

GRAY COLLEGIATE ACADEMY, INC.
(A Component Unit of
The Charter Institute at Erskine)

WEST COLUMBIA, SOUTH CAROLINA

ANNUAL FINANCIAL REPORT
June 30, 2022

(With Independent Auditors' Report Thereon)

**GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Annual Financial Report
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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Directors
Gray Collegiate Academy, Inc.
West Columbia, South Carolina

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Gray Collegiate Academy, Inc. ("the School"), a component unit of The Charter Institute at Erskine, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's financial statements, as listed in the accompanying table of contents.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Gray Collegiate Academy, Inc. at June 30, 2022, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gray Collegiate Academy, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gray Collegiate Academy, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a required part of the financial statements, is supplementary information required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of Gray Collegiate Academy, Inc.. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2022, 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 grants. The purpose of that report is solely to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gray Collegiate Academy, Inc.'s internal control over financial reporting and compliance.

Martin Smith and Company CPAs PA

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

This discussion and analysis of Gray Collegiate Academy, Inc.'s ("the School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the Notes to the Financial Statements and the financial statements themselves to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

In the Statement of Net Position, the assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,614,354 (net position). Of this amount, however, amounts are invested in capital assets, net of debt, and amounts are restricted. Therefore, the School reported an unrestricted net position of \$1,943,891.

The School's net position increased by \$63,623 during the current fiscal year, as compared to an increase of \$1,583,771 in the previous fiscal year.

Fund Financial Statements

As of the close of the current fiscal year, the School's Governmental Funds reported a combined ending fund balance of \$14,966,239, compared to a fund balance of \$3,667,115 in the previous fiscal year. This increase was primarily due to the School borrowing \$14,610,000 under a bond issue and not expending the funds as of the fiscal year-end.

The School's total capital assets, net of accumulated depreciation, were \$11,064,318.

The School made its scheduled debt payments during the year. It also borrowed \$14,610,000 under an economic development bond for use in capital projects.

During the 2022 fiscal year, the School's governmental fund-type revenues were \$8,211,745. The School reported governmental fund-type revenues of \$6,890,617 in the previous fiscal year.

During the current fiscal year, the School's governmental fund-type expenditures were \$11,522,620, which included \$3,801,234 in capital expenditures.

Overall

The 135-day student count increased by 48, from 621 students in the prior year to 669 students in the current year. The 135-day enrollment count is the basis for most of the state funds that the School receives.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

In addition to the financial statements, this report contains Required Supplementary Information that will enhance the reader's understanding of the financial condition of the School.

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad overview of the School's overall financial status, in a manner similar to a private-sector enterprise.

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). However, all activities of the School are governmental activities, which include instruction, supporting services, and debt service.

Fund Financial Statements

The remaining financial statements are Fund Financial Statements which focus on individual parts of the School, reporting the School's operations in more detail than the Government-Wide Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School are Governmental Funds.

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on near-term uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The School maintains three individual Governmental Funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and the Special Revenue Funds. The Governmental Funds Financial Statements can be found at Exhibits C, D, E, and F of this report.

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS, Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found following Exhibit F of this report.

Other Information

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided in the required supplementary information section for this fund to demonstrate compliance with its budget.

Major Features of Gray Collegiate Academy, Inc.
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements
		<i>Government Funds Only</i>
Scope	Entire school unit	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods/services have been received and payment is due during the year or soon after

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets were greater than liabilities by \$1,614,354 at the close of the most recent fiscal year.

The following table provides a summary of the School's net position for 2022 compared to 2021:

	Governmental Activities	
	2022	2021
Assets		
Current and other assets	\$ 17,431,224	\$ 3,948,588
Capital assets	11,064,318	8,505,628
Other non-current assets	1,000,000	1,000,000
Total assets	<u>29,495,542</u>	<u>13,454,216</u>
Liabilities		
Long-term liabilities	25,392,275	11,622,012
Other liabilities	2,488,913	281,473
Total liabilities	<u>27,881,188</u>	<u>11,903,485</u>
Net Position		
Net investment in capital	(2,637,557)	(1,973,482)
Restricted net position	2,308,020	922,999
Unrestricted net position	<u>1,943,891</u>	<u>2,601,214</u>
Total net position	<u>\$ 1,614,354</u>	<u>\$ 1,550,731</u>

During the fiscal year, net position of the School's governmental activities increased by \$63,623. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,943,891 at June 30, 2022.

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

The following table shows the changes in net position for fiscal year 2022 and 2021:

	Governmental Activities	
	2022	2021
Revenues		
Program revenues:		
Operating grants	\$ 7,833,450	\$ 6,482,322
Charges for services	290,562	-
General revenue:		
Other revenue	81,566	408,295
Total revenues	8,205,578	6,890,617
Program Expenses		
Instruction	2,025,126	1,604,697
Support services	4,855,684	3,555,093
Interest and other charges	1,261,146	654,388
Total expenses	8,141,956	5,814,178
Non-recurring item - contribution forgiveness of PPP loan	-	507,332
Increase (decrease) in net position	\$ 63,622	\$ 1,583,771

Governmental Activities:

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

For the year ended June 30, June 30, 2022, the School's Governmental Funds reported combined fund balances of \$14,966,239 as compared to \$3,667,115 for the prior year. This increase was due primarily to the School borrowing \$14,610,000 under a bond issue during the year and not expending the funds as of year-end.

The Special Revenue Funds consists of various federal, state, and local funds, and the Education Improvement Act funds. These funds were spent appropriately as mandated by the legislation that allowed for their distribution. The funds that were received during the year were expended during the current fiscal year; therefore, there was no fund balance at the end of the previous or current year.

