



Landmark Academy

Kimball, Michigan

Audited Financial Statements

June 30, 2021

CONTENTS

	<u>Page</u>
Independent Auditor’s Report	i – ii
Management’s Discussion and Analysis	iii - xv
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 20
Supplementary Information	
Budgetary Comparison Schedule – General Fund	21
Combining Balance Sheet – Non-Major Funds	22
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds	23
Schedule of Revenues – General Fund	24
Schedule of Expenditures – General Fund	25 - 27

CONTENTS – Continued

	<u>Page</u>
Appendix- Federal Awards Report	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A-1 – A-2
Independent Auditor’s Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-4
Schedule of Expenditures of Federal Awards	A-5 – A-7
Reconciliation of Basic Financial Statements Federal Receivables and Revenue with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10

LANDMARK ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 2,800,879
Investments - restricted for debt service and capital projects	1,127,957
Deposits	200,000
Due from other governmental units	1,471,485
Prepaid expenses	<u>76,887</u>
Total current assets	5,677,208

Capital Assets - Net of Accumulated Depreciation

10,561,276

Total assets and deferred outflows

\$ 16,238,484

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 57,185
Security deposit	1,000,000
Unearned revenue	125,938
Other accrued expenses	671,569
Long-term debt - current portion	<u>35,419</u>
Total current liabilities	1,890,111

Long-Term Debt - Long-Term Portion

13,562,031

Net Position

Net investment in capital assets	(3,036,174)
Restricted for debt, food services, and student activities	216,194
Unrestricted	<u>3,606,322</u>
Total net position	<u>786,342</u>
Total liabilities, deferred inflows and net position	<u>\$ 16,238,484</u>

See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants</u>	<u>Net (Expense) Revenues and Changes in Net Position Government Type Activities</u>
Functions				
Instruction				
Basic programs	\$ 2,328,161	\$ -	\$ 635,196	\$ (1,692,965)
Added needs	690,129	-	686,610	(3,519)
Support services				
Pupil support services	396,836	-	225,670	(171,166)
Instructional staff support services	125,972	-	52,658	(73,314)
General administration	887,285	-	-	(887,285)
School administration	285,488	-	-	(285,488)
Business support services	671,800	-	-	(671,800)
Operations and maintenance	623,796	-	-	(623,796)
Pupil transportation services	286,361	-	-	(286,361)
Central support services	487,829	-	-	(487,829)
Athletic activities	43,231	-	-	(43,231)
Student activities	35,174	-	30,576	(4,598)
Food services	242,741	22	217,215	(25,504)
Community services	449	-	-	(449)
Unallocated depreciation	336,822	-	-	(336,822)
Unallocated interest	679,782	-	-	(679,782)
Total primary government	<u>\$ 8,121,856</u>	<u>\$ 22</u>	<u>\$ 1,847,925</u>	<u>(6,273,909)</u>
General Purpose Revenues				
State school aid - unrestricted				6,453,069
Other miscellaneous revenue				<u>120,567</u>
Total general purpose revenues				<u>6,573,636</u>
Change in net position				299,727
Net position - July 1, 2020				<u>486,616</u>
Net position - June 30, 2021				<u>\$ 786,343</u>

See accompanying notes to financial statements

LANDMARK ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

ASSETS

	General	Debt Service	Non-Major Funds	Total
Cash and cash equivalents	\$ 2,704,872	\$ -	\$ 96,007	\$ 2,800,879
Investments	-	1,127,957	-	1,127,957
Deposits	200,000	-	-	200,000
Due from other governmental units	1,461,187	-	10,298	1,471,485
Due from other funds	49,245	-	31,177	80,422
Prepaid expenses	55,219	-	21,668	76,887
	<u>\$ 4,470,523</u>	<u>\$ 1,127,957</u>	<u>\$ 159,150</u>	<u>\$ 5,757,630</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 57,185	\$ -	\$ -	\$ 57,185
Security deposit	-	1,000,000	-	1,000,000
Due to other funds	31,177	-	49,245	80,422
Unearned revenue	125,938	-	-	125,938
Other accrued expenses	649,177	-	-	649,177
	<u>863,477</u>	<u>1,000,000</u>	<u>49,245</u>	<u>1,912,722</u>

