

CHEROKEE CHARTER ACADEMY

**Annual Financial Report
For the Fiscal Year Ended June 30, 2022**

**Presented by Finance Department
Canton, Georgia**

CHEROKEE CHARTER ACADEMY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
of Cherokee Charter Academy
Canton, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of **Cherokee Charter Academy** (the "Academy"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Cherokee Charter Academy, as of June 30, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy 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 opinions.

Emphasis of Matter

As described in Note 12 to the financial statements, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, as of July 1, 2021. This standard significantly changed the accounting for the Academy's leases. Our opinions are not modified with respect to this matter.

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 the Academy'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.

Auditor's 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 auditor's report that includes our opinions. 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 GAAS 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 a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Academy'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 Academy'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, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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. The 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 GAAS. In our opinion, the schedule of expenditures of federal awards and the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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 the Academy's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2023

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

As management of Cherokee Charter Academy (the "Academy"), we offer readers of the Academy's basic financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal years ended June 30, 2022, and 2021.

Management's Discussion and Analysis ("MD&A") is included at the beginning of the Academy's basic financial statements to provide, in layman's terms, the current position of the Academy's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplementary information.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year's operations:

- The net position (deficit) of the Academy as of June 30, 2022, was \$(2,541,164), as compared to net position (deficit) of \$(3,541,248) as of June 30, 2021.
- As of June 30, 2022, the Academy has a fund balance of \$1,138,057 as compared to \$1,210,662 as of June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Academy's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and services rendered but unpaid).

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The Academy does not have any business-type activities. The governmental activities of the Academy primarily include instruction and instructional support services.

Fund Financial 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 Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy'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 Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances. The General Fund is considered to be the Academy's major fund.

The Academy adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the Academy's eleventh year of operations. The Academy's net position (deficit) was \$(2,541,164) at June 30, 2022. This amount represents net investment in capital assets of \$100,916 and unrestricted net position (deficit) of \$(2,642,080). The Academy's net position (deficit) was \$(3,541,248) at June 30, 2021 and of this amount \$462,168 represents net investment in capital assets (deficit), restricted net position of \$10,605 and \$(4,014,021) represents unrestricted net position (deficit).

Our analysis in the table below focuses on the net position of the Academy's governmental activities:

Cherokee Charter Academy Net Position (Deficit)		
	June 30, 2022	June 30, 2021
ASSETS		
Current and other assets	\$ 1,848,908	\$ 2,038,897
Capital assets, net of depreciation	16,945,679	462,168
Total assets	18,794,587	2,501,065
DEFERRED OUTFLOW OF RESOURCES	1,868,364	1,795,834
LIABILITIES		
Current liabilities	1,134,115	1,536,653
Long-term liabilities	18,521,233	5,411,973
Total liabilities	19,655,348	6,948,626
DEFERRED INFLOW OF RESOURCES	3,548,767	889,521
NET POSITION		
Investment in capital assets	100,916	462,168
Restricted for:		
Federal programs	-	10,605
Unrestricted (deficit)	(2,642,080)	(4,014,021)
Total net position (deficit)	<u><u>\$(2,541,164)</u></u>	<u><u>\$(3,541,248)</u></u>

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Governmental Activities

The results of the current year's operations for the Academy as a whole are reported in the statement of activities. The table below provides a condensed presentation of the Academy's revenues and expenses for fiscal years ended June 30, 2022 and 2021:

Cherokee Charter Academy Change in Net Position (Deficit)		
	June 30, 2022	June 30, 2021
REVENUES:		
General revenues	\$ 5,053,548	\$ 3,937,257
Charges for services	226,700	162,938
Operating grants and contributions	4,134,213	3,587,934
Total revenues	9,414,461	7,688,129
FUNCTIONS/PROGRAM		
EXPENSES:		
Instruction	4,594,549	3,802,625
Support services	2,702,768	3,967,978
Community service operations	211,587	551,167
Interest	905,473	-
Total expenses	8,414,377	8,321,770
Change in net position	\$ 1,000,084	\$ (633,641)

The Academy had an increase in total revenues compared to the previous year mainly due to an increase in state funding as well as higher grant revenues than the prior year. Total expenses increased due to higher instruction and interest spending. The Academy ended the year with a change in net position (deficit) that was \$1,633,725 higher than the previous year.

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2022

GOVERNMENTAL FUND EXPENDITURES

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2022		2021	
	Expenses	Percent	Expenses	Percent
Governmental expenses:				
Instruction	\$ 3,977,931	48%	\$ 3,802,625	46%
Support Services:				
Pupil services	377,152	5%	371,447	4%
School and general administration	909,458	11%	48,708	1%
Business administration	224,717	3%	810,147	10%
Maintenance and operation of plant	957,026	12%	268,458	3%
Central Support Services	40,514	0%	2,187,300	26%
Debt service	1,356,960	17%	37,033	0%
All other functions/programs	353,392	4%	796,052	10%
 Total governmental expenses	 \$ 8,197,150	 100%	 \$ 8,321,770	 100%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2022, the Academy had capital assets of \$16,945,679 net of accumulated depreciation, invested in buildings, furniture and equipment and computer equipment compared to \$17,758,418 (restated) at June 30, 2021.