General Fund Budgetary Highlights

The School's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of the fiscal year 2022, amendments to the School's General Fund budget resulted in an insignificant change in fund balances.

GRAY COLLEGIATE ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the School had \$11,064,318 net investment in capital assets. The year-end total of capital assets was \$14,078,592, with a total accumulated depreciation of \$3,014,274. The depreciation expense taken during the year was \$375,078, and capital asset additions were \$2,939,935.

The following table shows fiscal 2022 and 2021:

	Capital Assets	
	(Net of Depreciation)	
	Governmental Activities	
	2022	2021
Land	\$ 1,942,627	\$ 1,942,627
Construction in progress	2,626,619	354,216
Building	6,011,776	5,836,812
Building improvements	240,937	94,174
Land improvements	116,288	129,417
Vehicles	56,465	32,568
Equipment	69,606	115,814
	<hr/>	<hr/>
Totals	\$ 11,064,318	\$ 8,505,628

Long-term Debt

At fiscal year-end, the School had \$25,392,275 in long-term debt. The School had \$24,372,003 in economic development bonds, net of the related bond discounts. The School had \$15,390 in capital lease obligations. Gray Collegiate Academy, Limited Partnership received advances in 2014. The Partnership expects to repay these advances totaling \$1,000,000, and therefore, the School has elected to treat these advances as notes payable on the Statement of Net Position.

Economic Factors

The following key economic indicators reflect the operations of the School:

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

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's business office located at 3833 Leaphart Road, West Columbia, South Carolina 29169.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Statement of Net Position
June 30, 2022

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 16,053,101
Due from other governmental units	288,837
Prepaid expenses	17,059
Other receivables	72,227
Notes receivable	1,000,000
Capital assets	14,078,592
Less accumulated depreciation and amortization	<u>(3,014,274)</u>
Total capital assets, net of depreciation	<u>11,064,318</u>
 Total assets	 <u>28,495,542</u>
 <u>LIABILITIES</u>	
Accounts payable and accrued expenses	1,392,916
Due to related entity	95,997
Long-term liabilities:	
Due within one year	285,800
Due in more than one year	<u>25,106,475</u>
 Total liabilities	 <u>26,881,188</u>
 <u>NET POSITION</u>	
Net investment in capital assets	(2,637,557)
Restricted net position	2,308,020
Unrestricted net position	<u>1,943,891</u>
 Total net position	 <u>\$ 1,614,354</u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2022

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 2,025,125	\$ -	\$ 1,948,391	\$ (76,734)
Support services	4,855,684	-	4,671,699	(183,985)
Interest and other charges	1,261,146	290,562	1,213,360	242,776
Total governmental activities	<u>8,141,955</u>	<u>290,562</u>	<u>7,833,450</u>	<u>(17,943)</u>
Total	<u>\$ 8,141,955</u>	<u>\$ 290,562</u>	<u>\$ 7,833,450</u>	<u>(17,943)</u>

General revenues:

Miscellaneous revenue	65,414
Unrestricted investment earnings	<u>16,152</u>
Total general revenues	<u>81,566</u>
Change in net position	63,623
Net position, beginning of year	<u>1,550,731</u>
Net position, end of year	<u>\$ 1,614,354</u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>EIA</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,053,101	\$ -	\$ -	\$ 16,053,101
Due from other governmental units	-	283,720	5,117	288,837
Due from other funds	288,837	-	-	288,837
Prepaid expenses	17,059	-	-	17,059
Other receivables	72,227	-	-	72,227
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>16,431,224</u>	\$ <u>283,720</u>	\$ <u>5,117</u>	\$ <u>16,720,061</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,368,988	\$ -	\$ -	\$ 1,368,988
Due to other funds	-	283,720	5,117	288,837
Due to related entity	95,997	-	-	95,997
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,464,985</u>	<u>283,720</u>	<u>5,117</u>	<u>1,753,822</u>
Fund balances:				
Nonspendable	17,059	-	-	17,059
Restricted	12,998,420	-	-	12,998,420
Unassigned	1,950,760	-	-	1,950,760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,966,239</u>	<u>-0-</u>	<u>-0-</u>	<u>14,966,239</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>16,431,224</u>	\$ <u>283,720</u>	\$ <u>5,117</u>	\$ <u>16,720,061</u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total fund balance - Governmental Funds	\$	14,966,239
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Governmental Funds. The cost of assets is \$14,078,592 and the accumulated depreciation is \$3,014,274.		11,064,318
Notes receivable that are not expected to be collected within one year are not reported in the Governmental Funds.		1,000,000
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		<u>(25,416,203)</u>
Net position of governmental activities	\$	<u><u>1,614,354</u></u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>EIA Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local	\$ 723,592	\$ -	\$ -	\$ 723,592
State	3,459,950	72,584	3,668,644	7,201,178
Federal	-	286,975	-	286,975
Intergovernmental	-	-	-	-
	<u>4,183,542</u>	<u>359,559</u>	<u>3,668,644</u>	<u>8,211,745</u>
Total revenues all sources				
EXPENDITURES				
Current:				
Instruction	473,363	905,795	124,168	1,503,326
Support services	3,328,168	830,779	13,113	4,172,060
Community services	-	-	-	-
Intergovernmental	-	-	-	-
Debt services:				
Redemption of principal	582,480	-	-	582,480
Interest and other	1,463,520	-	-	1,463,520
Capital outlay	3,801,234	-	-	3,801,234
	<u>9,648,765</u>	<u>1,736,574</u>	<u>137,281</u>	<u>11,522,620</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(5,465,223)</u>	<u>(1,377,015)</u>	<u>3,531,363</u>	<u>(3,310,875)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term notes	14,610,000	-	-	14,610,000
Operating transfers in	3,531,363	1,377,015	-	4,908,378
Operating transfers out	<u>(1,377,016)</u>	<u>-</u>	<u>(3,531,363)</u>	<u>(4,908,379)</u>
	<u>16,764,347</u>	<u>1,377,015</u>	<u>(3,531,363)</u>	<u>14,609,999</u>
Total other financing sources (uses)				
Net changes in fund balance	11,299,124	-0-	-0-	11,299,124
FUND BALANCE, July 1, 2021	<u>3,667,115</u>	<u>-0-</u>	<u>-0-</u>	<u>3,667,115</u>
FUND BALANCE, June 30, 2022	<u>\$ 14,966,239</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 14,966,239</u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Total net changes in fund balance - Governmental Funds	\$	11,299,124
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,964,724), less disposals, exceeds depreciation (\$375,078) in the period.</p>		2,589,646
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>		(14,610,000)
<p>Governmental Funds report the effect of discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount by which bond discounts (\$211,845) exceed net amortization of bond discounts in the current period.</p>		202,373
<p>Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		<u>582,480</u>
Change in net position of governmental activities	\$	<u><u>63,623</u></u>