Fund Balance

Nonspendable	255,219	-	21,668	276,887
Restricted	-	127,957	88,237	216,194
Assigned	211,803	-	-	211,803
Unassigned	3,140,024	-	-	3,140,024
	<u>3,607,046</u>	<u>127,957</u>	<u>109,905</u>	<u>3,844,908</u>
Total liabilities and fund balance	<u>\$ 4,470,523</u>	<u>\$ 1,127,957</u>	<u>\$ 159,150</u>	<u>\$ 5,757,630</u>

See accompanying notes to financial statements

LANDMARK ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Fund Balances	\$ 3,844,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,389,557 and the accumulated depreciation is \$4,828,281.	10,561,276
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(22,391)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,597,450)</u>
Net Position of Governmental Activities	<u><u>\$ 786,343</u></u>

See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	General	Debt Service	Non-Major Funds	Total
Revenues				
Local sources	\$ 120,554	\$ 12	\$ 30,598	\$ 151,164
State sources	6,934,048	-	16,620	6,950,668
Federal sources	1,055,114	-	200,595	1,255,709
Interdistrict sources	64,041	-	-	64,041
Total governmental fund revenues	8,173,757	12	247,813	8,421,582
Expenditures				
Instruction				
Basic programs	2,328,161	-	-	2,328,161
Added needs	690,129	-	-	690,129
Support services				
Pupil support services	396,836	-	-	396,836
Instructional staff support services	125,972	-	-	125,972
General administration	887,285	-	-	887,285
School administration	285,488	-	-	285,488
Business support services	181,684	490,116	-	671,800
Operations and maintenance	623,796	-	-	623,796
Pupil transportation services	286,361	-	-	286,361
Central support services	487,829	-	-	487,829
Athletic activities	43,231	-	-	43,231
Student activities	-	-	35,174	35,174
Food services	-	-	242,741	242,741
Community services	449	-	-	449
Capital outlay	168,284	-	-	168,284
Debt principal and interest	29,258	13,776,018	-	13,805,276
Total governmental fund expenditures	6,534,763	14,266,134	277,915	21,078,812
Excess (deficiency) of revenues over expenditures	1,638,994	(14,266,122)	(30,102)	(12,657,230)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	13,542,984	-	13,542,984
Operating transfers in	250,660	746,386	-	997,046
Operating transfers out	(746,386)	(250,660)	-	(997,046)
Total other financing sources (uses)	(495,726)	14,038,710	-	13,542,984
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,143,268	(227,412)	(30,102)	885,754
Fund balance - July 1, 2020	2,463,778	355,369	140,007	2,959,154
Fund balance - June 30, 2021	<u>\$ 3,607,046</u>	<u>\$ 127,957</u>	<u>\$ 109,905</u>	<u>\$ 3,844,908</u>

See accompanying notes to financial statements

LANDMARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 885,754

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$ 168,284	
Depreciation and amortization expense	<u>(336,822)</u>	(168,538)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long term debt	\$ (13,542,984)	
Repayment of loan principal	13,069,545	
Amortization of bond premium	3,636	
Interest expense	<u>52,314</u>	<u>(417,489)</u>

Change in Net Position of Governmental Activities \$ 299,727

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Landmark Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Landmark Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 26, 1999, and began operation in July 1999.

In July 2019, the Academy extended its contract with Saginaw Valley State University’s Board of Control to charter a public school academy for an additional five years. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Saginaw Valley State University’s Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately \$191,000.