Debt

At June 30, 2022, the Academy had lease liability of \$ 16,844,763 as compared to \$17,296,250 at June 30, 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were unfavorable to budget at year-end due to less State and Local funding than anticipated. Total expenditures were unfavorable to the budget mainly due to increases in instructional expenditures and pupil services. The Academy ended the year with a change in fund balance that was unfavorable to the budget by approximately \$241,951.

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In fiscal year 2022, the total per student revenue increased due to changes in the Georgia Department of Education's budget. Enrollment for fiscal year 2023 is anticipated to increase by approximately 3% which will increase total per student revenue in line with the enrollment. Schools will also benefit from the American Rescue Plan Act funds ("ARPA") that will help to address the impact of COVID-19 on schools. A 2% merit increase for all staff is included. All other expenditures are budgeted in alignment with enrollment changes and the Academy's strategic objectives.

REQUESTS FOR INFORMATION

If you have questions about this report or need additional information, please contact Myrna Laine-Hyppolite, Senior Vice President – Finance and School Accounting; Charter Schools USA; 800 Corporate Drive, Suite 700; Fort Lauderdale, Florida 33324.

CHEROKEE CHARTER ACADEMY

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,312,100
Accounts receivable	14,183
Due from other governments	502,940
Deposits	19,685
Capital assets (depreciable, net of accumulated depreciation)	16,945,679
Total assets	18,794,587
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	1,868,364
Total deferred outflows of resources	1,868,364
<u>LIABILITIES</u>	
Accounts payable	363,169
Salaries and benefits payable	329,146
Due to management company	18,536
Net pension liability	2,055,688
Lease Liability, current	390,229
Lease Liability, long-term	16,454,534
Compensated absences, due in one year	33,035
Compensated absences, due in more than one year	11,011
Total liabilities	19,655,348
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	3,548,767
Total deferred inflows of resources	3,548,767
<u>NET POSITION (DEFICIT)</u>	
Investment in capital assets	100,916
Unrestricted (deficit)	(2,642,080)
Total net position (deficit)	\$ (2,541,164)

The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 4,594,549	\$ -	\$ 3,410,863	\$ (1,183,686)
Support services:				
Pupil services	208,843	-	9,451	(199,392)
Improvement of instructional services	19,849	-	9,885	(9,964)
General administration	240,379	-	43,274	(197,105)
School administration	632,377	-	123,986	(508,391)
Business administration	224,717	-	14,741	(209,976)
Maintenance and operation of plant	984,348	-	170,776	(813,572)
Food services	352,275	1,038	351,237	-
Central support services	39,980	-	-	(39,980)
Community service operations	211,587	225,662	-	14,075
Interest	905,473	-	-	(905,473)
Total governmental activities	\$ 8,414,377	\$ 226,700	\$ 4,134,213	(4,053,464)
General revenues:				
State supplement				4,365,340
Unrestricted investment earnings				30
Forgiveness of Paycheck Protection Program Loan				688,178
Total general revenues				5,053,548
Change in net position				1,000,084
Net position (deficit) - beginning of fiscal year				(3,541,248)
Net position (deficit) - end of fiscal year				\$ (2,541,164)

The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,312,100	\$ -	\$ 1,312,100
Accounts receivable	14,183	-	14,183
Due from other governments	488,012	14,928	502,940
Interfund receivable	14,928	-	14,928
Deposits	19,685	-	19,685
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,848,908</u>	<u>\$ 14,928</u>	<u>\$ 1,863,836</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 363,169	\$ -	\$ 363,169
Due to management company	18,536	-	18,536
Interfund payable	-	14,928	14,928
Salaries and benefits payable	329,146	-	329,146
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>710,851</u>	<u>14,928</u>	<u>725,779</u>
<u>FUND BALANCES</u>			
Non-spendable:			
Deposits	19,685	-	19,685
Unassigned	1,118,372	-	1,118,372
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>1,138,057</u>	<u>-</u>	<u>1,138,057</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,848,908</u>	<u>\$ 14,928</u>	<u>\$ 1,863,836</u>

The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance - governmental funds		\$ 1,138,057
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Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental funds. These assets consist of:

Historical cost of capital assets	\$ 19,243,205	
Less accumulated depreciation and amortization	<u>(2,297,526)</u>	
Total capital assets		16,945,679

The net pension liability is not due and payable in the current period and is,
therefore, not reported in governmental funds, along with related amounts.

