

EAGLE'S NEST ACADEMY

**Financial Report
with Supplemental Information
June 30, 2018**

EAGLE'S NEST ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eagle's Nest Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Eagle's Nest Academy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Eagle's Nest Academy as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Members: A.I.C.P.A. and M.I.C.P.A.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Eagle's Nest Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2018, 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 or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Eagle's Nest Academy's internal control over financial reporting and compliance.

Wilkerson & Associate PC

August 23, 2018

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

To the Board of Directors of
Eagle's Nest Academy

We have audited the financial statements of Eagle's Nest Academy as of and for the year ended June 30, 2018, and have issued our report thereon dated August 23, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Eagle's Nest Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eagle's Nest Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eagle's Nest Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle's Nest Academy's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors of
Eagle's Nest Academy

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*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Wilkerson & Associate PC

August 23, 2018

EAGLE'S NEST ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Eagle's Nest Academy, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2018.

Financial Highlights

- * The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$332,471 (net position).
- * The Academy's total net position increased by \$41,813. The increase was primarily due to increased enrollment.
- * The general fund had an increase in fund balance of \$57,713. At the end of the year, the unassigned fund balance for the general fund was \$391,275, or 17%, of total general fund expenditures.

Using this Annual Report

This 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 financially as a whole. The Academy-Wide Financial Statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the Academy's most significant fund - the General Fund. All other funds are presented in one column as non-major funds.

Reporting the Academy as a Whole

The Statement of Net Position and Statement of Activities - One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information about the Academy as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the Academy using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the Academy's goal is to provide services to our students, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

Governmental Activities - All of the Academy's basic services are considered to be governmental activities, including instruction, support services, community services and food services. Intergovernmental revenues (unrestricted and restricted State Aid), federal grants finance most of these activities. These two statements report the Academy's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

The government-wide financial statements can be found on pages 10-11 of this report.

EAGLE'S NEST ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

Reporting the Academy's Most Significant Funds

Fund Financial Statements - The fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. The fund financial statements begin on page 12 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The Academy's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported.

Governmental Funds - Most of the Academy's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the Academy's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Additional Information - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 16-24 of this report.

SUMMARY OF NET POSITION:

The following table provides a summary of the Academy's net position as of June 30, 2018 and 2017.

	<u>2017</u>	<u>2018</u>
<u>ASSETS</u>		
Other Assets	\$536,480	\$611,228
Capital Assets	<u>1,028,275</u>	<u>1,012,375</u>
<u>TOTAL ASSETS</u>	\$1,564,755	\$1,623,603
<u>LIABILITIES</u>		
Other Liabilities	212,337	229,372
Long-Term Liabilities	<u>1,061,760</u>	<u>1,060,760</u>
Total Liabilities	\$1,274,097	\$1,290,132
<u>NET POSITION</u>		
Net Investment in Capital Assets	(33,485)	(42,535)
Unrestricted	<u>324,143</u>	<u>375,006</u>
<u>TOTAL NET POSITION</u>	<u>\$290,658</u>	<u>\$332,471</u>

The above analysis focuses on the net position. The change in net position of the Academy's governmental activities is discussed below. The net position differs from fund balances and the reconciliation appears on page 13.

EAGLE'S NEST ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION: (Continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2018.

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2018 and 2017, the Academy wide results of operations were:

<u>REVENUES</u>	<u>2017</u>	<u>2,018</u>
<u>Program Revenue</u>		
Operating Grants	\$450,326	\$506,402
<u>General Revenues:</u>		
State Sources - Unrestricted	1,634,499	1,833,642
Other General Revenues	27,037	56,835
Total General Revenues	<u>\$1,661,536</u>	<u>\$1,890,477</u>
Total Revenues	\$2,111,862	\$2,396,879
<u>EXPENSES</u>		
Instruction	536,948	768,738
Support Services	1,100,267	1,309,405
Community Services	44,337	26,227
Outgoing Transfers and Other Uses	0	
Interest - Long-Term Obligations	45,106	37,676
Food Service	164,177	191,470
Loan Costs	18,287	0
Depreciation - Unallocated	20,985	21,550
Total Expenses	<u>\$1,930,107</u>	<u>\$2,355,066</u>
<u>CHANGE IN NET POSITION</u>	\$181,755	\$41,813
<u>BEGINNING NET POSITION</u>	<u>108,903</u>	<u>290,658</u>
<u>ENDING NET POSITION</u>	<u>\$290,658</u>	<u>\$332,471</u>

The Academy's net position increased by \$41,813 during the current fiscal year. The increase in net position differs from the change in fund balances and the reconciliation appears on page 15.