The notes to the financial statements are an integral part of this statement.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gray Collegiate Academy, Inc. (“the School”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Government Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School is a nonprofit organization incorporated in the State of South Carolina and organized under the South Carolina Charter School Act of 1996. The School began operations in August 2014. Through June 30, 2018, the School operated within the South Carolina Public Charter School District. The School transferred to The Charter Institute at Erskine (“the Institute”) effective July 1, 2018 and has operated under the Institute since. The School serves approximately 670 students from grade eight through grade twelve in Lexington County, South Carolina, with a focus on earning college credits in conjunction with a high school diploma.

A charter school is an independent public school, governed by an independent Board of Directors (“the Board”). To encourage innovation, charter schools operate free from a number of state laws and regulations. An initial charter is granted for a five-year period, renewable every five to ten years thereafter.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Charter schools may charge for selected additional costs consistent with those permitted by school districts. Because charter schools receive local, state, and federal funds they may not charge tuition.

The School is considered a component unit of The Charter Institute at Erskine. A component unit, although a legally separate entity, is, in substance, part of the Institute’s operations.

Blended Component Unit – Gray Collegiate Academy, Limited Partnership (“the Partnership”) was formed on January 30, 2014, for the purpose of securing capital to advance funding to the developer and owner of the School’s new facility. In order to access the EB-5 Immigrant Investor Program (“EB-5”) funding, the Partnership is required to employ all teachers and staff associated with the School. The Partnership received \$2,000,000 in capital advanced from four partners during the fiscal year ended June 30, 2014. The Partnership immediately advanced these proceeds to American Charter Development, the developer and owner of the School’s facility. In 2019, two of the limited partners were repaid and withdrew from the Partnership. There are no set repayment terms on the remaining advances. The partnership is comprised of the Pinnacle Charter Management Group (a related party), Education Fund of America (“EFA”), a Special General Partner who secures the EB-5 investments, and two limited partners, who are the EB-5 investors. Pinnacle Charter Management Group is the general partner and is a greater than 50% owner in the partnership. However, the intent of the Partnership is for School use/benefit, therefore, the School and the Partnership have substantively the same governing body and a financial benefit or burden relationship. Therefore, the operations of the Partnership are blended with the operation of the School as required by accounting principles generally accepted in the United State of America. The partnership activities are tracked as a separate fund within the Special Projects Fund.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities which report information on the School as a whole, except for fiduciary funds, if any. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between Governmental and Business-Type Activities of the School.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-Wide and Fund Financial Statements, Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges paid by the recipient of goods or services offered by the program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the Governmental Funds. Major individual Governmental Funds are reported as separate columns in the Fund Financial Statements.

Fund Financial Statements report detailed information about the School. The focus of Governmental Financial Statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the School.

The School reports the following major Governmental Funds:

- The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund. All general revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures, capital improvement costs, and debt service expenditures that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use. The School had previously reported a Debt Service Fund, to account for resources accumulated for expenditures for principal and interest. Because the School has no revenue sources that are restricted to expenditures for debt service, it has chosen to include its debt service expenditures within the General Fund. The General Fund's fund balance as of the beginning of the fiscal year has been restated to include the fund balance for the Debt Service Fund.
- The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specified purposes. Money in this fund is expended according to the provisions of general statutes applicable to charter schools.
- The Special Revenue - Education Improvement Act ("EIA") Fund is used to account for the revenue from the South Carolina Education Improvement Act of 1984 which is legally required by the state to be accounted for as a specific revenue source.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Position or Fund Balance

1) Deposits and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Bond Fund

Monies deposited into this fund are used solely for the payment of principal and interest on the bonds on each principal and interest payments date.

3) Bond Reserve Fund

Monies deposited into this fund may be used for the payment of principal and interest in the event monies in the bond funds are insufficient to make payments.

4) Bond Project Fund

Monies deposited into this fund are available for costs of the project.

5) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Government-Wide and Fund Financial Statements.

6) 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 Statement of Net Position. The transactions between funds are eliminated in the governmental activities' columns of the Statement of Net Position.

7) Notes Receivable

Amounts advanced to American Charter Development to assist in financing construction of a facility are recorded as notes receivable. As of June 30, 2022, the balance of these notes receivable was \$1,000,000.