In July 2019, the Academy entered into a four year consulting agreement with Summit Management, LLC. Under the terms of this agreement, Summit will provide a variety of services including oversight of administration and staff and coordinate the development of budgets and financial reports. The Academy is obligated to pay Summit 8% of total state allowance plus any supplemental funding from the State of Michigan. These supplemental funds include amounts received from Coronavirus Relief and District COVID Costs. This provision shall be reviewed annually for an increase to 8% based upon Summit Management, LLC being evaluated as highly effective. There is also a 10% fee on all other revenues other than IDEA and Title funds. The total paid for these services amounted to approximately \$618,000 for the year ended June 30, 2021.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. 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. Non-major funds are aggregated and presented in a single column.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Service)- The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Special Revenue Fund (Student Activities) – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. 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 Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2021 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2021 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

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

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

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, the non-current portion of capital leases 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. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy reports unavailable revenue under a modified accrual basis of accounting, as a deferred inflow of resources in the governmental funds balance sheet. Revenues are considered unavailable if they are not received within 60 days of the Academy's year end.

Net Position

Net position represents the difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The balances shown as restricted, include \$127,957 of resources held in trust for the payment of revenue bond obligations, \$37,771 for school lunch operations, and \$50,466 for student activities.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority. The balances shown as assigned, include \$211,803 of resources held in the general fund. Both of these amounts are assigned to cover budgeted appropriations.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases* which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based upon the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2022.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. Page 21 of these financial statements details the budget to actual comparison.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 2,800,879
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>1,127,957</u>
Total deposits and investments			<u>\$ 3,928,836</u>

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The previous amounts are reported in the financial statements as follows:

	<u>Carrying Value</u>
Deposits:	
Cash - General Fund	\$ 2,704,872
Cash - Special Revenue Fund - Student Activities	<u>96,007</u>
Subtotal	2,800,879
Investments:	
Investments - Debt Service	<u>1,127,957</u>
Total deposits and investments	<u>\$ 3,928,836</u>

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2021, \$2,558,615 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2021.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

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

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,271,691
Federal sources	<u>199,794</u>
Total	<u><u>\$ 1,471,485</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets not subject to depreciation				
Land	\$ 984,050	\$ -	\$ -	\$ 984,050
Capital assets subject to depreciation				
Building	13,133,963	26,004	-	13,159,967
Equipment	661,348	142,280	-	803,628
Furniture	431,803	-	-	431,803
Software	<u>10,109</u>	<u>-</u>	<u>-</u>	<u>10,109</u>
Sub-total	15,221,273	168,284	-	15,389,557
Accumulated depreciation				
Building	3,731,951	271,842	-	4,003,793
Equipment	421,862	48,410	-	470,272
Furniture	327,537	16,570	-	344,107
Software	<u>10,109</u>	<u>-</u>	<u>-</u>	<u>10,109</u>
Sub-total	<u>4,491,459</u>	<u>336,822</u>	<u>-</u>	<u>4,828,281</u>
Total net capital assets	<u><u>\$ 10,729,814</u></u>	<u><u>\$ (168,538)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,561,276</u></u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2021:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Equipment lease 1	2.39%	Paid in full	Lease of non depreciable computer equipment.
Equipment lease 2	6.66%	February, 2024	Lease of depreciable office equipment.
Revenue bond 1	Average of 6.5%	Paid in full	Refinanced during the year ended June 30, 2021.
Revenue bond 2	5.00%	May, 2045	Issued to refinance previously issued revenue bonds. Require semi annual principal and interest payments. Secured by Academy assets and 20% pledge of State School Aid payments.

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Equipment lease 1	\$ 4,162	\$ -	\$ 4,162	\$ -	\$ -
Equipment lease 2	78,485	-	20,383	58,102	13,636
Revenue bond 1	13,045,000	-	13,045,000	-	-
Revenue bond 2	-	13,435,000	-	13,435,000	21,783
Plus unamortized premium				104,348	
Total long term debt	<u>\$ 13,127,647</u>	<u>\$ 13,435,000</u>	<u>\$ 13,069,545</u>	<u>\$ 13,597,450</u>	<u>\$ 35,419</u>