EAGLE'S NEST ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

General Fund Budgeting and Operating Highlights

The Academy's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2018, the Academy amended the budget of the General Fund once. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the Academy's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$2,372,977. That amount is less than the final budget estimate of \$2,411,600. The variance was \$38,623 or 2%. The variance was primarily due to underutilized Title I revenues.

The actual expenditures and other financing uses of the general fund were \$2,315,264, which is less the final budget estimate of \$2,350,000. The variance was \$34,736, or 1%. The variance was primarily due to reduced cost of administration.

The general fund had total revenues of \$2,372,977 and total expenditures of \$2,315,264 with a net increase in fund balance of 57,713 and an ending fund balance of \$391,275.

Capital Asset and Debt Administration

A. Capital Assets

The Academy's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$1,012,375 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	2017	2018
Leasehold Improvements	\$1,028,275	\$1,012,375

Additional information on the Academy's capital assets can be found in Note 4.

B. Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$1,061,760. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2017	2018
Installment Contracts	\$1,061,760	\$1,061,760

Additional information on the District's long-term debt can be found in Note 5.

EAGLE'S NEST ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS

Economic Factors And Next Year's Budget

The following factors will affect the Academy in the future and were considered in preparing the Academy's budget for the 2018-19 fiscal year:

- * Foundation allowance of \$7,851 .
- * Stable enrollment of 225 students.
- * State aid membership count based on 90% Fall count and 10% Spring Count.

The Eagle's Nest Academy' 2018/2019 adopted budget is as follows:

<u>REVENUE</u>	\$2,202,653
<u>EXPENDITURES</u>	<u>2,155,072</u>
<u>NET OVER BUDGET</u>	<u>\$47,581</u>

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Board Attorney, Eagle's Nest Academy.

**EAGLE'S NEST ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
Assets	
Cash	\$ 149,162
Due from other governmental units	462,066
Capital assets, net of accumulated depreciation	<u>1,012,375</u>
Total assets	\$ 1,623,603
Liabilities	
Accounts payable	219,953
Accrued Interest	9,419
Unearned Revenue	
Non-Current Liabilities - Due in More than One Year	<u>1,060,760</u>
Total liabilities	\$ 1,290,132
Net Position	
Net investment in capital assets	(42,535)
Unrestricted	<u>375,006</u>
Total net position	<u><u>\$ 332,471</u></u>

See accompanying notes to financial statements

**EAGLE'S NEST ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Governmental Activities				
Governmental activities:				
Instruction	768,738	0	326,335	-442,403
Support services	1,309,405		156,164	-1,153,241
Community Services	26,227			
Interest - Long-Term Obligations	37,676			
Food Service	191,470		23,903	-167,567
Depreciation (Unallocated)	21,550			-21,550
Total governmental activities	<u>\$ 2,355,067</u>	<u>0</u>	<u>\$ 506,402.08</u>	<u>-1,848,665</u>
General revenues				
State aid not restricted to specific purposes				1,833,642
Other revenue				43,657
Incoming transfers				13,178
Total general revenues				<u>\$ 1,890,477</u>
Change in Net Position				41,813
Net Position - Beginning of year				<u>290,658</u>
Net Position - End of year				<u>\$ 332,471</u>

See accompanying notes to financial statements

**EAGLE'S NEST ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS

	General Fund	Total Governmental Funds
Cash	\$ 149,162	\$ 149,162
Due from other governmental units	462,066	462,066
Total Current Assets	611,228	611,228
 Total assets and deferred outflows	\$ 611,228	\$ 611,228

LIABILITIES AND FUND BALANCES

Liabilities		
Accounts payable	219,953	219,953
Total liabilities	\$ 219,953	\$ 219,953
 Fund Balances		
Non-Spendable Fund Balance:		
Non-spendable Unassigned fund balance	391,275	391,275
Total fund balances	\$ 391,275	\$ 391,275
Total liabilities and fund balances	\$ 611,228	\$ 611,228

See accompanying notes to financial statements

**EAGLE'S NEST ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Total Fund Balances - Governmental Funds \$ 391,275

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, therefore, not reported as assets in governmental funds

Cost of capital assets	\$ 1,054,910	
Less Accumulated depreciation	(42,535)	
Net Capital Assets	1,012,375	1,012,375

