

# **Gray Collegiate Academy**

## ***Report on Financial Statements***

***For the year ended June 30, 2016***

# Gray Collegiate Academy

## Contents

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	<u>Page</u>
<b>Independent Auditor's Report .....</b>	<b>1-2</b>
<b>Management's Discussion and Analysis .....</b>	<b>3-8</b>
<b>Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	9
Statement of Activities .....	10
Fund Financial Statements	
Balance Sheet-Governmental Funds .....	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds .....	12
Notes to Basic Financial Statements.....	13-24
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund .....	25-27
<b>Supplementary Information</b>	
Special Revenue Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance.....	28-29
Education Improvement Act	
Schedule of Revenues, Expenditures and Changes in Fund Balance.....	30
Special Projects Fund	
Summary Schedule for Designated State Restricted Grants .....	31
Education Improvement Act	
Summary Schedule by Program.....	32
Detailed Schedule of Due to State Department of Education/Federal Government .....	33
<b>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 <i>Government Auditing Standards</i> .....</b>	
	<b>34-35</b>
<b>Schedule of Findings and Responses.....</b>	<b>36</b>



## **Independent Auditor's Report**

Board of Directors  
Gray Collegiate Academy  
West Columbia, South Carolina

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Gray Collegiate Academy (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 and each major fund of Gray Collegiate Academy as of June 30, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.

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

Charleston, South Carolina  
October 21, 2016

## Gray Collegiate Academy

### *Management's Discussion and Analysis*

*June 30, 2016*

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As management of Gray Collegiate Academy (the School), we offer readers of the School's audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

#### Financial Highlights:

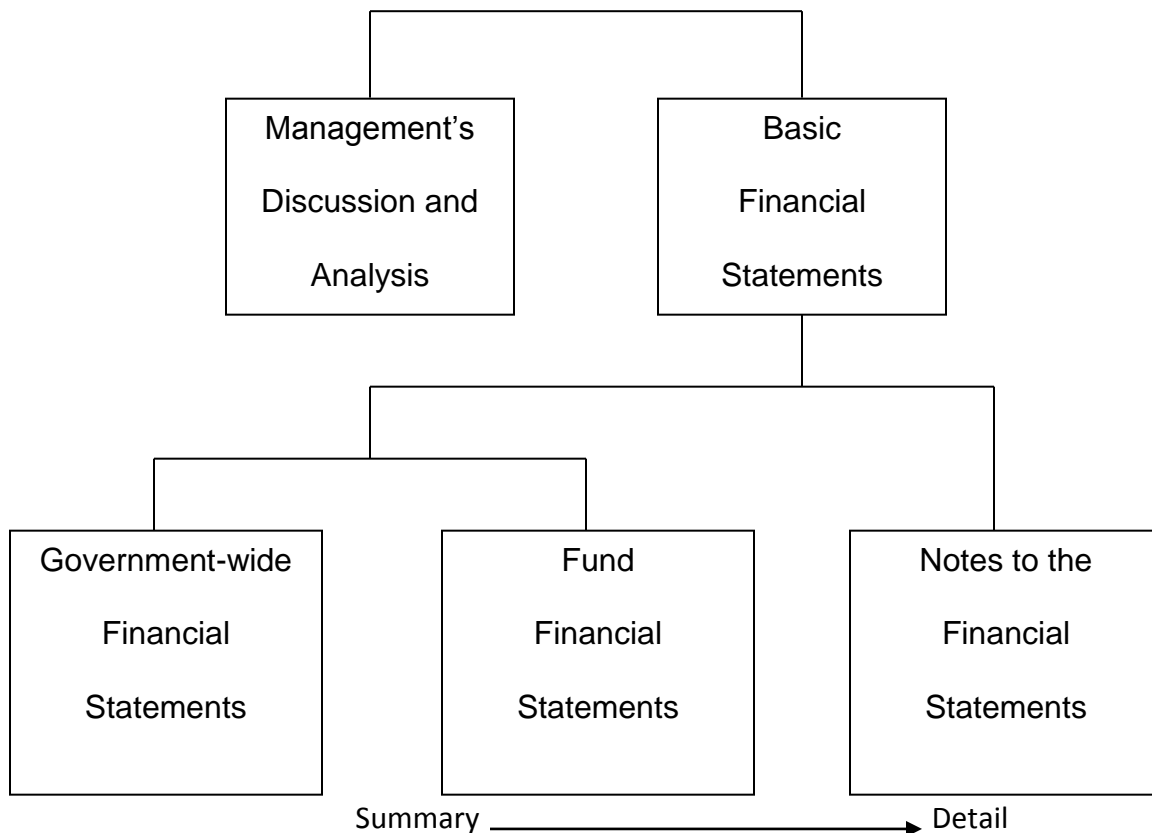
- The financial statements of the School include the operations of Gray Collegiate Academy, Limited Partnership, (the Partnership) which are included in the special revenue fund.
- The assets of the School exceeded its liabilities at the close of the fiscal year by \$312,731 (**net position**).
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$656,061.
- The 2015-2016 45-day headcount was 467.
- The 2015-2016 135-day headcount was 459.
- The School had \$2,000,000 in long-term debt as of June 30, 2016.
- The School had \$6,824,575 in capital lease obligations as of June 30, 2016.
- In 2014, the School received \$2,000,000 from the EB-5 Immigrant Investor Program (EB-5) to aid in the development of its new facility. This program allows foreign investors to apply for temporary residency if they make the necessary investment in an identified enterprise in the United States and create 10 permanent full-time jobs for qualified United States workers. The School expects to repay this amount to the investors, and thus a note payable is reflected on the School's government-wide financial statements. As the School advanced these funds to the developer of the School's facility, a corresponding note receivable is also reflected in the government-wide financial statements.

#### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the School.

**Figure 1**

**Required Components of Annual Financial Report**



**Basic Financial Statements:**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's activities. These statements are more detailed than the government-wide financial statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (the Notes). The Notes offer a detailed explanation of the data contained in those statements. Next, **Supplementary Information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

*Government-wide Financial Statements:*

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position equals the difference between the School's total assets and total liabilities. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements include all governmental activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds.

The government-wide financial statements are enumerated on pages 9 and 10 of this report.

*Fund Financial Statements:*

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related requirements, such as the School's budget, where and when applicable. All of the funds of the School are considered governmental funds.

***Governmental Funds*** - Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation, which is an integral part of the fund financial statements.

The School has elected to adopt an annual budget. The budget incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with its budget and whether or not the School has succeeded in providing the services as originally planned.

***Notes to the Financial Statements*** - The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

**Gray Collegiate Academy**  
**Management's Discussion and Analysis**  
**June 30, 2016**

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as one useful indicator of a School's financial condition. The assets of the School exceeded its liabilities by \$312,731 as of June 30, 2016. (\$343,330) reflects the School's investment in capital assets (e.g. land, buildings, leasehold improvements, vehicles and equipment); less any related debt still outstanding that was issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$656,061 is unrestricted.

**Figure 2**  
**Gray Collegiate Academy's Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 714,178	445,732
Non-current assets	<u>8,481,245</u>	<u>8,679,239</u>
Total assets	<u>9,195,423</u>	<u>9,124,971</u>
Current liabilities	83,693	108,707
Long-term liabilities	<u>8,798,999</u>	<u>8,829,215</u>
Total liabilities	<u>8,882,692</u>	<u>8,937,922</u>
Net position		
Net investment in capital assets	(343,330)	(175,059)
Unrestricted	<u>656,061</u>	<u>362,108</u>
Total net position	<u>\$ 312,731</u>	<u>\$ 187,049</u>

Aspects of the School's financial operations that influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School has a dual enrollment curriculum and operates the School on a split shift schedule. This allows for greater headcount with one half the amount of instructional staff compared to traditional schools.
- The School had an increase in average student headcount for the School year 2015-2016 of approximately 27%.



**Figure 3**  
**Gray Collegiate Academy's Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Fees and other revenues	\$ 47,220	\$ 50,040
County, state, and federal funds	<u>4,446,297</u>	<u>3,421,208</u>
Total revenues	<u>4,493,517</u>	<u>3,471,248</u>
Instructional	1,300,117	1,159,077
Support services	2,401,554	1,678,980
Interest	<u>666,164</u>	<u>445,180</u>
Total expenses	<u>4,367,835</u>	<u>3,283,237</u>
Change in net position	125,682	188,011
Net position, July 1	<u>187,049</u>	<u>(962)</u>
Net position, June 30	<u>\$ 312,731</u>	<u>\$ 187,049</u>

**Governmental activities** - Governmental activities increased the School's net position by \$125,682.

**Financial Analysis of the School's Funds:**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of the School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$525,783.

**General Fund Budgetary Highlights:**

The negative variance in revenue of \$2,008,996 is primarily due to the School budgeting Charter School Funding in the general fund when it is received in the special revenue Education Improvement Act (EIA) fund.

The positive variance in instruction and support services expenditures of \$1,004,410 and \$275,871, respectively, is primarily due to the School budgeting salary and employee benefit expenses in the general fund when it is expended in the special revenue fund through the Partnership.

## Gray Collegiate Academy

### Management's Discussion and Analysis

June 30, 2016

#### Capital Asset and Debt Administration:

**Capital Assets** - The School's investment in capital assets for its governmental activities as of June 30, 2016, totals \$6,481,245 (net of accumulated depreciation). Capital assets include land, buildings, leasehold improvements, vehicles and equipment. As this was the second year of operations, the School had several capital asset transactions during the year to improve operations of the School.

**Figure 4**  
**Gray Collegiate Academy's Capital Assets**  
**(net of depreciation)**

	Balance July 1, 2015	Governmental Activities 2016	Balance June 30, 2016
Land	\$ 750,000	\$ -	\$ 750,000
Buildings	5,826,411	(307,115)	5,519,296
Leasehold improvements	21,148	106,112	127,260
Vehicles	39,737	(1,002)	38,735
Equipment	41,943	4,011	45,954
Total	<u>\$ 6,679,239</u>	<u>\$ (197,994)</u>	<u>\$ 6,481,245</u>