Net pension liability	\$ (2,055,688)	
Deferred outflows of resources - pension items	1,868,364	
Deferred inflows of resources - pension items	<u>(3,548,767)</u>	(3,736,091)

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

Long-term liabilities at year-end consist of:

Lease liability	\$ (16,844,763)	
Compensated absences	<u>(44,046)</u>	<u>(16,888,809)</u>

Net position (deficit) of governmental activities		<u>\$ (2,541,164)</u>
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The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>REVENUES</u>			
Local funds	\$ 225,662	\$ 1,038	\$ 226,700
State funds	7,402,816	-	7,402,816
Federal funds	481,375	619,157	1,100,532
Miscellaneous	6,810	-	6,810
Investment earnings	30	-	30
Total revenues	<u>8,116,693</u>	<u>620,195</u>	<u>8,736,888</u>
<u>EXPENDITURES</u>			
Current			
Instruction	3,977,931	243,985	4,221,916
Support services:			
Pupil services	377,152	3,472	380,624
Improvement of instructional services	9,964	9,885	19,849
General administration	239,317	1,062	240,379
School administration	670,141	-	670,141
Business administration	224,717	-	224,717
Maintenance and operation of plant	957,026	-	957,026
Food services	-	352,275	352,275
Central support services	40,514	78	40,592
Other outlays	211,587	-	211,587
Capital outlays - instruction	131,841	1,586	133,427
Debt service:			
Principal	451,487	-	451,487
Interest	905,473	-	905,473
Total expenditures	<u>8,197,150</u>	<u>612,343</u>	<u>8,809,493</u>
Net change in fund balance	(80,457)	7,852	(72,605)
Fund balance - beginning of fiscal year	<u>1,218,514</u>	<u>(7,852)</u>	<u>1,210,662</u>
Fund balance - end of fiscal year	<u>\$ 1,138,057</u>	<u>\$ -</u>	<u>\$ 1,138,057</u>

The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Total net change in fund balance - governmental funds	\$ (72,605)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 126,454	
Depreciation and amortization expense	<u>(939,193)</u>	(812,739)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Principal payments	451,487
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In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

759,287

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

(10,605)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Payroll protection program loan forgiveness	687,031	
Change in accrued interest	1,147	
Compensated absences	<u>(2,919)</u>	<u>685,259</u>

Change in net position of governmental activities	<u><u>\$1,000,084</u></u>
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The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)
<u>REVENUES</u>				
State funds	\$ 7,814,696	\$ 7,814,696	\$ 7,402,816	\$ (411,880)
Local funds	463,801	463,801	225,662	(238,139)
Federal funds	-	-	481,375	481,375
Miscellaneous	-	-	6,810	6,810
Investment earnings	53	53	30	(23)
Total revenues	<u>8,278,550</u>	<u>8,278,550</u>	<u>8,116,693</u>	<u>(161,857)</u>
<u>EXPENDITURES</u>				
Current				
Instruction	3,632,696	3,632,696	3,977,931	(345,235)
Support services:				
Pupil services	284,627	284,627	377,152	(92,525)
Improvement of instructional services	25,452	25,452	9,964	15,488
General administration	54,501	54,501	239,317	(184,816)
School administration	793,795	793,795	670,141	123,654
Business administration	222,509	222,509	224,717	(2,208)
Maintenance and operation of plant	2,231,158	2,231,158	957,026	1,274,132
Central support services	82,320	82,320	40,514	41,806
Other outlays	656,998	656,998	211,587	445,411
Capital outlays - instruction	133,000	133,000	131,841	1,159
Debt service:				
Principal	-	-	451,487	(451,487)
Interest	-	-	905,473	(905,473)
Total expenditures	<u>8,117,056</u>	<u>8,117,056</u>	<u>8,197,150</u>	<u>(80,094)</u>
Net change in fund balance	161,494	161,494	(80,457)	(241,951)
Fund balances - beginning	<u>1,218,514</u>	<u>1,218,514</u>	<u>1,218,514</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,380,008</u>	<u>\$ 1,380,008</u>	<u>\$ 1,138,057</u>	<u>\$ (241,951)</u>

The accompanying notes are an integral part of these financial statements.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 1: DESCRIPTION OF ACADEMY AND REPORTING ENTITY

REPORTING ENTITY

Cherokee Charter Academy, Inc. (the "Organization"), a not-for-profit organization organized under the laws of the State of Georgia doing business as Cherokee Charter Academy (the "Academy") is approved to provide educational services to students from kindergarten to eighth grade. The governing body of the Academy is comprised of a six-member Board of Directors. The Academy operates under a charter with the State Charter School Commission of Georgia (the "Commission"), which is effective until June 30, 2024.

The Academy is located in Canton, Georgia providing education for over 650 students in grades kindergarten through eighth grade.