Accrued Interest on Long-Term Debt (9,419)

Long-term liabilities, are not due and payable in the current period and therefore not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Installment Contract (1,061,760)

Total Net Position - Governmental Activities \$ 332,471

See accompanying notes to financial statements

**EAGLE'S NEST ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	School Lunch Fund	Total Governmental Funds
Revenues			
Local sources	43,657		43,657
State sources	2,085,379		2,085,379
Federal sources	230,763	23,903	254,666
Incoming Transfers and Other Transaction	13,179	173,089	186,267
Total revenues	2,372,977	196,992	2,569,969
Expenditures			
Current:			
Instruction	768,738		768,738
Support services:			0
Pupil support services	49,592		49,592
Instructional staff services	55,614		55,614
General administration services	279,690		279,690
School administration services	165,374		165,374
Business services	53,032		53,032
Operations and maintenance	538,493		538,493
Transportation	137,491		137,491
Central	67,794		67,794
Food Service		196,992	196,992
Community Services	26,227		26,227
Fund Modifications	173,217		173,217
Total expenditures	2,315,264	196,992	2,512,256
Excess (Deficiency) of Revenues Over Expenditures	57,713		57,713
Net Change in Fund Balances	57,713		57,713
Fund Balances - Beginning of Year	333,562		333,562
Fund Balances - End of Year	391,275		391,275

**EAGLE'S NEST ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds	\$	57,713
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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 allocated over their estimated useful lives as depreciation:

Capital Outlay		5,650
Depreciation expense		(21,550)

Change in Net Position of Governmental Activities	\$	<u>41,813</u>
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See accompanying notes to financial statements

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Eagle's Nest Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

A) REPORTING ENTITY

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy received its initial charter approval from Grand Valley State University on July 1, 2015.

The accompanying basic 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 financial relationships with of the Academy. Based on application of the criteria, the Academy does not contain component units.

The Academy receives funding from local, state, federal and inter-Academy government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B) ACADEMY-WIDE FUND FINANCIAL STATEMENTS

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. All of the Academy's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Academy-wide Financial Statements - The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is 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.

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes unrestricted state aid.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the Academy considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

General Fund - The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

The Academy reports the following fund types:

Special Revenue Funds - Special revenue funds are used to segregate, for administrative purposes, the transactions of the School Academy's food service operations from General Fund revenue and expenditure accounts. The School Academy maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursement from federal funds and funds received from the State.

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

D) CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) RECEIVABLES

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. The balance of accounts receivable at June 30, 2018 is primarily composed of amounts due from other governmental units.

F) PREPAID ASSETS

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Leasehold Improvements	50 years
Equipment	10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

In addition to assets, the statement of financial position 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy does not have any of this type of item.

Deferred Inflows

In addition to liabilities, the statement of financial position 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 does not have any of this type of item.

J) FUND BALANCE

Fund balances for each of the Academy's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The Academy's Food Service balances is considered restricted.
- * Committed fund balance - amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- * Assigned fund balance - amounts the Academy intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the Academy's General Fund.

The Academy would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

K) NET POSITION

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

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) REVENUES

Program Revenues – Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

M) CONTRACT WITH THE MANAGEMENT COMPANY

The Academy entered into a management agreement with North Flint Reinvestment Corporation commencing July 1, 2015 and ending June 30, 2022. Under the terms of that management agreement North Flint Reinvestment Corporation provides various services to include general educational services, student management, marketing, financial services and employee management. In addition to reimbursing North Flint Reinvestment Corporation (NFRC) for direct costs, the Academy will pay a management fee of 10% of the Charter School's Revenues up to a maximum of 15%. A lesser percentage may be agreed to by NFRC and the Academy Board. Fees paid to North Flint Reinvestment Corporation for the year ended June 30, 2018 were \$506,605, which includes rent of \$320,423 (See Note 6).

O) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O) BUDGETARY INFORMATION (Continued)

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2018. The Academy does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2018, the Academy had no investments.

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

Concentration of credit risk. The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2018, \$0 of the Academy's bank balance of \$148,462 was exposed to custodial credit risk.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

Fair value measurement. The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Deposits	\$ 149,162
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3) RECEIVABLES

Receivables at June 30, 2018, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 367,741
Federal Grants	94,325
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 \$ 462,066

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	Balance Beginning	Additions	Deductions	Balance Ending
Capital Assets Being Depreciated				
Leasehold Improvements	\$1,028,275	\$0	\$0	\$1,028,275
Equipment	0	5,650	0	5,650
Less: Accumulated Depreciation	0	(21,550)	0	(21,550)
 <u>NET CAPITAL ASSETS</u>	 \$1,028,275	(\$15,900)	\$0	\$1,012,375

5) GENERAL LONG-TERM DEBT

In January 2017, the District 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 2016 and calls for interest only payments made quarterly for a period of seven years. The outstanding principal balance at June 30, 2018 is \$1,061,760. Payments on this obligation are recorded in the District's General Fund.