8) Capital Assets

Capital assets include building improvements, vehicles, and equipment. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over an estimated useful life 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>
Building	30 Years
Equipment	4 - 10 Years
Vehicles	6 Years
Building Improvements	5 Years

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Position or Fund Balance, Continued

9) 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.

10) Long-term Obligations

In the Government-Wide Financial Statements long-term debt and long-term obligations are reported as liabilities in the applicable Governmental Activities Statement of Net Position. In the Fund Financial Statements, governmental fund types recognize principal and interest payments as expenditures of the current period and report the face amount of debt issued as other financing sources.

11) Fund Equity

In the Fund Financial Statements, fund balance classifications depict the nature of the net resources reported in the governmental funds. Individual governmental funds may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of these classifications. The General Fund also includes unassigned amounts. The School considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used. The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes if any are determined. Then any remaining fund balance amounts for the non-general funds. Committed fund balance amounts are established by the School's Board through motions passed at the School's Board meetings. Assigned fund balance amounts are established by the School's administration. The School has no assigned fund balance amounts.

Nonspendable Fund Balance - includes amounts which cannot be spent. This includes items that may not be in spendable form or that may be legally or contractually required to be maintained intact. The School's nonspendable fund balance represents amounts not in spendable form.

Restricted Fund Balance - includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned Fund Balance - is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other Governmental Funds, it may be necessary to report a negative unassigned fund balance.

12) Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt, which has not been spent, is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Position or Fund Balance, Continued

13) Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

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

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The School believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

14) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles as applicable to governmental units requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue, expenditures, or expenses during the reporting period. Actual results could differ from those estimates.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all Governmental Funds are adopted on the modified accrual basis for accounting, which is consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end and the School does not employ encumbrance accounting.

Each budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School's policies allow funds to be transferred between functions. However, the total budget cannot be increased beyond that level without approval of the School's Board. The legal level of control is at the fund level. The administration has discretionary authority to make transfers between appropriation accounts.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The School is authorized to invest in securities as allowed by South Carolina statute. Those investments are restricted to:

- 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) Savings and loan associations to the extent that the same are secured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC");
- 4) 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 certificates 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, 2022, the School's carrying amount of deposits was \$3,054,681, all of which was covered by FDIC insurance or collateralized.

Cash equivalent balances of \$1,892,931 at June 30, 2022 are maintained in the bond reserve fund and are restricted under the terms of a loan agreement for the payment of debt service on such loans, should the School be unable to make a scheduled payment. Cash equivalent balances of \$146,345 at June 30, 2022 are restricted for the payment of interest on such loans. Cash equivalent balances of \$10,690,400 at June 30, 2022 are maintained in the bond project account and are restricted for project costs. Cash equivalent balances of \$268,745 at June 30, 2022 are restricted for other specified uses related to the loan.

Custodial credit risk for cash deposits and investments is the risk that, in the event of a bank failure, the School's deposits or investments might not be recovered. The School does not have a formal deposit policy for credit risk but follows the investment policy statutes of the state of South Carolina. Cash balances are insured by the FDIC up to \$250,000 per bank, and remaining balances are collateralized.

The School does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

The School places no limit on the amount the School may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds are exempt from concentration of credit risk disclosures.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS, Continued

B. Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,942,627	\$ -	\$ -	\$ 1,942,627
Construction in progress	354,216	2,668,161	(395,758)	2,626,619
	<u>2,296,843</u>	<u>2,668,161</u>	<u>(395,758)</u>	<u>4,569,246</u>
Capital assets, being depreciated:				
Buildings	7,900,474	395,458	-	8,295,932
Building improvements	166,195	162,358	-	328,553
Land improvements	163,968	-	-	163,968
Equipment	548,209	72,766	-	620,975
Vehicles	119,870	36,950	(56,902)	99,918
	<u>8,898,716</u>	<u>667,532</u>	<u>(56,902)</u>	<u>9,509,346</u>
Less accumulated depreciation for:				
Buildings	2,063,662	220,494	-	2,284,156
Building improvements	72,021	15,595	-	87,616
Land improvements	34,551	13,129	-	47,680
Equipment	432,395	118,974	-	551,369
Vehicles	87,302	6,886	(50,735)	43,453
	<u>2,689,931</u>	<u>375,078</u>	<u>(50,735)</u>	<u>3,014,274</u>
Total capital assets being depreciated, net	<u>6,208,785</u>	<u>292,454</u>	<u>(6,167)</u>	<u>6,495,072</u>
Governmental Activities capital assets, net	<u>\$ 8,505,628</u>	<u>\$ 2,960,615</u>	<u>\$ (401,925)</u>	<u>\$ 11,064,318</u>

Depreciation was charged to functions/programs as follows:

Governmental Activities:

Instruction	\$ 534,026
Support	<u>133,506</u>

Total depreciation expense - Governmental Activities \$ 667,532

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS, Continued

C. Due to/From Other Funds

Interfund balances at June 30, 2022, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 288,837	\$ -
Special Revenue Funds:		
Special Projects Fund	-	283,720
Education Improvement Act Fund	-	5,117
	<u>\$ 288,837</u>	<u>\$ 288,837</u>

The General Fund receivable is a result of the Special Projects Fund and EIA Fund owing the General Fund for claims that were filed but not yet received.

The General Fund received transfers of \$3,531,363 from the EIA Fund to align funding within the fund from which the majority of the School's expenditures are paid. The General Fund transferred \$1,377,015 to the Special Projects Fund to cover salary and benefits paid by the Partnership.

D. Long-Term Debt Obligations

Capital Lease III – On February 27, 2019, the School entered a 39-month capital lease for computers. The lease qualified as a capital lease for accounting purposes; therefore, the obligation was recorded at the net present value of the future minimum lease payments. The lease was paid in full as of June 30, 2022.

