

Gray Collegiate Academy

Report on Financial Statements

For the year ended June 30, 2017

Gray Collegiate Academy

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Independent Auditor's Report

Board of Directors
Gray Collegiate Academy
West Columbia, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Gray Collegiate Academy (the School), as of and for the year ended June 30, 2017, 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, 2017, 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 13, 2017 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 13, 2017

Gray Collegiate Academy

Management's Discussion and Analysis

June 30, 2017

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, 2017. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights:

Overall

- The 2016-2017 45-day headcount was 409.
- The 2016-2017 135-day headcount was 398.
- The School welcomed Brian Newsome as the principal for the 2016-2017 school year

Government-Wide Financial Statements

- The assets of the School exceeded its liabilities as of June 30, 2017 by \$192,896 (**net position**).
- Governmental activities decreased the School's net position by \$119,835 for the year ended June 30, 2017.
- The School had \$8,921,387 in long-term liabilities as of June 30, 2017. \$6,921,387 related to capital lease obligations.

Fund Financial Statements

- As of June 30, 2017, the School's governmental funds reported combined ending fund balances of \$770,897.
- As of June 30, 2017, the unassigned fund balance in the general fund was \$634,288.

Overview of the Financial Statements:

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

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

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

Basic Financial Statements:

Government-Wide Financial Statements - Pages 9 and 10

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

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

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

Fund Financial Statements - Pages 11 and 12

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

Notes to the Financial Statements - Pages 13 through 24

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

Supplementary Information:

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

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

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

As noted earlier, net position may serve over time as one useful indicator of the School's financial condition. The assets of the School exceeded its liabilities by \$192,896 as of June 30, 2017. \$(578,001) reflects the School's investment in capital assets, 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; therefore, these assets are not available for future spending. Although the School's investment in capital assets is reported net of any related outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net position balance of \$770,897 is unrestricted.

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

- Current assets increased over prior year primarily due to an increase in cash.
- Capital assets, net of depreciation, decreased over prior year primarily due to depreciation expense exceeding capital outlay.
- Long-term liabilities increased over prior year primarily due to an addition of a capital lease for computers in the current year.

Gray Collegiate Academy's Net Position

	<u>2017</u>	<u>2016</u>
Current assets	\$ 785,942	\$ 714,178
Capital assets, net of depreciation	6,343,386	6,481,245
Non-current assets	<u>2,058,421</u>	<u>2,000,000</u>
Total assets	<u>9,187,749</u>	<u>9,195,423</u>
Current liabilities	73,466	83,693
Long-term liabilities	<u>8,921,387</u>	<u>8,798,999</u>
Total liabilities	<u>8,994,853</u>	<u>8,882,692</u>
Net position		
Net investment in capital assets	(578,001)	(343,330)
Unrestricted	<u>770,897</u>	<u>656,061</u>
Total net position	<u>\$ 192,896</u>	<u>\$ 312,731</u>

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

Government-Wide Financial Statement Analysis - Statement of Activities:

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

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- State and Federal Revenues are calculated utilizing the 45th and 135th day headcount. The 45th day head count for 2016/2017 was 409 compared to 445 for 2015/2016. The 135th day head count for 2016/2017 was 398 compared to 440 for 2015/2016. This was an average decrease of 39 students.
- In addition to State and Federal Revenues, the School had an increase of \$118,916 in local revenues from the prior year primarily due to increased fundraising efforts.
- The School had a decrease of \$157,851 in instruction expenditures from prior year primarily due to a focused effort to reduce expenses.
- The School had an increase of \$321,411 in support services expenditures from prior year primarily due to an increase of rent expense related to a new capital lease for computers and other increases in fees.

Gray Collegiate Academy's Changes in Net Position

	<u>2017</u>	<u>2016</u>
Local revenues	\$ 166,136	\$ 47,220
State and federal revenues	<u>4,249,193</u>	<u>4,446,297</u>
Total revenues	<u>4,415,329</u>	<u>4,493,517</u>
Instruction	1,142,266	1,300,117
Support services	2,722,965	2,401,554
Interest	<u>669,933</u>	<u>666,164</u>
Total expenditures	<u>4,535,164</u>	<u>4,367,835</u>
Change in net position	(119,835)	125,682
Net position, July 1	<u>312,731</u>	<u>187,049</u>
Net position, June 30	<u><u>\$ 192,896</u></u>	<u><u>\$ 312,731</u></u>

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

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

Capital Assets - The School's investment in capital assets for its governmental activities as of June 30, 2017, totaled \$6,343,386 (net of accumulated depreciation). Capital assets include building improvements and equipment. In the current fiscal year, the School entered into a capital lease for computers, purchased various sporting equipment, and installed a modular classroom.