IMPLEMENTATION OF NEW GASB STANDARDS

In the fiscal year 2022, the Academy adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, Leases. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of government's financial statements by requiring 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 on 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. The cumulative effect of GASB Statement No. 87 is described in the restatement note.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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 Academy. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy does not consider any of its activities to be business-type activities.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Government-wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Academy. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Academy's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Academy related to the administration and support of the Academy's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Internally dedicated resources are reported as general revenues rather than as program revenues. Revenues that are not classified as program revenues are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back in any unspent bond or contract proceeds.

Fund Financial Statements:

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Academy reports only one major governmental fund:

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

Additionally, the Academy reports the following non-major funds:

- The special revenue funds account for certain revenue sources that are legally restricted or committed to expenditure for specific purposes. Restricted revenues consist of federal and state grants.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The effect of interfund activity has been eliminated from the government-wide financial statements.

The basis of accounting determines when transactions are reported on the financial statements. The government-wide governmental 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 at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Academy uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Academy considers all revenues reported in the governmental funds to be available if they are collected within one hundred twenty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured and other long-term obligations which are recognized when due and payable. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Academy funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Academy's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING/MEASUREMENT FOCUS (CONTINUED)

The State of Georgia reimburses the Academy for teachers' salaries and operating costs through the Quality Basic Education ("QBE") Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, which for the Academy runs from July 16 through July 15. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the Academy over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board ("GASB") Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July salaries at June 30, and the Academy recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Grant revenues, state QBE revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period if availability criteria is met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

INTERFUND RECEIVABLES AND PAYABLES

During the course of its operations, the Academy makes transfers between funds to finance operations, provide services and acquire assets. To the extent that certain transfers between funds had not been received as of year-end, balances of interfund amounts receivable or payable have been recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. The Academy maintains a capitalization threshold of \$750 and a useful life over one year. Donated capital assets are recorded at estimated acquisition cost on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The Academy does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Furniture and equipment	3-5 years
Computer equipment	3 years
Leasehold improvements	10 years

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

COMPENSATED ABSENCES

It is the Academy's policy to permit employees to accumulate earned but unused paid time off benefits. All paid time off pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Governmental Activities report four (4) types of deferred outflows of resources related to the reporting of the net pension liability. The deferred outflows of resources being recognized are: 1) a deferred outflow of resources for changes in the Academy's proportionate share for the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions; 2) differences between expected and actual experience of the plan; 3) changes in the plan's assumptions; and 4) the Academy's actual contributions to the pension plan during the fiscal year ended June 30, 2022 which is after the measurement date and will be applied to the next future measurement period. The remaining deferred outflows will be amortized over the remaining service period of plan members.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy has one type of deferred inflows under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenue, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The Academy also has two (2) items that qualify for reporting in this category which occurs only in the governmental activities. The Governmental Activities report a deferred inflow of resources for changes in the Academy's proportionate share for the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions which is amortized over the remaining service lives of plan members. The net difference between project and actual investment earnings on the pension assets, which will be amortized over a five-year period.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia ("TRS") and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – The Academy recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Academy and is fiscally advantageous for the Academy. The policy adopted establishes guidance concerning the desired level of fiscal year-end fund balance to be maintained by the Academy and the management of fund balance levels and is applicable only to the General Fund of the Academy.

Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board ("GASB") Statement No. 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the classifications on the following page:

Non-spendable – Fund balance reported as "non-spendable" represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as "restricted" represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY (CONTINUED)

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board, as the highest level of decision making authority, will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, though the exact amount may be determined subsequently.

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available. If restricted resources are not available, the Academy’s policy is to use committed first, then assigned funds, and lastly the unassigned.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, deferred outflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Academy adopts an annual budget for its General Fund on the modified accrual basis of accounting. The budget is prepared in accordance with provisions of the Quality Basic Education Act, Official Code of Georgia Annotated ("O.C.G.A.") §20-2-167. After the Academy has tentatively adopted the budget, such budget is advertised in a local newspaper of general circulation. After public budget hearings, the budget is revised as necessary and adopted as the final budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2022.

Instruction	\$ 345,235
Support services:	
Pupil services	92,525
General administration	184,816
Business administration	2,208
Debt service:	
Principal	451,487
Interest	905,473

These excess expenditures were funded with the use of prior year fund balance.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to and not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

COLLATERALIZATION OF DEPOSITS (CONTINUED)

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either: 1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or 2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2022, the financial institution holding all of the Academy's deposits is a participant in the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the state. As of June 30, 2022, all of the Academy's bank balances were insured and/or collateralized as defined by GASB and required by state statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States Government, which are fully guaranteed by the United States Government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5: RECEIVABLES

Intergovernmental receivables consist of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed. The Georgia Department of Education is the main government agency from which these grants are receivable as of June 30, 2022.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