Capital Lease IV – On March 1, 2020, the School entered into a 36-month capital lease for computers. The lease qualified as a capital lease for accounting purposes; therefore, the obligation was recorded at the net present value of the future minimum lease payments, totaling \$15,390 at June 30, 2022.

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, 2022:

<u>Year Ending</u> <u>June 30</u>	
2022	\$ 15,780
Total minimum lease payments	15,780
Less: Amount representing interest	<u>(390)</u>
Present value of the minimum lease payments	<u>\$ 15,390</u>

Note 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. In 2019, two of the limited partners were repaid and withdrew from the Partnership. (The repayment of advances in 2019 was not recognized in the financial statements for the year ended June 30, 2021. The repayment reduced notes receivable and notes payable by \$1,000,000, having no impact on the net position of the School.) The Partnership expects to repay the remaining advances of \$1,000,000, 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 long-term obligations.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt Obligations, Continued

Note payable for modular unit – On August 15, 2017, the School purchased the modular building it was previously leasing for a total price of \$100,096. The School entered into a promissory note agreement for \$84,000, payable in 59 equal monthly payments of \$1,589, including interest at 5%. The note had a balance of \$4,882 as of June 30, 2022 and will be paid in full as of September 2022.

Note payable for land – On August 13, 2018, the School purchased the land it was previously leasing for a total price of \$420,000. The School entered into a promissory note agreement for \$420,000, payable in 228 equal monthly payments of \$3,092, including interest at 6%. The note was paid in full during the year ended June 30, 2022.

Economic Development Revenue Bonds – On December 1, 2019, the School issued \$9,940,000 and \$385,000 in economic development revenue bonds Series 2019A and Series 2019B, respectively, with a bond discount of \$190,688. A portion of the bonds mature annually on June 15th of each year. Interest is paid semi-annually each year. The bond coupon rates range from 5.60% - 6.00%.

Economic Development Revenue Bonds – On December 10, 2021, the School issued \$10,410,000 and \$200,000 in economic development revenue bonds Series 2021A and Series 2021B, respectively, with a bond discount of \$211,845. A portion of the bonds mature annually on June 15th of each year. Interest is paid semi-annually each year. The bond coupon rates range from 4.75% - 5.25%.

These bonds are subject to covenants for debt service coverage ratio, days of cash on hand, and certain other covenants. The debt service coverage ratio of 1.15:1.0 requirement is tested on each quarter ending date. The days of cash on hand requirement of 45 days is tested as of June 30 of each year. There is a requirement that ninety percent of accounts payable balances must be no more than 60 days old and ten percent no more than 90 days old. At June 30, 2022, management believes it is in compliance with the financial bond covenants.

The annual requirements to amortize the economic development revenue bonds outstanding as of June 30, 2022, are as follows:

Year Ending June 30	Bond Principal
2023	\$ 275,000
2024	290,000
2025	305,000
2026	320,000
2027	340,000
2028 - 2032	1,955,000
2033 - 2037	2,510,000
2038 - 2042	3,255,000
2043 - 2048	4,190,000
2049 - 2053	5,820,000
2054 - 2055	5,495,000
	\$ 24,755,000

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

III. DETAILED NOTES ON ALL FUNDS, Continued

D. Long-Term Debt Obligations, continued

Interest expense for the year ended June 30, 2022 was \$939,401.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Economic development revenue bonds	\$ 10,325,000	\$ 14,610,000	\$ (180,000)	\$ 24,755,000	\$ 275,000
Unamortized bond discount	(180,624)	(211,845)	9,472	(382,997)	(9,472)
Total bonds payable	<u>10,144,376</u>	<u>14,398,155</u>	<u>(170,528)</u>	<u>24,372,003</u>	<u>265,528</u>
Note payable for modular unit	22,974	-	(18,092)	4,882	4,882
Notes payable to Partnership investors	1,000,000	-	-	1,000,000	-
Notes payable for land	384,388	-	(384,388)	-	-
Total note payable	<u>1,407,362</u>	<u>-0-</u>	<u>(402,480)</u>	<u>1,004,882</u>	<u>4,882</u>
Capital lease III	13,395	-	(13,395)	-	-
Capital lease IV	32,952	-	(17,562)	15,390	15,390
Total capital leases	<u>46,347</u>	<u>-0-</u>	<u>(30,957)</u>	<u>15,390</u>	<u>15,390</u>
Total long-term obligations	<u>\$ 11,598,085</u>	<u>\$ 14,398,155</u>	<u>\$ (603,965)</u>	<u>\$ 25,392,275</u>	<u>\$ 285,800</u>

IV. OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains a \$1,000,000 per occurrence general liability policy and a \$2,000,000 per occurrence errors and omissions policy with a commercial carrier.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

B. Employee Retirement Plan

The School maintains a retirement savings plan (“the Plan”) provided by Section 403(b) Plan of the Internal Revenue Code, which covers substantially all employees who meet eligibility requirements. Employees are eligible to participate upon employment. Employees contribute through payroll deductions to the Plan and the School matches a percentage of the employee’s contributions. These provisions were established by the Board. The School contributed \$43,341 to the Plan for the year ended June 30, 2022.