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

	Balance July 1, 2016	Governmental Activities 2017	Balance June 30, 2017
Land	\$ 750,000	\$ -	\$ 750,000
Buildings	5,519,296	(262,626)	5,256,670
Leasehold improvements	127,260	19,806	147,066
Vehicles	38,735	(9,094)	29,641
Equipment	45,954	114,055	160,009
Total	<u>\$ 6,481,245</u>	<u>\$ (137,859)</u>	<u>\$ 6,343,386</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, 2017, the School had \$2,000,000 in notes payable.

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

Capital leases - As of June 30, 2017, the School had \$6,921,387 in capital lease obligations.

Fund Financial Statements Analysis:

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

The General Fund is the chief operating fund of the School. As of June 30, 2017, unassigned fund balance of the General Fund was \$634,288.

Gray Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

General Fund Budgetary Highlights:

The negative variance in revenue of \$1,872,055 is due to the School budgeting for headcount higher than actual enrollment for the 2016-2017 School year.

The positive variance in instruction and support services expenses of \$1,057,254 and \$1,046,432, respectively, is due to the School budgeting salaries in the general fund budget when those salaries are paid in the Special Projects Fund.

Economic Factors:

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

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School will continue to seek both federal and private grant funds to supplement its 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, 2017

	Governmental activities
Assets	
Current assets	
Cash	\$ 672,037
Prepaid items	78,188
Accounts receivable	8,455
Due from other governmental units	27,262
Total current assets	<u>785,942</u>
Non-current assets	
Security deposits	58,421
Note receivable	2,000,000
Capital assets, net of accumulated depreciation	<u>6,343,386</u>
Total non-current assets	<u>8,401,807</u>
Total assets	<u>9,187,749</u>
Liabilities	
Current liabilities	
Accounts payable	39,217
Due to other governmental units	3,828
Due to pupil activities	<u>30,421</u>
Total current liabilities	<u>73,466</u>
Long-term liabilities	
Due within one year	
Capital leases	100,870
Due in more than one year	
Capital leases	6,820,517
Notes payable	<u>2,000,000</u>
Total long-term liabilities	<u>8,921,387</u>
Total liabilities	<u>8,994,853</u>
Net position	
Net investment in capital assets	(578,001)
Unrestricted	<u>770,897</u>
Total net position	<u>\$ 192,896</u>

See Notes to Financial Statements

Gray Collegiate Academy**Statement of Activities****For the year ended June 30, 2017**

		<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	\$ 1,142,266	\$ 4,249,193	\$ 3,106,927
Support services	2,722,965	-	(2,722,965)
Interest	669,933	-	(669,933)
Total governmental activities	<u>4,535,164</u>	<u>4,249,193</u>	<u>(285,971)</u>
Total	<u>\$ 4,535,164</u>	<u>\$ 4,249,193</u>	<u>(285,971)</u>
General revenues:			
Miscellaneous			<u>166,136</u>
Total general revenues			<u>166,136</u>
Change in net position			(119,835)
Net position, beginning of year			<u>312,731</u>
Net position, end of year			<u>\$ 192,896</u>

Gray Collegiate Academy**Balance Sheet - Governmental Funds****As of June 30, 2017**