Governmental Activities	Balances June 30, 2021 Restated	Increases	Decreases	Balances June 30, 2022
Capital assets, being depreciated				
Cost:				
Buildings	\$ 446,336	\$ -	\$ -	\$ 446,336
Furniture and equipment	1,194,619	24,598	-	1,219,217
Computer equipment	179,546	101,856	-	281,402
Total cost	<u>1,820,501</u>	<u>126,454</u>	<u>-</u>	<u>1,946,955</u>
Less accumulated depreciation for:				
Buildings	398,107	16,486	-	414,593
Furniture and equipment	861,403	143,374	-	1,004,777
Computer equipment	98,823	27,322	-	126,145
Total accumulated depreciation	<u>1,358,333</u>	<u>187,182</u>	<u>-</u>	<u>1,545,515</u>
Total net capital assets excluding lease assets	<u>462,168</u>	<u>(60,728)</u>	<u>-</u>	<u>401,440</u>
Lease assets				
Cost:				
Right-to-use land lease	17,296,250	-	-	17,296,250
Less accumulated amortization for:				
Right-to-use land lease	-	752,011	-	752,011
Total lease assets	<u>17,296,250</u>	<u>(752,011)</u>	<u>-</u>	<u>16,544,239</u>
Total net capital assets reported on the statement of net position	<u>\$ 17,758,418</u>	<u>\$ (812,739)</u>	<u>\$ -</u>	<u>\$ 16,945,679</u>

Current fiscal year depreciation and amortization expense by function is as follows:

Instruction	\$ 911,871
Maintenance of operations and plant	27,322
Total	<u>\$ 939,193</u>

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6: CAPITAL ASSETS (CONTINUED)

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, the Academy is required to reevaluate the accounting treatment of its leasing activities. Therefore, in conjunction with the implementation of GASB Statement No. 87, a restatement of \$17,296,250 to beginning capital assets was required in governmental activities due to the guidance for reporting leases.

NOTE 7: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Academy has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Academy has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Academy's insurance coverage in any of the past three fiscal years.

NOTE 8: LONG-TERM DEBT AND OBLIGATIONS

The changes in long-term debt and obligations during the fiscal year ended June 30, 2022, were as follows:

	Beg. Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable from					
direct borrowing	\$ 687,031	\$ -	\$ (687,031)	\$ -	\$ -
Net pension liability	5,401,691	609,907	(3,955,910)	2,055,688	-
Lease liability	17,296,250	-	(451,487)	16,844,763	390,229
Compensated absences	41,127	80,082	(77,163)	44,046	33,035
Governmental activities					
Long-term liabilities	<u>\$ 23,426,099</u>	<u>\$ 689,989</u>	<u>\$ (5,171,591)</u>	<u>\$ 18,944,497</u>	<u>\$ 423,264</u>

The compensated absences, note payable and the net pension liability are liquidated through the General Fund.

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, the Academy is required to reevaluate the accounting treatment of its leasing activities. Therefore, in conjunction with the implementation of GASB Statement No. 87, a restatement of \$17,296,250 to beginning long-term liabilities was required in governmental activities due to the guidance for reporting leases.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: LONG-TERM DEBT AND OBLIGATIONS (CONTINUED)

LEASE LIABILITY

The Academy entered into a lease agreement as lessee for the use of land. An initial lease liability was recorded in the amount of \$17,296,250. As of June 30, 2022, the value of the lease liability was \$16,844,763. The Academy is required to make annual principal and interest payments following a payment schedule provided by Red Apple. The lease has an interest rate of 5.8%. The lease period extends through June 1, 2044 and the value of the right-to-use asset as of the end of the current fiscal year was \$17,296,250 and had accumulated amortization of \$752,011.

The Academy's total lease liability debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 390,229	\$ 966,731	\$ 1,356,960
2024	413,474	943,486	1,356,960
2025	438,103	918,857	1,356,960
2026	464,200	892,760	1,356,960
2027	491,851	865,109	1,356,960
2028-2032	2,935,224	3,849,576	6,784,800
2033-2037	3,919,975	2,864,825	6,784,800
2038-2042	5,235,103	1,549,697	6,784,800
2043-2044	2,556,604	157,316	2,713,920
	<u>\$ 16,844,763</u>	<u>\$ 13,008,357</u>	<u>\$ 29,853,120</u>

NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES

COMMITMENTS AND CONTINGENCIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Academy believes that such disallowances, if any, will be immaterial to its overall financial position.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2022

NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES (CONTINUED)

MANAGEMENT SERVICE COMMITMENT

The Academy entered into a formal agreement with Charter Schools USA at Cherokee, LLC to manage, staff, and operate the Academy. The agreement expires in June 2023 or the termination date of the charter, if not renewed. The contract may be cancelled by either party. Under this agreement, the management company is entitled to compensation for its services in an amount not to exceed 15% of revenues which shall be approved by the Board in the budget. During the year ended June 30, 2022, the Academy had expenditures of \$207,674 for fees to the management company, and reports liabilities of \$18,536 to the management company.