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

**Long-term Debt** - As of June 30, 2016, the School had \$2,000,000 in long-term debt.

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

**Capital lease** - As of June 30, 2016, the School had \$6,824,575 in capital lease obligations.

#### Economic Factors:

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

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

#### Requests for Information:

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

# Gray Collegiate Academy

## Statement of Net Position

As of June 30, 2016

	Governmental activities
<b>Assets</b>	
<b>Current assets</b>	
Cash	\$ 536,600
Prepaid items	65,446
Accounts receivable	200
Due from other governmental units	47,100
Security deposits	64,832
Total current assets	<u>714,178</u>
<b>Non-current assets</b>	
Note receivable	2,000,000
Capital assets, net of accumulated depreciation	6,481,245
Total non-current assets	<u>8,481,245</u>
Total assets	<u>9,195,423</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	27,473
Due to other governmental units	3,828
Payroll liabilities	2,968
Due to pupil activities	23,848
Capital lease	25,576
Total current liabilities	<u>83,693</u>
<b>Long-term liabilities</b>	
Capital lease, net of current portion	6,798,999
Notes payable	2,000,000
Total long-term liabilities	<u>8,798,999</u>
Total liabilities	<u>8,882,692</u>
<b>Net position</b>	
Net investment in capital assets	(343,330)
Unrestricted	656,061
Total net position	<u>\$ 312,731</u>

See Notes to Financial Statements

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**Gray Collegiate Academy****Statement of Activities****For the year ended June 30, 2016**

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		<u>Program</u>	Net (expense)
		<u>Operating</u>	revenue and
		<u>Grants and</u>	changes in net
	<u>Expenses</u>	<u>Contributions</u>	<u>position</u>
<u>Functions/Programs</u>			<u>Governmental</u>
<u>Governmental activities</u>			<u>activities</u>
Instruction	\$ 1,300,117	\$ 4,446,297	\$ 3,146,180
Support services	2,401,554	-	(2,401,554)
Interest	666,164	-	(666,164)
Total governmental activities	<u>4,367,835</u>	<u>4,446,297</u>	<u>78,462</u>
Total	<u>\$ 4,367,835</u>	<u>\$ 4,446,297</u>	<u>78,462</u>
General revenues:			
Miscellaneous			<u>47,220</u>
Total general revenues			<u>47,220</u>
Change in net position			125,682
Net position, beginning of year			<u>187,049</u>
Net position, end of year			<u>\$ 312,731</u>

**Gray Collegiate Academy****Balance Sheet - Governmental Funds****As of June 30, 2016**

		Special Revenue Funds		
			Education	
		Special	Improvement	
	General	Projects	Act	Total
<b>Assets</b>				
Cash	\$ 536,600	\$ -	\$ -	\$ 536,600
Prepaid items	65,446	-	-	65,446
Accounts receivable	200	-	-	200
Due from other governmental units	-	47,100	-	47,100
Due from other funds	47,100	-	3,828	50,928
Security deposits	64,832	-	-	64,832
Total assets	<u>\$ 714,178</u>	<u>\$ 47,100</u>	<u>\$ 3,828</u>	<u>\$ 765,106</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 27,473	\$ -	\$ -	\$ 27,473
Due to other governmental units	-	-	3,828	3,828
Payroll liabilities	2,968	-	-	2,968
Due to pupil activities	23,848	-	-	23,848
Due to other funds	3,828	47,100	-	50,928
Total liabilities	<u>58,117</u>	<u>47,100</u>	<u>3,828</u>	<u>109,045</u>
Fund balances:				
Nonspendable	130,278	-	-	130,278
Unassigned	525,783	-	-	525,783
Total fund balances	<u>656,061</u>	<u>-</u>	<u>-</u>	<u>656,061</u>
Total liabilities and fund balances	<u>\$ 714,178</u>	<u>\$ 47,100</u>	<u>\$ 3,828</u>	<u>\$ 765,106</u>
Total governmental fund balances				\$ 656,061
Amounts reported in the Statement of Net Position for governmental activities are different because of the following:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$7,142,704 and the accumulated depreciation is \$661,459.				6,481,245
Notes receivable that are not expected to be collected within one year are not reported in the funds.				2,000,000
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:				
Notes payable				(2,000,000)
Capital lease				(6,824,575)
Net position of governmental activities				<u>\$ 312,731</u>

**See Notes to Financial Statements**

# Gray Collegiate Academy

## Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the year ended June 30, 2016

	General Fund	Special Revenue Funds Special Projects	Education Improvement Act	Total
<b>Revenues</b>				
Local	\$ 47,220	\$ -	\$ -	\$ 47,220
Intergovernmental	1,861,287	45,989	2,415,572	4,322,848
Federal	-	123,449	-	123,449
Total revenues	1,908,507	169,438	2,415,572	4,493,517
<b>Expenditures</b>				
Current				
Instruction	186,667	941,177	112,821	1,240,665
Support services	1,385,491	695,488	1,379	2,082,358
Capital outlay	144,614	36,040	-	180,654
Debt service				
Redemption of principal	34,823	-	-	34,823
Interest	666,164	-	-	666,164
Total expenditures	2,417,759	1,672,705	114,200	4,204,664
Excess (deficit) of revenues over (under) expenditures	(509,252)	(1,503,267)	2,301,372	288,853
<b>Other financing sources (uses)</b>				
Transfers (to) from other funds	798,105	1,503,267	(2,301,372)	-
Proceeds from notes payable	5,100	-	-	5,100
Total other financing sources (uses)	803,205	1,503,267	(2,301,372)	5,100
Net change in fund balances	293,953	-	-	293,953
<b>Fund balances, beginning of year</b>	362,108	-	-	362,108
<b>Fund balances, end of year</b>	\$ 656,061	\$ -	\$ -	\$ 656,061
Total net change in fund balance - governmental funds				\$ 293,953
Amounts reported for governmental activities in the Statement of Activities are different because of the following:				
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$328,699) exceeds net capital outlays (\$130,705) in the period.				(197,994)
Proceeds from the issuance of notes payable and capital leases are treated as other financing sources in the governmental funds but the proceeds increase long-term liabilities in the Statement of Activities. These proceeds (\$5,100) have been reduced by principal payments (\$34,823) made against the related obligation.				29,723
Change in net position of governmental activities				\$ 125,682

See Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies**

Gray Collegiate Academy (the School) is a nonprofit organization incorporated in the State of South Carolina and organized under the South Carolina Charter School Act. The School opened in August 2014. The School operates within the South Carolina Public Charter School District. The School serves approximately 460 students in grades 9 through 12 in Lexington County, South Carolina.

**A. Reporting entity**

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

As required by state law, the School is a component unit of the South Carolina Public Charter School District. The School has determined that there are no support entities that meet the requirements for inclusion as a discretely presented component unit.

**Blended Component Unit** – Gray Collegiate Academy, Limited Partnership (the Partnership) was formed on March 7, 2014, for the purpose of securing capital to advance funding to the developer and owner of its new facility. In order to access the EB-5 Immigrant Investor Program (EB-5) funding, the Partnership is required to employ all teachers and staff associated with the School. The Partnership received \$2,000,000 in capital advanced from four partners during the fiscal year ended June 30, 2014. The Partnership immediately advanced these proceeds to American Charter Development, the developer and owner of its new facility. These advances allowed the developer to provide the School a lower lease payment (see Note 7) and there are no set repayment terms. The Partnership is comprised of the School, Education Fund of America (EFA), a Special General Partner who secures the EB-5 investments, and four limited partners, who are the EB-5 investors. Due to the School being the general partner and having the majority ownership interest in the Partnership, the Partnership meets the criteria of a blended component unit. Therefore, the operations of the Partnership are blended with the operations of the School as required by accounting principles generally accepted in the United States of America. The Partnership activities are tracked as a separate fund within the special projects fund.

**B. Basis of presentation**

The statements of the School are presented as follows:

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

**Note 1. Summary of Significant Accounting Policies, Continued**

**B. Basis of presentation, continued**

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

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

***Fund financial statements*** - Fund financial statements report detailed information about the School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The School has no non-major funds. Fiduciary funds, if any, are reported by fund type.

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

**C. Measurement focus and basis of accounting**

**Fund accounting**

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

**Governmental funds**

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



**Note 1. Summary of Significant Accounting Policies, Continued**

**C. Measurement focus and basis of accounting, continued**

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

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

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

**Basis of accounting**

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

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

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

**Note 1. Summary of Significant Accounting Policies, Continued**

**C. Measurement focus and basis of accounting, continued**

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

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

**D. Assets, liabilities and equity**

**Cash and cash equivalents** - The School may have cash presented on the financial statements which includes cash held in local financial institutions and certificates of deposit held in local financial institutions. The School had no cash equivalents at June 30, 2016.

**Prepaid items** - Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid expenses using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. At June 30, 2016, prepaid items consisted of rent and insurance that totaled \$65,446.

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

**Note Receivable** - Amounts advanced to American Charter Development to assist in financing construction of a facility for the School are recorded as a note receivable. As of June 30, 2016, the balance on this note receivable was \$2,000,000.

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

Capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The costs and accumulated depreciation of property sold or retired are removed from the accounts, and gains or losses, if any, are reflected in revenues or expenditures/expenses for the year. The School maintains a capitalization threshold of \$2,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extends an asset's life are expensed.

**Note 1. Summary of Significant Accounting Policies, Continued**

**D. Assets, liabilities and equity, continued**

Capital assets are stated at cost or, if donated, at estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation for financial reporting are as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	20 years
Leasehold improvements	10 years
Vehicles	6 years
Equipment	6 years

**Unearned revenue** - Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period are also reported as unearned revenue. The School had no unearned revenue at June 30, 2016.

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

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

**Note 1. Summary of Significant Accounting Policies, Continued**

**D. Assets, liabilities and equity, continued**

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

**E. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the School's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**F. Adoption of new accounting standards**

The Government Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note 2 for more information.

**Note 2. Cash**

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

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

At June 30, 2016, the carrying amount of the School's deposits was \$536,600 and the bank balance was \$630,891.

**Custodial credit risk:**

Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. At times during the year, the School had cash on deposit with banks that exceeded the balance insured by the FDIC.

**Note 2. Cash, Continued**

*Credit risk:*

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

*Interest rate risk:*

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of credit risk:*

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

*Fair value of financial instruments:*

The School has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs for similar or identical assets in active and inactive markets, or corroborated by observable market data by correlation or other means; Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The School did not have any financial instruments as of June 30, 2016 that have a difference between fair value and carrying amount.