		Special Revenue Funds		
			Education	
		Special	Improvement	
	General	Projects	Act	Total
Assets				
Cash	\$ 672,037	\$ -	\$ -	\$ 672,037
Prepaid items	78,188	-	-	78,188
Accounts receivable	8,455	-	-	8,455
Due from other governmental units	-	22,376	4,886	27,262
Due from other funds	23,434	-	-	23,434
Security deposits	58,421	-	-	58,421
Total assets	<u>\$ 840,535</u>	<u>\$ 22,376</u>	<u>\$ 4,886</u>	<u>\$ 867,797</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 39,217	\$ -	\$ -	\$ 39,217
Due to other governmental units	-	-	3,828	3,828
Due to pupil activities	30,421	-	-	30,421
Due to other funds	-	22,376	1,058	23,434
Total liabilities	<u>69,638</u>	<u>22,376</u>	<u>4,886</u>	<u>96,900</u>
Fund balances:				
Nonspendable	136,609	-	-	136,609
Unassigned	634,288	-	-	634,288
Total fund balances	<u>770,897</u>	<u>-</u>	<u>-</u>	<u>770,897</u>
Total liabilities and fund balances	<u>\$ 840,535</u>	<u>\$ 22,376</u>	<u>\$ 4,886</u>	<u>\$ 867,797</u>
Total governmental fund balances				\$ 770,897
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 \$7,377,602 and the accumulated depreciation is \$1,034,216.				6,343,386
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				(6,921,387)
Net position of governmental activities				<u>\$ 192,896</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, 2017

	General Fund	Special Revenue Funds		
		Special Projects	Education Improvement Act	Total
Revenues				
Local	\$ 166,136	\$ -	\$ -	\$ 166,136
Intergovernmental	1,856,290	87,310	2,305,593	4,249,193
Total revenues	2,022,426	87,310	2,305,593	4,415,329
Expenditures				
Instruction	262,013	841,422	121,884	1,225,319
Support services	1,676,023	696,032	7,695	2,379,750
Capital outlay	122,303	-	-	122,303
Debt service				
Redemption of principal	68,906	-	-	68,906
Interest	669,933	-	-	669,933
Total expenditures	2,799,178	1,537,454	129,579	4,466,211
Excess (deficit) of revenues over (under) expenditures	(776,752)	(1,450,144)	2,176,014	(50,882)
Other financing sources (uses)				
Transfers (to) from other funds	725,870	1,450,144	(2,176,014)	-
Proceeds from capital lease	165,718	-	-	165,718
Total other financing sources (uses)	891,588	1,450,144	(2,176,014)	165,718
Net change in fund balances	114,836	-	-	114,836
Fund balances, beginning of year	656,061	-	-	656,061
Fund balances, end of year	\$ 770,897	\$ -	\$ -	\$ 770,897

Total net change in fund balance - governmental funds \$ 114,836

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 (\$372,757) exceeds net capital outlays (\$234,898) in the period.

(137,859)

Proceeds from the issuance of 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 (\$165,718) have been reduced by principal payments (\$68,906) made against the related obligation.

(96,812)

Change in net position of governmental activities \$ (119,835)

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 400 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 the School's new facility. In order to access the EB-5 Immigrant Investor Program (EB-5) funding, the Partnership is required to employ all teachers and staff associated with the School. The Partnership received \$2,000,000 in capital advanced from four partners during the fiscal year ended June 30, 2014. The Partnership immediately advanced these proceeds to American Charter Development, the developer and owner of the School's 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, 2017.

Prepaid items - Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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, 2017, prepaid items consisted of rent and insurance that totaled \$78,188.

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, 2017, 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, 2017.

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.

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, 2017, the carrying amount of the School's deposits was \$672,037 and the bank balance was \$804,508.

Custodial credit risk:

Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. The School's deposits were fully collateralized at June 30, 2017.

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.

Note 2. Cash, Continued

Interest rate risk:

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

Concentration of credit risk:

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

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, 2017 that have a difference between fair value and carrying amount.

Note 3. Due from Other Governmental Units

Intergovernmental receivables at June 30, 2017 consisted of intergovernmental grants and reimbursements. All governmental receivables are considered fully collectible.

Due from federal government	
Individuals with disabilities education act (IDEA)	\$ 22,376
Total due from federal government	<u>22,376</u>
Due from state government	
Professional development	182
Teacher salary fringe	837
EEDA supplies and materials	371
High schools that work	402
Reading	94
IDEA MOE tier 1	<u>3,000</u>
Total due from state government	<u>4,886</u>
Total due from other governmental units	<u>\$ 27,262</u>

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2017

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 \$2,176,014 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 \$1,450,144 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, 2017 are reflected in the fund statements as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,176,014	\$ (1,450,144)
Special projects fund	1,450,144	-
Education improvement act fund	-	(2,176,014)
	<u>\$ 3,626,158</u>	<u>\$ (3,626,158)</u>