C. Commitments and Contingencies

The School participates in a number of federal and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures that may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the School's management believes such disallowances, if any, would be immaterial.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Notes to the Financial Statements
June 30, 2022

IV. OTHER INFORMATION, Continued

D. Related Parties

Through October 2020, the School had a contract with a charter school management group which delegated certain duties of the School to the partners of the group. After October 2020, the Board of Directors has retained all management responsibilities of the School. The School pays the management group for curriculum and management services. The School also reimburses the management group for certain office supplies. Effective July 1, 2021, the School entered an amended agreement with the charter school management group that provides curriculum and management services. The School pays a base fee of \$680,000 plus 15% of all gross funding, excluding student activity fees and federal grants, in excess of \$4,533,333 for each year, up to a maximum annual management fee of \$850,000 for these services. The fee is subject to renegotiation with an increase in headcount.

E. Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 25, 2022, the date the financial statements were available to be issued. There were no such events requiring recording for the year ended June 30, 2022. Effective July 1, 2022, the School became a participating employer in the South Carolina Retirement System (“SCRS”). This will allow current and future employees of the School to become members of the SCRS, which provides retirement benefits based on a member’s years of service, average final compensation, and a benefit multiplier. The School will contribute to the plan based upon required contribution rates, and employees will contribute a required percentage of gross pay.

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
1000 Revenue from local sources			
1500 Earnings on investments			
1510 Interest on investments	\$ 1,000	\$ 16,152	\$ 15,152
1700 Pupil activities			
1740 Student fees	160,000	290,562	130,562
1790 Other pupil activity income	90,000	213,704	123,704
1900 Other revenue from local sources			
1920 Contributions and donations from private sources	-	131,593	131,593
1990 Miscellaneous local revenue			
1999 Revenue from other local sources	-	71,581	71,581
Total local sources	<u>251,000</u>	<u>723,592</u>	<u>472,592</u>
3000 Revenue from state sources			
3100 Restricted state funding			
3130 Special programs			
3180 Fringe benefits employer contrib (no carryover)	-	816,195	816,195
3186 State aid to classrooms - teacher salary increase	-	48,006	48,006
3300 State Aid to classrooms - Education Finance Act (EFA)			
3310 Full-time programs			
3313 Elementary	-	199,242	199,242
3314 High school	5,986,996	4,780	(5,982,216)
3320 Part-time programs			
3323 Learning disabilities	-	45,617	45,617
3324 Hearing handicapped	-	6,466	6,466
3325 Visually handicapped	-	12,932	12,932
3327 Pre-career and career technology	-	1,863,030	1,863,030
3330 Miscellaneous EFA programs			
3332 High achieving students	-	48,232	48,232
3334 Limited english proficiency	-	3,165	3,165

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
3350 Residential Treatment Facilities (RTF)			
3351 Academic assistance	\$ -	\$ 51,875	\$ 51,875
3352 Pupils in poverty	-	122,227	122,227
3353 Dual credit enrollment	-	110,465	110,465
3392 NBC excess EFA formula	-	6,896	6,896
3900 Other state revenue			
3999 Revenue from other state sources	-	120,822	120,822
Total state sources	<u>5,986,996</u>	<u>3,459,950</u>	<u>(2,527,046)</u>
Total revenues all sources	<u>6,237,996</u>	<u>4,183,542</u>	<u>(2,054,454)</u>
EXPENDITURES			
100 Instruction			
110 General instruction			
114 High school programs			
100 Salaries	1,226,000	-	1,226,000
200 Employee benefits	234,260	228,488	5,772
300 Purchased services	-	80,439	(80,439)
400 Supplies and materials	95,000	122,206	(27,206)
500 Capital outlay	180,000	219,711	(39,711)
120 Exceptional programs			
127 Learning disabilities			
100 Salaries	75,000	-	75,000
200 Employee benefits	21,520	41,310	(19,790)
400 Supplies and materials	-	920	(920)
500 Capital outlay	-	2,025	(2,025)
Total instruction	<u>1,831,780</u>	<u>695,099</u>	<u>1,136,681</u>
200 Support services			
210 Pupil services			
212 Guidance services			
100 Salaries	282,300	-	282,300
200 Employee benefits	83,847	97,874	(14,027)

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
213 Health services			
200 Employee benefits	\$ -	\$ 18,915	\$ (18,915)
230 General administrative services			
231 Board of education			
300 Purchased services	75,000	116,639	(41,639)
318 Audit services	19,000	38,605	(19,605)
600 Other objects	52,000	39,458	12,542
233 School administration			
100 Salaries	441,700	307,518	134,182
200 Employee benefits	78,700	146,229	(67,529)
300 Purchased services	910,000	862,429	47,571
400 Supplies and materials	150,000	190,195	(40,195)
600 Other objects	12,000	-	12,000
250 Finance and operations services			
252 Fiscal services			
300 Purchased services	129,440	166,675	(37,235)
600 Other objects	7,000	1,510	5,490
253 Facilities acquisition and construction			
500 Capital outlay			
520 Construction services	-	3,558,085	(3,558,085)
254 Operation and maintenance of plant			
100 Salaries	30,000	-	30,000
200 Employee benefits	10,100	21,547	(11,447)
300 Purchased services	237,000	335,699	(98,699)
400 Supplies and materials	12,000	11,307	693
470 Energy	95,000	57,574	37,426
500 Capital outlay	200,000	21,413	178,587
255 Student transportation (state mandated)			
600 Other objects	20,000	7,179	12,821
260 Central support services			
263 Information services			
500 Capital outlay	-	8,494	(8,494)

