue Fund maintained by the Academy is the Food Service Fund. The Food Service Fund is intended to be self-supporting.

Usually the emphasis in fund financial statements is on the major funds. The Academy has opted to display information for all funds without regard to the criteria for determination of major funds as determined by GASB 34. However, only the general fund met the criteria as a major fund.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures /expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting requires recognition of revenues when earned and expenses when incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method is used for the Academy-Wide statements.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available, available means collectible within the current period or within 60 days after year-end. Expenditures are still recognized when incurred; however, principal and interest on long-term debt is recognized when payment is due. This method is used for the Fund Level statements.

The most significant difference between the full accrual basis of accounting and the modified accrual basis of accounting is the way in which capital assets and long-term debt are recognized. The full accrual basis of accounting recognizes purchases of capital assets as an asset and long-term debt proceeds as a liability (similar to a for-profit business). The modified accrual basis of accounting recognizes the purchase of capital assets as expenditures and long-term debt proceeds as other revenue sources.

D. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Financial Statement Amounts (continued)

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Academy does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Leasehold Improvements	50 years
Equipment	10 years

Accounts Payable

Accounts payable consist of items from which the Academy benefited during the current fiscal year but has not yet paid.

Unearned Revenue

Unearned revenue represents amounts for which the Academy has received or is due to receive but has not yet earned. Unearned revenue is usually caused by the receipt of grant program revenues in excess of expenses/expenditures related to the grant. The unearned revenues are deferred until the proceeds have been fully expensed/expended at which time they will be reclassified to earned revenues. The Academy had no unearned revenue at June 30, 2021.

Due to Management Company

Due to Management Company consists of administrative fees and unreimbursed expenses/expenditures that are due and payable for the current fiscal year.

Inter-fund Activity

Inter-fund activity is reported as transfers and is eliminated upon consolidation.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board of the Academy for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of the Academy.
- Assigned – Intent to spend resources on specific purposes expressed by the Board of the Academy.
- Unassigned – Amounts that are available for any purpose.

The Academy did not have any nonspendable, restricted, or committed fund balance as of June 30, 2021.

Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy had no items that qualified for reporting in this category.

Subsequent Events – The financial statements and related disclosures include evaluation of events up through and including October 9, 2021, which is the date the financial statements were available to be issued.

NOTE 2--Stewardship, Compliance, and Accountability

The Academy formally adopted a General Fund and Food Service Fund budget by activity for the year ended June 30, 2021. State law requires the Academy to have its budget in place before July 1. Unexpended appropriations lapse at year-end; encumbrances are not formally recorded.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Budgeted amounts presented in the financial statements are amended by the Board of Directors.

State law permits Academies to amend their budgets during the year. The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Expenditures in excess of amounts budgeted are a violation of Michigan law.

The Academy's expenditure budget variances are illustrated in the required supplemental information.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments

The Academy is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Academy is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks, and
- f. Mutual funds – investments which local unit can make directly.

As of year-end, the carrying amount of the Academy deposits was \$199,017 and the bank balance was \$204,387. All cash is deposited in a federally insured financial institution. The Academy had no uninsured bank balances at June 30, 2021. The Academy has not adopted an investment policy and does not hold any investments.

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the Academy was as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets subject depreciation				
Equipment and improvements	\$ 1,063,410	\$ -	\$ -	\$ 1,063,410
Total Capital Assets	<u>1,063,410</u>	<u>-</u>	<u>-</u>	<u>1,063,410</u>
Accumulated depreciation				
Equipment and improvements	86,485	22,400	-	108,885
Total Accumulated Depreciation	<u>86,485</u>	<u>22,400</u>	<u>-</u>	<u>108,885</u>
Total Net Capital Assets	<u>\$ 976,925</u>	<u>\$ (22,400)</u>	<u>\$ -</u>	<u>\$ 954,525</u>

Allocation of depreciation to a specific program/function is not practical. Therefore, depreciation totaling \$22,400 was not allocated for the year end June 30, 2021.

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5--Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the Academy carried commercial insurance.

NOTE 6--Management Contract

The Academy entered into a management agreement with North Flint Reinvestment Corporation (NFRC) that began on July 1, 2015 and will end on June 30, 2022. Under the terms of the management agreement, NFRC provides various services to include general educational services, student management, marketing, financial services, and employee management. In addition to reimbursing NFRC for direct costs, the Academy will pay a management fee of 10% of the Academy's revenues up to a maximum of 15% of total revenue. A lesser percentage may be agreed to by NFRC and the Academy's board of directors. Fees paid to NFRC during the year ending June 30, 2021 totaled \$461,939 which includes facilities rent of \$266,652 (see Note 8).

NOTE 7--Due to Management Company

The Academy owed NFRC \$40,707 for management fees incurred during the 2020/21 school year at June 30, 2021.

NOTE 8--Lease Commitments

The Academy extended its original school facilities lease with the North Flint Reinvestment Corporation (NFRC) for a five year period beginning in June 2020 and ending in May 2025. The basic annual rent during the term of the lease is equal to 15% of the Academy's per pupil state aid payments. The amount of the lease payments may be reduced to the extent necessary to ensure that the Academy is making its loan payments on a timely basis. Total rent incurred under this lease was \$266,652 for the year ended June 30, 2021.