Note 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance, July 1, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2017</u>
Governmental activities				
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	47,667	-	6,189,975
Leasehold improvements	134,057	32,138	-	166,195
Vehicles	54,570	-	-	54,570
Equipment	61,769	155,093	-	216,862
Total capital assets, being depreciated	<u>6,392,704</u>	<u>234,898</u>	<u>-</u>	<u>6,627,602</u>
Totals at historical cost	<u>7,142,704</u>	<u>234,898</u>	<u>-</u>	<u>7,377,602</u>
Less accumulated depreciation				
Building	(623,012)	(310,293)	-	(933,305)
Leasehold improvements	(6,797)	(12,332)	-	(19,129)
Vehicles	(15,835)	(9,094)	-	(24,929)
Equipment	(15,815)	(41,038)	-	(56,853)
Total accumulated depreciation	<u>(661,459)</u>	<u>(372,757)</u>	<u>-</u>	<u>(1,034,216)</u>
Total capital assets, being depreciated, net	<u>5,731,245</u>	<u>(137,859)</u>	<u>-</u>	<u>5,593,386</u>
Governmental activities capital assets, net	<u>\$ 6,481,245</u>	<u>\$ (137,859)</u>	<u>\$ -</u>	<u>\$ 6,343,386</u>

Note 5. Capital Assets, Continued

The carrying value of assets acquired under capital lease transactions at June 30, 2017 is \$5,316,246.

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 41,038
Support services	<u>331,719</u>
Total depreciation expense	<u>\$ 372,757</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. On August 31, 2017, the School purchased this building for \$100,096 (see Note 13).

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

Year ended June 30	
2018	\$ 18,594
	<u>\$ 18,594</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, 2017, the School paid \$628,829 for management fees, \$64,400 for fiscal services and \$38,000 for human resource and payroll services.

Note 9. Long-term obligations

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

Gray Collegiate Academy
Notes to Basic Financial Statements
June 30, 2017

Note 9. Long-term obligations, Continued

Capital Lease I - 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 \$6,799,000 at June 30, 2017.

Capital Lease II - On August 31, 2016 the School entered into a 3 year capital lease for computers. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments totaling \$122,387 at June 30, 2017. The School sub-leases a portion of this lease to Oceanside Collegiate Academy for \$3,560 per month.

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, 2017:

Year ended June 30	
2018	\$ 766,068
2019	783,718
2020	751,770
2021	760,306
2022	779,314
2023-2027	4,198,739
2028-2032	4,750,488
Thereafter	<u>2,070,618</u>
Total minimum lease payments	14,861,021
Less: Amount representing interest	<u>(7,939,634)</u>
Present value of the minimum lease payments	<u>\$ 6,921,387</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, 2017:

	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017	Current Portion
Governmental activities:					
Notes payable to					
Partnership Investors	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
Total notes payable obligations	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Capital lease I	6,824,575	-	(25,575)	6,799,000	46,189
Capital lease II	<u>-</u>	<u>165,718</u>	<u>(43,331)</u>	<u>122,387</u>	<u>54,681</u>
Total capital lease obligations	<u>6,824,575</u>	<u>165,718</u>	<u>(68,906)</u>	<u>6,921,387</u>	<u>100,870</u>
Total	<u>\$ 8,824,575</u>	<u>\$ 165,718</u>	<u>\$ (68,906)</u>	<u>\$ 8,921,387</u>	<u>\$ 100,870</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, 2017 were \$23,735 and \$29,330, 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, fiscal services, human resources and payroll 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. The management group also manages Oceanside Collegiate Academy. The School sub-leases computers to Oceanside Collegiate Academy. Revenue received from Oceanside Collegiate Academy for this sub-lease totaled \$35,497 for the year ended June 30, 2017.

Note 13. Subsequent Events

On August 15, 2017, the School purchased the modular building it was leasing, as noted in Note 7. The modular building was purchased for a total price of \$100,096. The School entered into a promissory note agreement for \$84,000 to finance the purchase of the modular. The note is payable in 59 equal payments of \$1,589, including interest of 5%, beginning on October 5, 2017. A single, final payment of the entire unpaid balance of principal and interest will be due September 5, 2022.