**Note 3. Due from Other Governmental Units**

Intergovernmental receivables at June 30, 2016 consisted of intergovernmental grants and reimbursements. All governmental receivables are considered fully collectible.

Due from federal government	
Planning and implementation grant	\$ 13,615
Title II teacher advancement program	5,000
Individuals with disabilities education act	<u>28,485</u>
Due from federal government	<u>47,100</u>
Total due from other governmental units	<u>\$ 47,100</u>

**Gray Collegiate Academy**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**Note 4. Transfers From and To Other Funds**

During the course of normal operations, the School has transactions between funds to provide services. These transactions are generally reflected as transfers. During the year, the School transferred \$2,301,372 from the Special Revenue EIA Fund to the General Fund. South Carolina law requires the South Carolina Public Charter School District to receive an allocation of funding based on a per weighted pupil formula, with the funding being recorded in the EIA Fund. There are no restrictions on how these funds may be spent at the School level; therefore, these funds are transferred to the general fund to be expended. During the year, the School also transferred \$1,503,267 from the general fund to the special projects fund to cover salary expenses and other expenditures paid by the Partnership. Total transfers during the year ended June 30, 2016 are reflected in the fund statements as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,301,372	\$ (1,503,267)
Special projects fund	1,503,267	-
Education improvement act fund	<u>-</u>	<u>(2,301,372)</u>
	<u>\$ 3,804,639</u>	<u>\$ (3,804,639)</u>

**Note 5. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance, July 1, 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2016</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 750,000	\$ -	\$ -	\$ 750,000
Total capital assets, not being depreciated	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Capital assets, being depreciated				
Building	6,142,308	-	-	6,142,308
Leasehold improvements	23,282	110,775	-	134,057
Vehicles	46,902	7,668	-	54,570
Equipment	49,507	12,262	-	61,769
Total capital assets, being depreciated	<u>6,261,999</u>	<u>130,705</u>	<u>-</u>	<u>6,392,704</u>
Totals at historical cost	<u>7,011,999</u>	<u>130,705</u>	<u>-</u>	<u>7,142,704</u>
Less accumulated depreciation				
Building	(315,897)	(307,115)	-	(623,012)
Leasehold improvements	(2,134)	(4,663)	-	(6,797)
Vehicles	(7,165)	(8,670)	-	(15,835)
Equipment	(7,564)	(8,251)	-	(15,815)
Total accumulated depreciation	<u>(332,760)</u>	<u>(328,699)</u>	<u>-</u>	<u>(661,459)</u>
Total capital assets, being depreciated, net	<u>5,929,239</u>	<u>(197,994)</u>	<u>-</u>	<u>5,731,245</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 6,679,239</u>	<u>\$ (197,994)</u>	<u>\$ -</u>	<u>\$ 6,481,245</u>

**Note 5. Capital Assets, Continued**

The carrying value of assets acquired under capital lease transactions at June 30, 2016 is \$5,519,296.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,251
Support services	<u>320,448</u>
Total depreciation expense	<u>\$ 328,699</u>

**Note 6. Fund Balances and Net Position**

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

***Governmental fund financial statements***

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

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

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

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

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

***Government-wide financial statements***

Net investment in capital assets - represents the net cost less accumulated depreciation and outstanding debt attributable to the School's capital assets.

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

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

**Note 7. Leases**

On January 1, 2015, the School entered into an operating lease for land, adjacent to the School facility, for the construction of practice fields or other future development. Payments of \$3,099 per month are due commencing on July 1, 2015 until December 31, 2017. Thereafter the land can be purchased for \$420,000 with monthly payments of \$3,099 until December 31, 2036.

**Note 7. Leases, Continued**

On May 26, 2016 the School entered into an operating lease for a modular building. Payments of \$2,006 per month are due commencing July 11, 2016 until July 10, 2017. Thereafter, the lease may be extended through July 10, 2019.

The following is a schedule of the future minimum operating lease payments related to the leases:

Year ended June 30	
2017	\$ 61,159
2018	<u>18,543</u>
	<u>\$ 79,702</u>

**Note 8. Commitments and Contingencies**

Amounts received, or receivable, from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

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

The School entered into a management agreement with a charter school management group that provides curriculum and management services, as well as fiscal management, human resources and payroll services. The agreement commenced on July 1, 2014 and terminates on June 30, 2025. The School will pay the group an annual base fee plus 15% of all gross funding in excess of the amount noted in the agreement, excluding student activity fees and federal grants, up to a maximum additional fee. The fees increase each year based on student headcount and CPI index. For the year ended June 30, 2016, the School paid \$563,750 for management fees, \$68,217 for fiscal services and \$37,000 for human resource and payroll services.

**Note 9. Long-term obligations**

**Bus note payable** - On August 22, 2014, the School entered into a loan for the purchase of three buses for \$34,900. This note was payable in 23 monthly installments of \$1,569 and a final payment of \$1,521, including interest of 7%. This note was paid in full during the year ended June 30, 2016.

**Golf cart note payable** - On November 16, 2015, the School entered into a loan for the purchase of a golf cart for \$5,100. This note was payable in 23 monthly installments of \$229 and a final payment of \$223, including interest of 7%. This note was paid in full during the year ended June 30, 2016.