Estimated future maximum rental payments using per pupil state aid payments as of June 30, 2018 are illustrated below:

<u>School Year</u>	<u>Payments</u>
2021/22	\$ 320,423
2022/23	320,423
2023/24	320,423
2024/25	293,721
	<u>\$ 1,254,990</u>

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Lease Commitments (continued)

The Academy also leases its copier. The agreement expired during the 2020/21 school year. The agreement also includes volume based charges in addition to the base monthly amount. Amounts paid under this lease totaled \$4,788 during the year ended June 30, 2021.

NOTE 9--Long-Term Debt

In January 2017, the Academy executed an installment purchase agreement with IFF to finance leasehold improvements. The installment purchase agreement for \$1,049,260 called for quarterly principal and interest payments of \$27,912 including interest at 5.375%. The installment agreement was refinanced in October 2017 and calls for interest only payments made quarterly for a period of seven years. The outstanding principal balance at June 30, 2021 is \$1,061,760. Payments on this obligation are recorded in the general fund. Estimated principal and interest payments are as follows:

Year ended June 30,	Principal	Interest	Total
2022	\$ -	\$ 37,675	\$ 37,675
2023	1,061,760	37,675	1,099,435
	<u>\$ 1,061,760</u>	<u>\$ 75,350</u>	<u>\$ 1,137,110</u>

A summary of long-term debt transactions follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Installment contracts	<u>\$ 1,061,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,760</u>	<u>\$ -</u>

NOTE 10--Grant Programs

All grant programs are subject to a final audit from the grantor agency, the outcome of which may or not result in disallowed costs that the Academy may be required to be paid back.

NOTE 11--Interfund – Receivables, Payables, and Transfers

Fund	Due from General Fund	Fund	Due to Food Service
Food service	<u>\$ 40,859</u>	General	<u>\$ 40,859</u>

Fund	Transfer from General Fund	Fund	Transfer to Food Service
Food service	<u>\$ 2</u>	General	<u>\$ 2</u>

EAGLE'S NEST ACADEMY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12--COVID-19

In March 2020, coronavirus (COVID-19) was declared a global pandemic. As a result, many charter school academies have found their financial picture take an unanticipated change. The duration and full effects of the outbreak remain unknown as the global picture continues to change daily. While the academy is hopeful that the impact is temporary in nature, the overall financial impact of COVID-19 cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

EAGLE'S NEST ACADEMY
Budgetary Comparison
For the Year Ended June 30, 2021

	General Fund				Food Service		
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Variance
Revenue							
Local	\$ 23,715	\$ 9,615	\$ 10,055	\$ 440	\$ 5,000	\$ 1,000	\$ -
State	1,660,232	1,584,602	1,586,047	1,445	5,235	9,490	25,194
Federal	269,396	438,043	378,565	(59,478)	126,177	166,677	151,490
Incoming transfers and other	11,000	5,000	-	(5,000)	22,888	133	2
Total revenue	<u>1,964,343</u>	<u>2,037,260</u>	<u>1,974,667</u>	<u>(62,593)</u>	<u>159,300</u>	<u>177,300</u>	<u>176,686</u>
							<u>(614)</u>
Instruction							
Basic programs	422,880	386,408	344,695	41,713	-	-	-
Added needs	247,595	310,576	268,243	42,333	-	-	-
Support Services							
Pupil services	37,236	33,475	30,633	2,842	-	-	-
Staff	68,976	92,339	78,029	14,310	-	-	-
General administration	222,786	261,743	255,918	5,825	-	-	-
School administration	235,184	190,691	181,880	8,811	-	-	-
Business	64,725	65,350	62,099	3,251	-	-	-
Operation and maintenance	462,397	508,919	444,964	63,955	-	-	-
Transportation	140,925	71,125	62,376	8,749	-	-	-
Central services	60,086	102,200	104,409	(2,209)	-	-	-
Community service	18,351	2,602	4,601	(1,999)	-	-	-
Outgoing transfers and other	8,457	902	2	900	-	-	-
Food service	-	-	-	-	159,300	177,300	140,390
Total expenditures	<u>1,989,598</u>	<u>2,026,330</u>	<u>1,837,849</u>	<u>188,481</u>	<u>159,300</u>	<u>177,300</u>	<u>140,390</u>
							<u>36,910</u>
Excess (Deficiency) of revenues over expenditures	(25,255)	10,930	136,818	125,888	-	-	36,296
Fund Balance - Beginning of Year	291,836	291,836	291,836	-	4,563	4,563	-
Fund Balance - End of Year	<u>\$ 266,581</u>	<u>\$ 302,766</u>	<u>\$ 428,654</u>	<u>\$ 125,888</u>	<u>\$ 4,563</u>	<u>\$ 4,563</u>	<u>\$ 36,296</u>

ADDITIONAL SUPPLEMENTAL INFORMATION



**Gardner | Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather Thomas-Verhaeghe
Brett A. Luplow

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

October 9, 2021

To the Board of Directors
Eagle's Nest 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 and each major fund, and the remaining fund information as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Eagle's Nest Academy's basic financial statements and have issued our report thereon dated October 9, 2021.

Internal Control Over Financial Reporting

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

To the Board of Directors
Eagle's Nest Academy
Page Two

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 Eagle's Nest Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Madden, Provengale, Thomas & Lupton

Certified Public Accountants