Gray Collegiate Academy
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Revenues				
1000	Revenue from local sources			
1500	Earnings on investments			
1510	Interest on investments	\$ -	\$ 240	\$ 240
1700	Pupil activities			
1790	Other pupil activity income	50,000	-	(50,000)
1900	Other revenue from local sources			
1990	Miscellaneous local revenue			
1999	Revenue from other local sources	-	165,896	165,896
	Total revenue from local sources	50,000	166,136	116,136
3000	Revenue from state sources			
3100	Restricted state funding			
3180	Fringe benefits employer contributions	-	435,837	435,837
3300	Education Finance Act (EFA)			
3310	Full-time programs			
3314	High school	3,844,481	846	(3,843,635)
3320	Part-time programs			
3321	Emotionally handicapped	-	4,746	4,746
3323	Learning disabilities	-	49,150	49,150
3327	Vocational		1,204,142	1,204,142
3330	Miscellaneous EFA programs			
3334	Limited English proficiency	-	470	470
3351	Academic assistance	-	12,006	12,006
3352	Pupils in poverty	-	78,960	78,960
3353	Dual credit enrollment	-	70,133	70,133
	Total revenue from state sources	3,844,481	1,856,290	(1,988,191)
	Total revenue all sources	3,894,481	2,022,426	(1,872,055)
Expenditures				
100	Instruction			
110	General instruction			
114	High school programs			
100	Salaries	577,500	-	577,500
200	Employee benefits	262,844	-	262,844
300	Purchased services	60,000	98,120	(38,120)
400	Supplies and materials	270,000	163,382	106,618
500	Capital outlay	95,000	31,002	63,998
		1,265,344	292,504	972,840
120	Exceptional programs			
127	Learning disabilities			
100	Salaries	52,500	-	52,500
200	Employee benefits	24,425	-	24,425
300	Purchased services	-	511	(511)
400	Supplies and materials	1,500	-	1,500
500	Capital outlay	6,500	-	6,500
		84,925	511	84,414
	Total instruction	1,350,269	293,015	1,057,254
200	Support services			
210	Pupil services			
212	Guidance services			
100	Salaries	35,000	-	35,000
200	Employee benefits	8,766	-	8,766
		43,766	-	43,766

*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, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Expenditures, Continued				
200	Support services			
220	Instructional staff services			
221	Improvement of instruction curriculum development			
100	Salaries	107,000	-	107,000
200	Employee benefits	25,324	-	25,324
		<u>132,324</u>	<u>-</u>	<u>132,324</u>
224	Improvement of instruction inservice and staff training			
300	Purchased services	28,000	8,981	19,019
		<u>28,000</u>	<u>8,981</u>	<u>19,019</u>
230	General administrative services			
231	Board of education			
300	Purchased services	1,000	9,999	(8,999)
318	Audit services	20,000	24,028	(4,028)
319	Legal services	15,000	8,132	6,868
600	Other objects	26,000	23,062	2,938
		<u>62,000</u>	<u>65,221</u>	<u>(3,221)</u>
233	School administration			
100	Salaries	235,000	-	235,000
200	Employee benefits	83,150	-	83,150
300	Purchased services	653,250	750,462	(97,212)
400	Supplies and materials	60,000	79,072	(19,072)
500	Capital outlay	6,000	-	6,000
		<u>1,037,400</u>	<u>829,534</u>	<u>207,866</u>
250	Finance and operations services			
252	Fiscal services			
300	Purchased services	65,000	64,400	600
600	Other objects	4,000	4,179	(179)
		<u>69,000</u>	<u>68,579</u>	<u>421</u>
254	Operation and maintenance of plant			
100	Salaries	50,000	-	50,000
200	Employee benefits	17,200	-	17,200
300	Purchased services	822,800	277,563	545,237
321	Public utilities	27,000	24,700	2,300
400	Supplies and materials	34,000	19,535	14,465
470	Energy	62,000	60,348	1,652
500	Capital outlay	-	90,806	(90,806)
		<u>1,013,000</u>	<u>472,952</u>	<u>540,048</u>
255	Student transportation (state mandated)			
600	Other objects	2,500	1,882	618
		<u>2,500</u>	<u>1,882</u>	<u>618</u>
258	Security			
500	Capital outlay	2,000	-	2,000
		<u>2,000</u>	<u>-</u>	<u>2,000</u>
260	Central support services			
263	Information services			
300	Purchased services	98,000	30,460	67,540
		<u>98,000</u>	<u>30,460</u>	<u>67,540</u>
264	Staff services			
300	Purchased services	-	38,000	(38,000)
		<u>-</u>	<u>38,000</u>	<u>(38,000)</u>
266	Technology and data processing services			
100	Salaries	35,000	-	35,000
200	Employee benefits	8,766	-	8,766
300	Purchased services	4,500	-	4,500
400	Supplies and materials	5,000	8,015	(3,015)
500	Capital outlay	17,500	495	17,005
		<u>70,766</u>	<u>8,510</u>	<u>62,256</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, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Expenditures, Continued				
200	Support services, continued			
270	Support services - pupil activity			
271	Pupil service activities			
100	Salaries	75,000	-	75,000
300	Purchased services	95,000	131,480	(36,480)
400	Supplies and materials	85,000	111,725	(26,725)
		<u>255,000</u>	<u>243,205</u>	<u>11,795</u>
	Total support services	<u>2,813,756</u>	<u>1,767,324</u>	<u>1,046,432</u>
500	Debt service			
610	Redemption of principal	-	68,906	(68,906)
620	Interest	-	669,933	(669,933)
	Total debt service	<u>-</u>	<u>738,839</u>	<u>(738,839)</u>
	Total expenditures	<u>4,164,025</u>	<u>2,799,178</u>	<u>1,364,847</u>
Other financing sources (uses)				
420	Interfund transfers			
421-710	Transfer to special revenue fund	-	(1,450,144)	(1,450,144)
5200	Interfund transfers			
5230	Transfer from special revenue EIA fund	-	2,176,014	2,176,014
5500	Capital lease	-	165,718	165,718
	Total other financing sources (uses)	<u>-</u>	<u>891,588</u>	<u>891,588</u>
	Excess of revenues over expenditures and other financing sources (uses)	<u>\$ (269,544)</u>	<u>114,836</u>	<u>\$ 384,380</u>
Fund balance, beginning of year			<u>656,061</u>	
Fund balance, end of year			<u>\$ 770,897</u>	