NOTE 10: RETIREMENT PLANS

GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA ("TRS")

Plan description: All teachers of the Academy as defined in O.C.G.A. §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia ("TRS"). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees ("TRS Board"). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2022. The Academy's contractually required contribution rate for the year ended June 30, 2022 was 19.81% of annual Academy payroll. Academy contributions to TRS were \$674,057 for the year ended June 30, 2022.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10: RETIREMENT PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2022, the Academy reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The Academy's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2021. At June 30, 2021, the Academy's proportion was 0.023243%, which is a decrease of 0.000944% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Academy recognized pension expense of \$84,008. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,006,891
Differences between expected and actual experience	490,553	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	305,882	541,876
Changes of assumption	397,872	-
Academy contributions subsequent to the measurement date	<u>674,057</u>	<u>-</u>
Total	<u>\$ 1,868,364</u>	<u>\$ 3,548,767</u>

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10: RETIREMENT PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Academy contributions subsequent to the measurement date of \$674,057 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year ending June 30,	
	2023	\$ (455,275)
	2024	(565,878)
	2025	(620,180)
	2026	(713,127)
Total		<u>\$ (2,354,460)</u>

Actuarial assumptions: The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00 – 8.75%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Postretirement benefit increase	1.50%, semi-annually

Postretirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Postretirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table (ages set forward one year and adjusted 106%) was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10: RETIREMENT PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class based on the most recent experience study adopted by the Board are summarized in the following table.

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.80)%
U.S. large equities	46.30	9.30
U.S. small equities	1.20	13.30
International developed market equities	11.50	9.30
International emerging market equities	6.00	11.30
Alternatives	5.00	10.60
Total	<u>100.00%</u>	

* Rates shown are net of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10: RETIREMENT PLANS (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
Academy's proportionate share of the net pension liability	\$ 5,537,480	\$ 2,055,688	\$ (797,399)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at www.trsga.com/publications.

NOTE 11: INTERFUND BALANCES

Interfund balances as of June 30, 2022 are as follows:

Payable to	Payable from	Amount
General Fund	Title I Fund	\$ 5,579
General Fund	Special Education Fund	9,349
		<u>\$ 14,928</u>

Interfund activity is comprised of grant activity paid by the General Fund on behalf of the Special Revenue Funds.

NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, the Academy is required to reevaluate the accounting treatment of its leasing activities. Therefore, in conjunction with the implementation of GASB Statement No. 87, the capital assets and long-term liabilities were restated. Although, there was no net effect on beginning fund balance or net position due to the implementation of GASB 87.

REQUIRED SUPPLEMENTARY INFORMATION

CHEROKEE CHARTER ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	
Academy's proportion of the net pension liability	0.023243%	0.022299%	0.025067%	0.028366%	
Academy's proportionate share of the net pension liability	\$ 2,055,688	\$ 5,401,691	\$ 5,390,083	\$ 5,265,337	
Academy's covered payroll	\$ 3,017,733	\$ 3,120,383	\$ 3,057,239	\$ 3,481,374	
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	68.12%	173.11%	176.31%	151.24%	
Plan fiduciary net position as a percentage of the total pension liability	92.03%	77.01%	78.56%	80.27%	
	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.024260%	0.027671%	0.028538%	0.029168%	0.025926%
Academy's proportionate share of the net pension liability	\$ 4,508,789	\$ 5,708,829	\$ 4,344,627	\$ 3,684,992	\$ 4,517,574
Academy's covered payroll	\$ 2,451,682	\$ 3,293,772	\$ 3,092,777	\$ 3,202,647	\$ 2,859,241
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	183.91%	173.32%	140.48%	115.06%	158.00%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%	Not available

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CHEROKEE CHARTER ACADEMY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2022	2021	2020	2019	2018
Contractually required contributions	\$ 674,057	\$ 575,180	\$ 659,649	\$ 638,963	\$ 585,219
Contributions in relation to the contractually required contributions	674,057	575,180	659,649	638,963	585,219
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's covered payroll	\$ 3,402,610	\$ 3,017,733	\$ 3,120,383	\$ 3,057,239	\$ 3,481,374
Contributions as a percentage of covered payroll	19.810%	19.060%	21.140%	20.900%	16.810%
	2017	2016	2015	2014	2013
Contractually required contributions	\$ 349,855	\$ 433,131	\$ 379,793	\$ 365,422	\$ 293,930
Contributions in relation to the contractually required contributions	349,855	433,131	379,793	365,422	293,930
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's covered payroll	\$ 2,451,682	\$ 3,293,772	\$ 3,092,777	\$ 3,202,647	\$ 2,859,241
Contributions as a percentage of covered payroll	14.270%	13.150%	12.280%	11.410%	10.280%

CHEROKEE CHARTER ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Change in benefit terms: There have been no changes in benefit terms.