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 35,419	\$ 668,857
2023	184,643	672,786
2024	296,223	663,273
2025	366,364	648,841
2026	381,818	650,523
2027 - 2031	2,225,000	2,845,932
2032 - 2036	2,843,182	2,230,386
2037 - 2041	3,626,364	1,445,091
2041 - 2045	3,534,089	446,841

Following are minimum future lease agreements under capital leases for the next three years and in total:

2022	\$ 24,996
2023	24,996
2024	<u>13,312</u>
Subtotal	63,304
Less amount representing interest	<u>5,202</u>
Present value of minimum lease payments	<u><u>\$ 58,102</u></u>

NOTE 7 – OPERATING LEASES

Following is the Academy's summarized leasing obligations:

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Bus leases	June, 2022	\$34,300 monthly	Billed in ten installments September through June

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 – OPERATING LEASES - Continued

The approximate amount of lease obligations coming due during the next year is as follows:

2022	\$	255,000
------	----	---------

Total lease expense included in the statement of activities for the year ended June 30, 2021 amounted to \$250,766.

NOTE 8 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by Summit which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute a 3% safe harbor non-matching contribution. In addition, the employer may discretionarily match up to 4% of employee compensation in any plan year. Eligible employees may contribute up to the maximum amount allowed by the Internal Revenue Service.

NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ 250,660	\$ 746,386
Transfer Out	746,386	250,660

As stipulated by the Academy's revenue bond agreement as described in Note 6, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - RELATED PARTY TRANSACTION

Summit Management, LLC provides management services to the Academy as described in Note 1 of these financial statements. The Academy's CEO is also a member/owner of Summit Management, LLC. The board of directors is directly responsible for appointing the management firm and he is not eligible to vote for his appointment.

NOTE 12 - CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

SUPPLEMENTARY INFORMATION

LANDMARK ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 23,200	\$ 16,450	\$ 120,554	\$ 104,104
State sources	6,328,002	6,912,258	6,934,048	21,790
Federal sources	581,151	1,104,944	1,055,114	(49,830)
Interdistrict sources	35,000	50,143	64,041	13,898
Total general fund revenues	6,967,353	8,083,795	8,173,757	89,962
Expenditures				
Instruction				
Basic programs	2,934,581	2,284,430	2,328,161	43,731
Added needs	-	702,890	690,129	(12,761)
Support services				
Pupil support services	407,256	377,008	396,836	19,828
Instructional staff support services	166,724	123,733	125,972	2,239
General administration	783,000	881,940	887,285	5,345
School administration	263,361	286,022	285,488	(534)
Business support services	200,690	185,447	181,684	(3,763)
Operations and maintenance	671,274	635,838	623,796	(12,042)
Pupil transportation services	295,127	282,943	286,361	3,418
Central support services	448,336	564,937	487,829	(77,108)
Athletic activities	-	-	43,231	43,231
Community services	2,400	2,849	449	(2,400)
Capital outlay	20,000	267,992	168,284	(99,708)
Debt principal and interest	29,357	29,357	29,258	(99)
Total general fund expenditures	6,222,106	6,625,386	6,534,763	(90,623)
Excess (deficiency) of revenues over expenditures	745,247	1,458,409	1,638,994	180,585
Other Financing Sources (Uses)				
Operating transfers in	-	250,660	250,660	-
Operating transfers out	(1,233,335)	(746,386)	(746,386)	-
Total other financing sources (uses)	(1,233,335)	(495,726)	(495,726)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(488,088)	962,683	1,143,268	180,585
Fund balance - July 1, 2020	2,463,778	2,463,778	2,463,778	-
Fund balance - June 30, 2021	\$ 1,975,690	\$ 3,426,461	\$ 3,607,046	\$ 180,585

LANDMARK ACADEMY

SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2021

ASSETS

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Student Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 96,007	\$ 96,007
Due from other governmental units	10,298	-	10,298
Due from other funds	31,177	-	31,177
Prepaid expenses	-	21,668	21,668
Total assets	<u>\$ 41,475</u>	<u>\$ 117,675</u>	<u>\$ 159,150</u>