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

Gray Collegiate Academy**Special Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2017**

		IDEA (203)	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
Revenues					
3000	Revenue from state sources				
3100	Restricted state funding				
3110	Occupational education				
3118	EEDA career specialists	\$ -	\$ 47,153	\$ -	\$ 47,153
3187	Teacher supplies	-	5,500	-	5,500
3600	Education lottery act revenue				
3630	K-12 technology initiative	-	12,281	-	12,281
	Total revenue from state sources	-	64,934	-	64,934
4000	Revenues from federal sources				
4500	Programs for children with disabilities				
4510	Individuals with disabilities education act (IDEA)	22,376	-	-	22,376
	Total revenue from federal sources	22,376	-	-	22,376
	Total revenue all sources	22,376	64,934	-	87,310
Expenditures					
100	Instruction				
110	General instruction				
114	High school programs				
100	Salaries	22,376	9,881	494,215	526,472
200	Employee benefits	-	-	270,549	270,549
400	Supplies and materials	-	5,500	-	5,500
		22,376	15,381	764,764	802,521
120	Exceptional programs				
127	Learning disabilities				
100	Salaries	-	-	555	555
200	Employee benefits	-	-	38,346	38,346
		-	-	38,901	38,901
	Total instruction	22,376	15,381	803,665	841,422
200	Support services				
210	Pupil services				
212	Guidance services				
100	Salaries	-	47,153	3,897	51,050
200	Employee benefits	-	-	18,267	18,267
		-	47,153	22,164	69,317
230	General administrative services				
233	School administration				
100	Salaries	-	-	321,454	321,454
200	Employee benefits	-	-	97,474	97,474
		-	-	418,928	418,928
250	Finance and operations services				
252	Fiscal services				
600	Other objects	-	-	656	656
		-	-	656	656
254	Operation and maintenance of plant				
100	Salaries	-	-	52,750	52,750
200	Employee benefits	-	-	30,812	30,812
300	Purchased services	-	2,400	-	2,400
		-	2,400	83,562	85,962

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

Gray Collegiate Academy**Special Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2017**