Changes of assumptions: On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal and salary increases.

Effective with the June 30, 2018 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.50% to 7.25%, and the assumed annual rate of inflation was changed from 2.75% to 2.50%.

In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table from the RP-2000 Mortality Tables. In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

CHEROKEE CHARTER ACADEMY
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Title I Fund – This fund is used to account for the Academy’s federally funded Title I grant revenues and the related expenditures.

Title II Fund – This fund is used to account for the Academy’s federally funded Title II grant revenues and the related expenditures.

Title IV Fund – This fund is used to account for the Academy’s federally funded Title IV grant revenues and the related expenditures.

School Lunch Program Fund – This fund is used to account for the Academy’s federally funded grants and charges to students for the operation and service of the school lunch program.

Special Education Fund – This fund is used to account for the Academy’s federally funded Title VI-B Individuals with Disabilities in Education Act (“IDEA”) grant revenues and the related expenditures.

CHEROKEE CHARTER ACADEMY

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

	<u>Title I Fund</u>	<u>Title II Fund</u>	<u>Title IV Fund</u>	<u>School Lunch Program Fund</u>	<u>Special Education Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Due from other governments	\$ 5,579	\$ -	\$ -	\$ -	\$ 9,349	\$ 14,928
Total assets	<u>\$ 5,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,349</u>	<u>\$ 14,928</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Interfund payable	\$ 5,579	\$ -	\$ -	\$ -	\$ 9,349	\$ 14,928
Total liabilities	<u>5,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,349</u>	<u>14,928</u>
<u>FUND BALANCES</u>						
Unassigned fund balance	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,349</u>	<u>\$ 14,928</u>

CHEROKEE CHARTER ACADEMY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Title I Fund	Title II Fund	Title IV Fund	School Lunch Program Fund	Special Education Fund	Total
<u>REVENUES</u>						
Local funds	\$ -	\$ -	\$ -	\$ 1,038	\$ -	\$ 1,038
Federal funds	100,058	15,251	14,034	351,237	138,577	619,157
Total revenues	100,058	15,251	14,034	352,275	138,577	620,195
<u>EXPENDITURES</u>						
Current						
Instruction	98,057	4,800	3,431	-	137,697	243,985
Support services:						
Pupil services	337	-	3,135	-	-	3,472
Improvement of instructional services	-	9,389	496	-	-	9,885
General administration	-	1,062	-	-	-	1,062
Food services	-	-	-	352,275	-	352,275
Central support services	78	-	-	-	-	78
Capital outlay	1,586	-	-	-	-	1,586
Total expenditures	100,058	15,251	7,062	352,275	137,697	612,343
Net change in fund balance	-	-	6,972	-	880	7,852
Fund balance (deficit) - beginning of fiscal year	-	-	(6,972)	-	(880)	(7,852)
Fund balance - end of fiscal year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COMPLIANCE SECTION



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

**To the Members of the Board
of Cherokee Charter Academy
Canton, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Cherokee Charter Academy (the "Academy"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cherokee Charter Academy's basic financial statements, and have issued our report thereon dated February 28, 2023. Our report includes a reference to the changes in accounting principle resulting from the implementation of the Governmental Accounting Standards Board Statement No. 87, *Leases*.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Academy's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2023



CPAs & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Members of the Board
of Cherokee Charter Academy
Canton, Georgia**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cherokee Charter Academy's (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2023

CHEROKEE CHARTER ACADEMY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass- Through Entity ID Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Georgia Department of Education and Nutrition Program:			
Food Services			
School Breakfast Program	10.553	205GA324N1199	\$ 51,430
National School Snack Program	10.555	205GA324N1099	299,807
Total Child Nutrition Cluster			351,237
Total U.S. Department of Agriculture			351,237
U.S. DEPARTMENT OF EDUCATION:			
Passed through Georgia Department of Education:			
Title I Programs - Improving Academic Achievement	84.010	S010A200010	100,058
Total Title I, Part A			100,058
Title II Part A Programs - Improving Teacher Quality	84.367	S367A200001	15,251
Total Title II, Part A			15,251
Title IV - Part A, Student Support and Academic Enrichment	84.424	S424A200011	14,034
Title VI Part B - Special Ed Ages 3-5	84.173	H173A200081	2,541
Title VI Part B - Special Ed Flowthrough	84.027	H027A200073	138,577
Total Special Education Cluster			141,118
COVID-19: Charter School Program COVID Relief	84.282	S282A200012	13,347
Total Charter Schools Programs			13,347
Education Stabilization Fund ("ESSER")			
COVID-19: CARES Act Elementary and Secondary School Emergency Relief Fund Grant	84.425D	S425D200012	5,979
COVID-19: ESSER III - Retention Bonus	84.425U	S425U200012	459,507
Total Education Stabilization Fund ("ESSER")			465,486
Total U.S. Department of Education			749,294
Total Expenditures of Federal Awards			\$ 1,100,531

Notes to the Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cherokee Charter Academy and is presented on the modified accrual basis of accounting.