**Gray Collegiate Academy**  
**Notes to Basic Financial Statements**  
**June 30, 2016**

**Note 9. Long-term obligations, Continued**

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

**Capital Lease** - On August 6, 2013 the School entered into a 20 year capital lease for their facility, with a buyout option that can be exercised between the second and fifth lease years. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments totaling \$6,824,575 at June 30, 2016.

The following is a schedule of the future minimum capital lease payments and the net present value of the minimum lease payments as of June 30, 2016:

Year ended June 30	
2017	\$ 688,800
2018	706,020
2019	723,671
2020	741,762
2021	760,306
2022-2026	4,096,331
2027-2031	4,634,622
Thereafter	<u>3,068,206</u>
Total minimum lease payments	15,419,718
Less: Amount representing interest	<u>8,595,143</u>
Present value of the minimum lease payments	<u>\$ 6,824,575</u>

**Changes in general long-term obligations** - The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2016:

	Balance, July 1, 2015	Increases	Decreases	Balance, June 30, 2016	Current Portion
Governmental activities:					
Bus note payable	\$ 22,457	\$ -	\$ 22,457	\$ -	\$ -
Golf cart note payable	-	5,100	5,100	-	-
Notes payable to Partnership Investors	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Total notes payable obligations	2,022,457	5,100	27,557	2,000,000	-
Capital lease	<u>6,831,841</u>	<u>-</u>	<u>7,266</u>	<u>6,824,575</u>	<u>25,576</u>
Total	<u>\$ 8,854,298</u>	<u>\$ 5,100</u>	<u>\$ 34,823</u>	<u>\$ 8,824,575</u>	<u>\$ 25,576</u>

**Note 10. Risk Management**

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

**Note 11. Employee Benefits**

***Retirement plan***

The School sponsors a retirement savings plan (the Plan) provided under Section 403(b) of the Internal Revenue Code, which covers substantially all employees who meet eligibility requirements. Employees are eligible to participate upon employment. Employee contributions vest immediately. Employer and employee contributions to the Plan for the year ended June 30, 2016 were \$22,324 and \$26,279, respectively.

**Note 12. Related Parties**

The partners of the charter school management group that the School is contracted with serve simultaneously as the School's Chief Executive Officer and Chief Financial Officer. As described in Note 8, the School pays the management group for management and fiscal services. The School also reimburses the management group for travel expenses, office supplies and audit assistance services. The School does not pay these individuals directly.

**Gray Collegiate Academy**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2016**

		Original and Final Budget	Actual	Variance from Final Budget
<b>Revenues</b>				
1000	Revenue from local sources			
1500	Earnings on investments			
1510	Interest on investments	\$ -	\$ 123	\$ 123
1700	Pupil activities			
1790	Other pupil activity income	50,000	-	(50,000)
1900	Other revenue from local sources			
1920	Contributions and donations from private sources	-	40,769	40,769
1990	Miscellaneous local revenue			
1993	Receipt of insurance proceeds	-	6,328	6,328
	Total revenue from local sources	50,000	47,220	(2,780)
3000	Revenue from state sources			
3100	Restricted state funding			
3180	Fringe benefits employer contributions	-	456,810	456,810
3300	Education Finance Act (EFA)			
3310	Full-time programs			
3314	High school	-	3,493	3,493
3320	Part-time programs			
3323	Learning disabilities	-	72,518	72,518
3327	Vocational	3,867,503	1,222,899	(2,644,604)
3330	Miscellaneous EFA programs			
3332	High achieving	-	330	330
3351	Academic assistance	-	23,069	23,069
3352	Pupils in poverty	-	82,168	82,168
	Total revenue from state sources	3,867,503	1,861,287	(2,006,216)
	Total revenue all sources	3,917,503	1,908,507	(2,008,996)
<b>Expenditures</b>				
100	Instruction			
120	Exceptional programs			
127	Learning disabilities			
100	Salaries	35,000	-	35,000
200	Employee benefits	11,000	-	11,000
300	Purchased services	-	75	(75)
400	Supplies and materials	1,000	180	820
500	Capital outlay	3,000	-	3,000
		50,000	255	49,745
180	Adult/continuing education programs			
188	Vocational adult education programs			
100	Salaries	370,000	-	370,000
200	Employee benefits	231,500	-	231,500
300	Purchased services	210,000	79,616	130,384
400	Supplies and materials	307,000	106,796	200,204
500	Capital outlay	50,000	27,423	22,577
		1,168,500	213,835	954,665
	Total instruction	1,218,500	214,090	1,004,410
200	Support services			
210	Pupil services			
212	Guidance services			
100	Salaries	35,000	-	35,000
200	Employee benefits	31,250	-	31,250
		66,250	-	66,250