LIABILITIES AND FUND BALANCE

Liabilities

Due to other funds	\$ 3,704	\$ 45,541	\$ 49,245
--------------------	----------	-----------	-----------

Fund Balance

Nonspendable	-	21,668	21,668
Restricted	<u>37,771</u>	<u>50,466</u>	<u>88,237</u>
Total fund balance	<u>37,771</u>	<u>72,134</u>	<u>109,905</u>
Total liabilities and fund balance	<u>\$ 41,475</u>	<u>\$ 117,675</u>	<u>\$ 159,150</u>

LANDMARK ACADEMY

SUPPLEMENTARY INFORMATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE – NON-MAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds		
	Food Service	Student Activities	Total
Revenues			
Local sources	\$ 22	\$ 30,576	\$ 30,598
State sources	16,620	-	16,620
Federal sources	200,595	-	200,595
Total governmental fund revenues	217,237	30,576	247,813
Expenditures			
Support services			
Student activities	-	35,174	35,174
Food services	242,741	-	242,741
Total governmental fund expenditures	242,741	35,174	277,915
Excess (deficiency) of revenues over expenditures	(25,504)	(4,598)	(30,102)
Fund balance - July 1, 2020	63,275	76,732	140,007
Fund balance - June 30, 2021	\$ 37,771	\$ 72,134	\$ 109,905

LANDMARK ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Student activities	\$ 10,661
Other local revenues	<u>109,893</u>
Total local sources	120,554

State Sources

At risk	376,730
Special education	104,249
State aid	<u>6,453,069</u>
Total state sources	6,934,048

Federal Sources

IDEA	231,426
Title I	199,875
Title II A	33,435
Title III	550
Other program revenue	<u>589,828</u>
Total federal sources	1,055,114

Interdistrict Sources

	<u>64,041</u>
Total general fund revenues	<u>\$ 8,173,757</u>

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 1,906,214
Repairs and maintenance	5,764
Supplies and materials	414,761
Other expenditures	1,422
	<hr/>
Total basic programs	2,328,161

Added Needs

Purchased services	546,310
Repairs and maintenance	1,251
Supplies and materials	141,914
Other expenditures	654
	<hr/>
Total added needs	690,129

Pupil Support Services

Guidance services	115,415
Psychological services	4,785
Speech pathology and audiology	67,127
Social work services	163,588
Other pupil services	45,921
	<hr/>
Total pupil support services	396,836

Instructional Staff Support Services

Purchased services	124,807
Supplies and materials	1,165
	<hr/>
Total instructional staff support services	125,972

General Administration

Purchased services	884,378
Supplies and materials	288
Other expenditures	2,619
	<hr/>
Total general administration	887,285

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

School Administration

Purchased services	270,919
Repairs and maintenance	4,074
Rentals	300
Other purchased services	1,050
Supplies and materials	5,317
Other expenditures	3,828
	<hr/>
Total school administration	285,488

Business Support Services

Purchased services	165,952
Repairs and maintenance	772
Supplies and materials	4,850
Other expenditures	10,110
	<hr/>
Total business support services	181,684

Operations and Maintenance

Purchased services	300,850
Repairs and maintenance	142,904
Rentals	12,665
Other purchased services	24,155
Supplies and materials	143,222
	<hr/>
Total operations and maintenance	623,796

Pupil Transportation Services

Purchased services	277,022
Supplies and materials	9,339
	<hr/>
Total pupil transportation services	286,361

Central Support Services

Purchased services	364,789
Repairs and maintenance	26,984
Other purchased services	1,400
Supplies and materials	78,963
Other expenditures	15,693
	<hr/>
Total central support services	487,829

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

Athletic Activities

Purchased services	33,919
Other expenditures	<u>9,312</u>
Total athletic activities	43,231

Community Services

Purchased services	449
--------------------	-----

Capital Outlay

168,284

Debt Principal and Interest

29,258

Total general fund expenditures

\$ 6,534,763