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For Fiscal Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
266 Technology and data processing services			
200 Employee benefits	\$ -	\$ 22,138	\$ (22,138)
270 Support services - pupil activity			
271 Pupil service activities			
100 Salaries	310,900	-	310,900
200 Employee benefits	-	85,292	(85,292)
300 Purchased services	409,000	302,130	106,870
400 Supplies and materials	40,000	490,761	(450,761)
Total support services	<u>3,604,987</u>	<u>6,907,666</u>	<u>(3,302,679)</u>
500 Debt services			
319 Legal services	192,855	257,856	(65,001)
395 Other professional and technical services	-	41,620	(41,620)
610 Redemption of principal	-	582,480	(582,480)
620 Interest	605,491	939,401	(333,910)
690 Other objects (includes fees for servicing bonds)	20,000	224,643	(204,643)
Total debt services	<u>818,346</u>	<u>2,046,000</u>	<u>(1,227,654)</u>
Total expenditures	<u>6,255,113</u>	<u>9,648,765</u>	<u>(3,393,652)</u>
OTHER FINANCING SOURCES (USES)			
5400 Proceeds from long-term notes	-	14,610,000	14,610,000
Interfund transfers from (to) other funds			
421-710 Transfer to Special Revenue Fund	-	(1,377,016)	(1,377,016)
5230 Transfer from Special Revenue EIA Fund	-	3,531,363	3,531,363
Total other financing sources (uses)	<u>-</u>	<u>16,764,347</u>	<u>16,764,347</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (17,117)</u>	11,299,124	<u>\$ 11,316,241</u>
FUND BALANCE, July 1, 2021		<u>3,667,115</u>	
FUND BALANCE, June 30, 2022		<u>\$ 14,966,239</u>	

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2022

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education*</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants*</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs*</u> <u>(200s/800s)</u>	<u>Total</u>
REVENUES								
3000 Revenue from state sources								
3100 Restricted state funding								
3110 Occupational education								
3118 EEDA career specialists	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,220	\$ -	\$ 47,220
3130 Special programs								
3136 Student health/fitness - nurses	-	-	-	-	-	18,753	-	18,753
3187 Teacher supplies (no carryover)	-	-	-	-	-	6,600	-	6,600
3193 Education license plates	-	-	-	-	-	11	-	11
Total state sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,584</u>	<u>-</u>	<u>72,584</u>
4000 Revenue from federal sources								
4200 Occupational education								
4210 Perkins, Title I-CATE-basic state grants	-	24,360	-	-	-	-	-	24,360
4300 Elementary and Secondary Educ Act of 1965 (ESEA)								
4351 Supporting effective instruction	-	-	-	-	-	-	12,750	12,750
4900 Other federal sources								
4975 ESSER I (CARES Act)	-	-	-	-	-	-	45,310	45,310
4990 Other federal revenue								
4999 Revenue from other federal sources	-	-	-	-	-	-	204,555	204,555
Total federal sources	<u>-</u>	<u>24,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,615</u>	<u>286,975</u>
Total revenues all sources	<u>-</u>	<u>24,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,584</u>	<u>262,615</u>	<u>359,559</u>

* See Schedule 3 for a listing of LEA subfund codes for each program

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2022

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs</u> <u>(200s/800s)</u>	<u>Total</u>
EXPENDITURES								
100 Instruction								
110 General instruction								
111 Kindergarten programs								
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
114 High school programs								
100 Salaries	-	-	-	-	-	6,611	775,856	782,467
200 Employee benefits	-	-	-	-	-	-	73,632	73,632
120 Exceptional programs								
127 Learning disabilities								
100 Salaries	-	24,360	-	-	-	-	22,991	47,351
200 Employee benefits	-	-	-	-	-	-	2,345	2,345
Total instruction	<u>-</u>	<u>24,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,611</u>	<u>874,824</u>	<u>905,795</u>
200 Support services								
210 Pupil services								
212 Guidance services								
100 Salaries	-	-	-	-	-	47,220	147,989	195,209
200 Employee benefits	-	-	-	-	-	-	11,701	11,701
213 Health services								
100 Salaries	-	-	-	-	-	18,753	46,668	65,421
200 Employee benefits	-	-	-	-	-	-	3,934	3,934
230 General administrative services								
233 School administration								
100 Salaries	-	-	-	-	-	-	195,570	195,570
200 Employee benefits	-	-	-	-	-	-	19,949	19,949

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
For Fiscal Year Ended June 30, 2022

	<u>Title I</u> <u>(201/202)</u>	<u>IDEA</u> <u>(203/204)</u>	<u>Preschool</u> <u>Handicapped</u> <u>(205/206)</u>	<u>CATE</u> <u>(207/208)</u>	<u>Adult</u> <u>Education</u> <u>(243)</u>	<u>Other</u> <u>Designated</u> <u>Restricted</u> <u>State Grants</u> <u>(900s)</u>	<u>Other</u> <u>Special</u> <u>Revenue</u> <u>Programs</u> <u>(200s/800s)</u>	<u>Total</u>
250 Finance and operations services								
254 Operation and maintenance of plant								
100 Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,100	\$ 39,100
260 Central support services								
266 Technology/data processing services								
100 Salaries	-	-	-	-	-	-	37,100	37,100
200 Employee benefits	-	-	-	-	-	-	3,784	3,784
300 Purchased services	-	-	-	-	-	-	12,750	12,750
270 Support services - pupil activity								
271 Pupil service activities								
100 Salaries	-	-	-	-	-	-	223,466	223,466
200 Employee benefits	-	-	-	-	-	-	22,795	22,795
Total support services	-	-	-	-	-	65,973	764,806	830,779
Total expenditures	-	24,360	-	-	-	72,584	1,639,630	1,736,574
OTHER FINANCING SOURCES (USES)								
Interfund transfers from (to) other funds:								
5210 Transfer from General Fund (excludes IC)	-	-	-	-	-	-	1,377,015	1,377,015
Total other financing sources (uses)	-	-	-	-	-	-	1,377,015	1,377,015
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, July 1, 2021	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
FUND BALANCE, June 30, 2022	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Special Revenue Fund - Schedule of Program Classifications
For Year Ended June 30, 2022