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

**Gray Collegiate Academy**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2016**

		Original and Final Budget	Actual	Variance from Final Budget
<b>Expenditures, Continued</b>				
200	Support services, Continued			
220	Instructional staff services			
224	Improvement of instruction inservice and staff training			
300	Purchased services	14,500	1,248	13,252
		<u>14,500</u>	<u>1,248</u>	<u>13,252</u>
230	General administrative services			
231	Board of education			
300	Purchased services	13,500	17,100	(3,600)
318	Audit services	10,000	19,000	(9,000)
319	Legal services	-	1,829	(1,829)
600	Other objects	7,900	20,300	(12,400)
		<u>31,400</u>	<u>58,229</u>	<u>(26,829)</u>
233	School administration			
100	Salaries	223,000	-	223,000
200	Employee benefits	38,920	-	38,920
300	Purchased services	455,856	682,178	(226,322)
400	Supplies and materials	6,500	69,499	(62,999)
500	Capital outlay	12,000	-	12,000
		<u>736,276</u>	<u>751,677</u>	<u>(15,401)</u>
250	Finance and operations services			
252	Fiscal services			
300	Purchased services	54,000	68,217	(14,217)
600	Other objects	4,000	2,638	1,362
		<u>58,000</u>	<u>70,855</u>	<u>(12,855)</u>
254	Operation and maintenance of plant			
100	Salaries	15,000	-	15,000
200	Employee benefits	6,346	-	6,346
300	Purchased services	416,100	170,576	245,524
321	Public utilities	11,000	-	11,000
400	Supplies and materials	20,000	25,581	(5,581)
470	Energy	24,000	53,089	(29,089)
		<u>492,446</u>	<u>249,246</u>	<u>243,200</u>
255	Student transportation (state mandated)			
300	Purchased services	10,000	-	10,000
600	Other objects	181	1,969	(1,788)
		<u>10,181</u>	<u>1,969</u>	<u>8,212</u>
260	Central support services			
263	Information services			
300	Purchased services	5,000	55,483	(50,483)
		<u>5,000</u>	<u>55,483</u>	<u>(50,483)</u>
264	Staff services			
300	Purchased services	36,000	37,000	(1,000)
		<u>36,000</u>	<u>37,000</u>	<u>(1,000)</u>
266	Technology and data processing services			
100	Salaries	35,000	-	35,000
300	Purchased services	6,000	-	6,000
400	Supplies and materials	3,500	-	3,500
500	Capital outlay	9,000	6,134	2,866
		<u>53,500</u>	<u>6,134</u>	<u>47,366</u>

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

**Gray Collegiate Academy**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2016**

		Original and Final Budget	Actual	Variance from Final Budget
<b>Expenditures, Continued</b>				
200	Support services, continued			
270	Support services - pupil activity			
271	Pupil service activities			
100	Salaries	81,000	-	81,000
300	Purchased services	50,000	94,760	(44,760)
400	Supplies and materials	144,000	65,024	78,976
500	Capital outlay	-	111,057	(111,057)
		<u>275,000</u>	<u>270,841</u>	<u>4,159</u>
	Total support services	<u>1,778,553</u>	<u>1,502,682</u>	<u>275,871</u>
500	Debt service			
610	Redemption of principal		34,823	(34,823)
620	Interest		666,164	(666,164)
	Total debt service	<u>-</u>	<u>700,987</u>	<u>(700,987)</u>
	Total expenditures	<u>2,997,053</u>	<u>2,417,759</u>	<u>579,294</u>
<b>Other financing sources (uses)</b>				
420	Interfund transfers			
421-710	Transfer to special revenue fund	-	(1,503,267)	(1,503,267)
5200	Interfund transfers			
5230	Transfer from special revenue EIA fund	-	2,301,372	2,301,372
5400	Proceeds from notes payable	-	5,100	5,100
	Total other financing sources (uses)	<u>-</u>	<u>803,205</u>	<u>803,205</u>
	Excess of revenues over expenditures and other financing sources (uses)	<u>\$ 920,450</u>	<u>293,953</u>	<u>\$ (626,497)</u>
	<b>Fund balance, beginning of year</b>		<u>362,108</u>	
	<b>Fund balance, end of year</b>		<u>\$ 656,061</u>	

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

**Gray Collegiate Academy****Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2016**

		IDEA (203)	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
<b>Revenues</b>					
3000	Revenue from state sources				
3600	Education lottery act revenue				
3630	K-12 technology initiative	\$ -	\$ 12,504	\$ -	\$ 12,504
	Total revenue from state sources	-	12,504	-	12,504
4000	Revenues from federal sources				
4300	Elementary & Secondary Education Act of 1965 (ESEA)				
4320	Charter school (planning and implementation) grant	-	-	123,449	123,449
4351	Improving teacher quality	-	-	5,000	5,000
4500	Programs for children with disabilities				
4510	Individuals with disabilities education act (IDEA)	28,485	-	-	28,485
	Total revenue from federal sources	28,485	-	128,449	156,934
	Total revenue all sources	28,485	12,504	128,449	169,438
<b>Expenditures</b>					
100	Instruction				
110	General instruction				
114	High school programs				131,202
100	Salaries	28,485	-	519,773	548,258
200	Employee benefits	-	-	242,206	242,206
400	Supplies and materials	-	-	85,112	85,112
500	Capital outlay	-	-	36,040	36,040
		28,485	-	883,131	911,616
120	Exceptional programs				
127	Learning disabilities				
100	Salaries	-	-	19,261	19,261
200	Employee benefits	-	-	46,340	46,340
		-	-	65,601	65,601
	Total instruction	28,485	-	948,732	977,217
200	Support services				
210	Pupil services				
212	Guidance services				
100	Salaries	-	-	36,200	36,200
200	Employee benefits	-	-	16,674	16,674
		-	-	52,874	52,874
230	General administrative services				
231	Board of education				
600	Other objects	-	-	2,297	2,297
		-	-	2,297	2,297
233	School administration				
100	Salaries	-	-	344,006	344,006
200	Employee benefits	-	-	111,514	111,514
300	Purchased services	-	-	5,000	5,000
		-	-	460,520	460,520
250	Finance and operations services				
254	Operation and maintenance of plant				
100	Salaries	-	-	38,655	38,655
200	Employee benefits	-	-	20,682	20,682
300	Purchased services	-	12,504	-	12,504
		-	12,504	59,337	71,841