		IDEA (203)	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
Expenditures, continued					
200	Support services, continued				
260	Central support services				
266	Technology and data processing services				
100	Salaries	-	-	35,550	35,550
200	Employee benefits	-	-	17,095	17,095
		-	-	52,645	52,645
270	Support services - pupil activity				
271	Pupil service activities				
100	Salaries	-	-	52,033	52,033
200	Employee benefits	-	-	16,491	16,491
		-	-	68,524	68,524
	Total support services	-	49,553	646,479	696,032
	Total expenditures	22,376	64,934	1,450,144	1,537,454
Other financing sources					
5210	Transfer from general fund	-	-	1,450,144	1,450,144
	Total other financing sources	-	-	1,450,144	1,450,144
	Excess of revenues over expenditures and other financing sources	-	-	-	-
Fund balance, beginning of year					
		-	-	-	-
Fund balance, end of year					
		\$ -	\$ -	\$ -	\$ -

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

Gray Collegiate Academy**Education Improvement Act****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2017**

Revenues

3000	Revenue from state sources		
3500	Education Improvement Act		
3511	Professional development	\$	2,452
3512	Technology professional development		2,206
3519	Grade 10 assessments		1,785
3538	Students at risk of school failure		59,672
3550	Teacher salary increase		38,130
3555	Teacher salary fringe		5,556
3558	Reading		2,000
3578	High schools that work		5,421
3583	Charter school funding		2,176,014
3587	IDEA MOE Tier 1		3,000
3595	EEDA - Supplies and materials		2,390
3597	Aid to districts		6,967
	Total revenue		<u>2,305,593</u>

Expenditures

100	Instruction		
110	General instruction		
114	High school programs		
100	Salaries		105,129
200	Employee benefits		5,556
400	Supplies and materials		6,967
			<u>117,652</u>
120	Exceptional programs		
127	Learning disabilities		
300	Purchased services		4,232
			<u>4,232</u>
	Total instruction		<u>121,884</u>
200	Support services		
220	Instructional staff services		
224	Improvement of instruction inservice and staff training		
300	Purchased services		2,390
			<u>2,390</u>
230	General administrative services		
233	School administration		
400	Supplies and materials		5,305
			<u>5,305</u>
	Total support services		<u>7,695</u>
	Total expenditures		<u>129,579</u>

Other financing uses

420-710	Transfer to general fund	(2,176,014)
	Total other financing uses	<u>(2,176,014)</u>

Excess of revenues over expenditures and other financing uses

Fund balance, beginning of year**Fund balance, end of year**

-
<u>\$ -</u>

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

Gray Collegiate Academy
Special Projects Fund
Summary Schedule for Designated State Restricted Grants
For the year ended June 30, 2017

Subfund	Revenue	Programs	Revenues	Expenditures	Transfers In/ (Out)	Unearned Revenue
917	3187	Teacher supplies	\$ 5,500	\$ 5,500	\$ -	\$ -
928	3118	EEDA career specialists	47,153	47,153	-	-
963	3630	K-12 technology initiative	12,281	12,281	-	-
			<u>\$ 64,934</u>	<u>\$ 64,934</u>	<u>\$ -</u>	<u>\$ -</u>

Gray Collegiate Academy**Education Improvement Act****Summary Schedule by Program****For the year ended June 30, 2017**

	Revenues	Expenditures	Transfers In/Out	Unearned Revenue
3500 Education Improvement Act				
3511 Professional development	\$ 2,452	\$ 2,452	\$ -	\$ -
3512 Technology professional development	2,206	2,206	-	-
3519 Grade 10 assessments	1,785	1,785	-	-
3538 Students at risk of school failure	59,672	59,672	-	-
3550 Teacher salary increase	38,130	38,130	-	-
3555 Teacher salary fringe	5,556	5,556	-	-
3558 Reading	2,000	2,000	-	-
3578 High schools that work	5,421	5,421	-	-
3583 Charter school funding	2,176,014	-	(2,176,014)	-
3587 IDEA MOE Tier 1	3,000	3,000	-	-
3595 EEDA - Supplies and materials	2,390	2,390	-	-
3597 Aid to districts	6,967	6,967	-	-
Total	<u>\$ 2,305,593</u>	<u>\$ 129,579</u>	<u>\$ (2,176,014)</u>	<u>\$ -</u>

Gray Collegiate Academy***Detailed Schedule of Due to State Department of Education / Federal Government******As of June 30, 2017***

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



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

Board of Directors
Gray Collegiate Academy
West Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gray Collegiate Academy as of and for the year ended June 30, 2017, 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 13, 2017.

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 13, 2017

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.