<u>LEA Subfund Code</u>	<u>Program</u>	<u>Revenue</u>	<u>Revenue Code</u>
<u>OTHER RESTRICTED STATE GRANTS</u>			
928	EEDA career specialists	\$ 47,220	3118
936	Student health/fitness - nurses	18,753	3136
917	Teacher supplies (no carryover)	6,600	3187
919	Education license plates	11	3193
		<u>11</u>	
		\$ <u><u>72,584</u></u>	
<u>OTHER SPECIAL REVENUE PROGRAMS</u>			
267	Supporting effective instruction	\$ 12,750	4351
220	ESSER I (CARES Act)	45,310	4975
809	GEER Fund	204,555	4999
		<u>204,555</u>	
		\$ <u><u>262,615</u></u>	

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Special Revenue Fund
Summary Schedule for Designated State Restricted Grants
For Year Ended June 30, 2022

<u>Subfund</u>	<u>Revenue Code</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Special Revenue</u>		<u>Special Revenue Fund Unearned</u>
					<u>Interfund Transfers In/(Out)</u>	<u>Other Fund Transfers In/(Out)</u>	
928	3118	EEDA career specialists	\$ 47,220	\$ 47,220	\$ -	\$ -	\$ -
936	3136	Student health/fitness - nurses	18,753	18,753	-	-	-
917	3187	Teacher supplies (no carryover)	6,600	6,600	-	-	-
919	3193	Education license plates	11	11	-	-	-
			<u>\$ 72,584</u>	<u>\$ 72,584</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2022

REVENUES

3000 Revenue from state sources		
3500 Education improvement act		
3519 Grade 10 assessments	\$	12,512
3526 Refurbishment of science kits		1,301
3536 Student health & fitness		4,583
3538 Students at risk of school failure		38,049
3550 Teacher salary increase (no carryover)		37,613
3555 Teacher salary fringe		9,035
3577 Teacher supplies (no carryover provision)		275
3583 Charter school payments		3,531,363
3595 EEDA - supplies and materials		2,470
3597 Aid to districts		<u>31,443</u>
Total state sources		<u>3,668,644</u>
Total revenues all sources		<u>3,668,644</u>

EXPENDITURES

100 Instruction		
110 General instruction		
114 High school programs		
100 Salaries		37,613
200 Employee benefits		9,035
400 Supplies and materials		37,001
120 Exceptional programs		
127 Learning disabilities		
100 Salaries		38,049
400 Supplies and materials		<u>2,470</u>
Total instruction		<u>124,168</u>

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Education Improvement Act
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - All Programs
For Fiscal Year Ended June 30, 2022

200 Support services	
210 Pupil services	
212 Guidance services	
100 Salaries	\$ <u>13,113</u>
Total support services	<u>13,113</u>
Total expenditures	<u>137,281</u>
 OTHER FINANCING SOURCES (USES)	
Interfund transfers, from (to) other funds	
420-710 Transfer to General Fund (excludes indirect costs)	<u>(3,531,363)</u>
Total other financing sources (uses)	<u>(3,531,363)</u>
 EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	
	<u>-0-</u>
FUND BALANCE, July 1, 2021	<u>-0-</u>
FUND BALANCE, June 30, 2022	<u><u>\$ -0-</u></u>

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Education Improvement Act
Summary Schedule by Program
For Year Ended June 30, 2022

<u>PROGRAM</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>EIA Interfund Transfers In(Out)</u>	<u>Other Fund Transfers In(Out)</u>	<u>EIA Fund Unearned</u>
3500 Education Improvement Act					
3519 Grade 10 assessments	\$ 12,512	\$ 12,512	\$ -	\$ -	\$ -
3526 Refurbishment of science kits	1,301	1,301	-	-	-
3536 Student health & fitness	4,583	4,583	-	-	-
3538 Students at risk of school failure	38,049	38,049	-	-	-
3550 Teacher salary increase (no carryover)	37,613	37,613	-	-	-
3555 Teacher salary fringe	9,035	9,035	-	-	-
3577 Teacher supplies (no carryover provision)	275	275	-	-	-
3583 Charter school payments	3,531,363	-	-	(3,531,363)	-
3595 EEDA - supplies and materials	2,470	2,470	-	-	-
3597 Aid to districts	31,443	31,443	-	-	-
TOTALS	\$ 3,668,644	\$ 137,281	\$ -0-	\$ (3,531,363)	\$ -0-

GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Schedule of Due to State Department of Education/Federal Government
June 30, 2022

<u>Program</u>	<u>Grant/ Project Number</u>	<u>Revenue & Subfund Codes</u>	<u>Description</u>	<u>Amount Due to SCDOE/Federal Government</u>	<u>Status of Payments</u>
				\$ -0-	
				\$ -0-	

**GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Schedule of Findings and Responses
For Fiscal Year Ended June 30, 2022**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
• Significant weakness(es) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Section II - Financial Statement/Compliance Findings

None.

**GRAY COLLEGIATE ACADEMY, INC.
WEST COLUMBIA, SOUTH CAROLINA
Schedule of Prior Year Findings
For Fiscal Year Ended June 30, 2022**

Section I - Financial Statement Findings

None.

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

The Board of Directors
Gray Collegiate Academy, Inc.
West Columbia, South Carolina

We have audited the financial statements of Gray Collegiate Academy, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated October 25, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the 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 the 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Smith and Company CPAs PA

Greenville, South Carolina
October 25, 2022