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

**Gray Collegiate Academy****Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2016**

	IDEA (203)	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
<b>Expenditures, continued</b>				
200 Support services, continued				
260 Central support services				
266 Technology and data processing services				
100 Salaries	-	-	36,200	36,200
200 Employee benefits	-	-	16,063	16,063
	-	-	52,263	52,263
270 Support services - pupil activity				
271 Pupil service activities				
100 Salaries	-	-	40,043	40,043
200 Employee benefits	-	-	15,650	15,650
	-	-	55,693	55,693
Total support services	-	12,504	682,984	695,488
Total expenditures	28,485	12,504	1,631,716	1,672,705
<b>Other financing sources</b>				
5210 Transfer from general fund	-	-	1,503,267	1,503,267
Total other financing sources	-	-	1,503,267	1,503,267
Excess of revenues over expenditures and other financing sources	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

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

**Gray Collegiate Academy****Education Improvement Act****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2016**

	Actual
<b>Revenues</b>	
3000 Revenue from state sources	
3500 Education Improvement Act	
3511 Professional development	\$ 2,154
3512 Technology professional development	2,070
3532 National board salary supplement	2,936
3538 Students at risk of school failure	66,107
3550 Teacher salary increase	26,153
3555 Teacher salary fringe	3,922
3558 Reading	1,718
3577 Teacher supplies	3,000
3583 Charter school funding	2,301,372
3595 EEDA - Supplies and materials	1,379
3597 Aid to districts	4,761
Total revenue	<u>2,415,572</u>
<b>Expenditures</b>	
100 Instruction	
120 Exceptional Programs	
127 Learning disabilities	
100 Salaries	66,107
	<u>66,107</u>
180 Adult/continuing education programs	
188 Vocational adult education programs	
100 Salaries	30,598
200 Employee benefits	4,131
300 Purchased services	4,224
400 Supplies and materials	7,761
	<u>46,714</u>
Total instruction	<u>112,821</u>
200 Support services	
220 Instructional staff services	
224 Improvement of instruction inservice and staff training	
300 Purchased services	1,379
	<u>1,379</u>
Total support services	<u>1,379</u>
Total expenditures	<u>114,200</u>
<b>Other financing uses</b>	
420-710 Transfer to general fund	(2,301,372)
Total other financing uses	<u>(2,301,372)</u>
Excess of revenues over expenditures and other financing uses	-
<b>Fund balance, beginning of year</b>	-
<b>Fund balance, end of year</b>	<u>\$ -</u>

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



**Gray Collegiate Academy**  
**Special Projects Fund**  
**Summary Schedule for Designated State Restricted Grants**  
**For the year ended June 30, 2016**

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<u>Subfund</u>	<u>Revenue</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/ (Out)</u>	<u>Unearned Revenue</u>
963	3630	K-12 technology initiative	<u>\$ 12,504</u>	<u>\$ 12,504</u>	<u>\$ -</u>	<u>\$ -</u>
			<u><u>\$ 12,504</u></u>	<u><u>\$ 12,504</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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**Gray Collegiate Academy****Education Improvement Act****Summary Schedule by Program****For the year ended June 30, 2016**

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	Revenues	Expenditures	Transfers In/Out	Unearned Revenue
3500 Education Improvement Act				
3511 Professional development	\$ 2,154	\$ 2,154	\$ -	\$ -
3512 Technology professional development	2,070	2,070	-	-
3532 National board salary supplement	2,936	2,936	-	-
3538 Students at risk of school failure	66,107	66,107	-	-
3550 Teacher salary increase	26,153	26,153	-	-
3555 Teacher salary fringe	3,922	3,922	-	-
3558 Reading	1,718	1,718	-	-
3577 Teacher supplies	3,000	3,000	-	-
3583 Charter school funding	2,301,372	-	(2,301,372)	-
3595 EEDA - Supplies and materials	1,379	1,379	-	-
3597 Aid to districts	4,761	4,761	-	-
Total	<u>\$ 2,415,572</u>	<u>\$ 114,200</u>	<u>\$ (2,301,372)</u>	<u>\$ -</u>

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**Gray Collegiate Academy*****Detailed Schedule of Due to State Department of Education / Federal Government******As of June 30, 2016***

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<u>Program</u>	<u>Grant or project number</u>	<u>Revenue code</u>	<u>Description</u>	<u>Amount due</u>	<u>Status of Amount due</u>
National board salary supplement	332	3532	Unspent funds	\$ 3,828	Unpaid



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

Board of Directors  
Gray Collegiate Academy  
West Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gray Collegiate Academy as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 21, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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.

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

Charleston, South Carolina  
October 21, 2016

**A. Summary of Auditor's Results**

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