Changes in General Long-Term Debt

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
Installment Contracts	\$1,061,760	\$0	\$0	\$1,061,760	\$0

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

5) GENERAL LONG-TERM DEBT (Continued)

The annual principal requirements for all debts outstanding as of June 30, 2018 are as follows:

	Installment Contract	Interest	Total
June 30, 2019	0	37,675	37,675
June 30, 2020	0	37,675	37,675
June 30, 2021	0	37,675	37,675
June 30, 2022	0	37,675	37,675
June 30, 2023	1,061,760	37,675	1,099,435
TOTAL	\$1,061,760	\$226,050	\$1,287,810

6) OPERATING LEASE

The Academy entered into a five-year lease for its school facilities with North Flint Reinvestment Corporation, commencing on June 1, 2015 and expiring on May 30, 2020 with an option to extend for one five-year term from June 1, 2020 to May 30, 2025. The basic annual rent during the term of the lease is equal to 15% of the Academy's per pupil state aid payments which will be reduced to the extent necessary to ensure the Academy is making its loan payments on a timely basis. Total rent under this lease was \$320,423 for the year ended June 30, 2018.

The following is a schedule, by year, of future maximum rental payments required estimated by using current year per pupil state aid payments as of June 30, 2018:

June 30, 2018	\$320,423
June 30, 2019	320,423
June 30, 2020	320,423
June 30, 2021	320,423
TOTAL	\$1,281,692

7) INTERFUND BALANCES

Interfund balances at June 30, 2018 consisted of the following:

	DUE TO
	General Fund
	Food Service
	\$0

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

EAGLE'S NEST ACADEMY
NOTES TO FINANCIAL STATEMENTS

8) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		General Fund
Food Services	<u>\$173,089</u>	
	<u> </u>	

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9) RISK MANAGEMENT

The Academy is exposed to various risks of loss related to loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

The shared-risk pool program in which the Academy participates operates as a common risk-sharing management program for school Academy's in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

10) SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 23, 2018 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

**EAGLE'S NEST ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local revenues	\$ -	\$ 40,675	\$ 43,657	\$ 2,982
State program revenues	1,692,423	2,085,463	2,085,379	\$ (84)
Federal program revenues	195,130	274,203	230,763	\$ (43,440)
Other revenue		11,259	13,178	\$ 1,919
	<u>1,887,553</u>	<u>2,411,600</u>	<u>2,372,977</u>	<u>(38,623)</u>
Expenditures				
Current				
Instructional services	590,399	836,716	768,738	67,978
Supporting services				
Pupil support services	52,689	48,132	49,592	(1,460)
Staff support services	58,339	56,155	55,614	541
General administration services	250,314	299,851	279,690	20,161
School administration services	159,658	183,126	165,374	17,752
Business services	12,000	54,949	53,032	1,917
Operations and maintenance	432,055	498,067	538,493	(40,426)
Transportation	110,000	134,597	137,491	(2,894)
Central	48,300	61,300	67,794	(6,494)
Community services	43,090	37,753	26,227	11,526
Other Financing Uses	97,000			-
Capital expenditures	-	-		-
	<u>1,853,844</u>	<u>2,210,646</u>	<u>2,142,047</u>	<u>68,601</u>
Excess (Deficiency) of Revenues Over Expenditures				
	33,709	200,954	230,930	29,976
Other Financing Sources (Uses)				
Operating transfers - out		(139,354)	(173,217)	(33,863)
	<u>-</u>	<u>(139,354)</u>	<u>(173,217)</u>	<u>(33,863)</u>
Net Change in Fund Balance				
	33,709	61,600	57,713	(3,887)
Fund Balance - Beginning of year				
	<u>227,496</u>	<u>333,562</u>	<u>333,562</u>	
Fund Balance - End of year				
	<u>\$ 261,205</u>	<u>\$ 395,162</u>	<u>\$ 391,275</u>	<u>\$ (3,887)</u>

See accompanying notes to financial statements