The Academy did not utilize the 10% de minimis indirect cost rate.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CHEROKEE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the
financial statements audited were prepared in
accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

 X yes no

Significant deficiencies identified?

 X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Type of auditor’s report issued on compliance for
major programs

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of major programs:

Assistance Listing Number

84.425D & 84.425U

Name of Federal Program or Cluster

COVID-19 Elementary & Secondary
School Emergency Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

CHEROKEE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings and Responses

2022-001 Revenues and Related Balances - Repeat

Criteria: Internal controls should be in place to ensure that revenues are appropriately recognized, including any related receivables.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the Academy's revenues and related receivables.

Context/Cause: During our testing of revenues and related receivables, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The Title I Fund required an audit adjustment of approximately \$6,000 to record a receivable and interfund payables related to federal funding expended as of year-end but not recorded.
- The Special Education Fund required an audit adjustment of approximately \$9,000 to record a receivable and interfund payables related to federal funding expended as of year-end but not recorded.

Effects: Audit adjustments totaling approximately \$15,000 were needed to correctly report revenues and related balances.

Recommendation: We recommend the Academy carefully review all revenue and related receivable accounts to ensure all necessary transactions are reported in the proper period, proper fund and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

CHEROKEE CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings and Responses

2022-002 Timely Reporting of Accurate Financial Information

Criteria: Timely and accurate financial reporting of all funds included in the financial statements of the Academy to facilitate informed financial decisions by the Academy's management and those with oversight of management is imperative.

Condition: Internal controls and available resources were not sufficient to facilitate the accurate, timely reporting of the Academy's overall financial position and results of operations as of and for the fiscal year ended June 30, 2022.

Context/Cause: The Academy did not complete its year-end closing process to provide final trial balances and the necessary subsidiary ledgers for its funds for the fiscal year ended June 30, 2022 for auditing until October of 2022. Additionally, several subsidiary listings and schedules were not provided until November and December of 2022.

Effects: The Academy was unable to report accurate financial information on either an accrual or modified accrual basis, as appropriate, in a timely manner.

Recommendation: We recommend management implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that the financial information is reported more timely.

CHEROKEE CHARTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section III – Federal Award Findings and Questioned Costs

None reported

CHEROKEE CHARTER ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2022

Status of Prior Year Findings

2021-001 Revenues and Related Balances

Criteria: Internal controls should be in place to ensure that revenues are appropriately recognized, including any related receivables.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the Academy's revenues and related receivables.

Status: See 2022-001



2022-001 Revenues and Related Receivables

Name of the Contact Person Responsible for the Corrective Action Plan: Nadia Butler, Assistant Controller

Corrective Action Plan:

The following is the corrective action plan to assure all revenues and receivables are recorded accurately and timely. We have established monthly meetings to evaluate and discuss pending grant reimbursement requests as well as future drawdowns. The monthly reconciliation of the grant revenues and expenses are reviewed by the Accounting Manager and Assistant Controller. The accountant will establish an organized method for tracking all grant revenues and the accompanying DE147 from the GADOE website. Our Grant manager facilitates the documentation provided by the SOA in a timely manner and helps monitor the budget spending and grant utilization. The DE147 downloads must match the reimbursements being submitted so that no adjustments are needed once the actual revenue is disbursed. All revenue is being verified each month against the amounts received and all current year expenses will have offsetting grant revenues. Grant reimbursement backup will continue to be saved in the designated folder for ease of access and audit readiness. The unavailable revenue period has been extended to 120 days to allow for the proper revenue recognition to align with the State of Georgia and avoid future revenue recognition related issues.

Anticipated Completion Date: June 30, 2023



2022-002 Timely Reporting of Accurate Financial Information

Name of the Contact Person Responsible for the Corrective Action Plan: Nadia Butler, Assistant Controller

Corrective Action Plan:

The following is the corrective action plan to ensure timely reporting of accurate financial information. We have identified the timeline constraints in our year end close process and have established set deadlines to assure accurate and timely reporting of financial information. We have also established strong internal controls with consistent account reconciliations and additional layers of review managed by the Accounting Manager and Assistant Controller. These reconciliations will also be reviewed by the Controller on a quarterly basis and prior to final submission to the auditor. In addition, we will continue to optimize our Oracle based accounting system that will allow us to ultimately streamline reporting and provide greater flexibility to analyze data and ensure the accuracy and timeliness of all financial reporting.

Anticipated Completion Date: June 30, 2023