

CHEROKEE CHARTER ACADEMY

**Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

**Presented by Finance Department
Canton, Georgia**

CHEROKEE CHARTER ACADEMY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Cherokee Charter Academy, as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, the Academy implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard significantly changed the accounting for the Academy's fiduciary activities. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee Charter Academy's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022 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 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
April 6, 2022

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021 and 2020.

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, 2021 was \$(3,541,248), as compared to net position (deficit) of \$(3,040,198) as of June 30, 2020.
- As of June 30, 2021, the Academy has a fund balance of \$1,210,662, as compared to \$1,854,907 as of June 30, 2020.

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, 2021

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 changes in fund balances. The General Fund is 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, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the Academy's tenth year of operations. The Academy's net position (deficit) was \$(3,541,248) at June 30, 2021. This amount represents net investment in capital assets of \$462,168, restricted net position of \$10,605 and unrestricted net position (deficit) of \$(4,014,021). The Academy's net position was \$(3,040,198) at June 30, 2020 and of this amount \$179,075 represents net investment in capital assets and \$(3,219,273) 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)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Current and other assets	\$ 2,038,897	\$ 2,235,385
Capital assets, net of depreciation	<u>462,168</u>	<u>179,075</u>
Total assets	<u>2,501,065</u>	<u>2,414,460</u>
DEFERRED OUTFLOW OF RESOURCES	<u>1,795,834</u>	<u>1,921,570</u>
LIABILITIES		
Current liabilities	1,536,653	716,291
Long-term liabilities	<u>5,411,973</u>	<u>5,785,367</u>
Total liabilities	<u>6,948,626</u>	<u>6,501,658</u>
DEFERRED INFLOW OF RESOURCES	<u>889,521</u>	<u>874,570</u>
NET POSITION		
Investment in capital assets	462,168	179,075
Restricted for:		
Federal programs	10,605	-
Unrestricted (deficit)	<u>(4,014,021)</u>	<u>(3,219,273)</u>
Total net position (deficit)	<u>\$ (3,541,248)</u>	<u>\$ (3,040,198)</u>

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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, 2021 and 2020:

Cherokee Charter Academy Change in Net Position (Deficit)		
	June 30, 2021	June 30, 2020
REVENUES:		
General revenues	\$ 3,937,257	\$ 4,461,755
Charges for services	162,938	111,874
Operating grants and contributions	3,587,934	3,650,630
Total revenues	7,688,129	8,224,259
FUNCTIONS/PROGRAM		
EXPENSES:		
Instruction	3,802,625	4,203,040
Support services	3,967,978	3,616,352
Community service operations	551,167	57,000
Interest	-	1,147
Total expenses	8,321,770	7,877,539
Change in net position	\$ (633,641)	\$ 346,720

The Academy had a decrease in total revenues compared to the previous year mainly due to a decrease in general revenues for state supplement funding. Total expenses increased due to higher costs in support services spending. The Academy ended the year with a change in net position (deficit) that was approximately \$847,800 lower than the previous year.

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

GOVERNMENTAL FUND EXPENDITURES

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

Functions/Programs	2021		2020	
	Expenses	Percent	Expenses	Percent
Governmental expenses:				
Instruction	\$ 3,802,625	47%	\$ 4,203,040	53%
Support Services:				
Pupil services	371,447	4%	305,750	4%
Educational media services	48,708	1%	-	0%
School and general administration	810,147	10%	565,508	7%
Business administration	268,458	3%	277,964	4%
Maintenance and operation of plant	2,187,300	27%	2,221,983	28%
Central Support Services	37,033	0%	83,340	1%
Interest	-	0%	1,147	0%
All other functions/programs	796,052	10%	218,807	3%
	<u>\$ 8,321,770</u>	<u>100%</u>	<u>\$ 7,877,539</u>	<u>100%</u>
Total governmental expenses				

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2021, the Academy had capital assets of \$462,168 net of accumulated depreciation, invested in buildings, furniture and equipment and computer equipment compared to \$179,075 at June 30, 2020.

Debt

At June 30, 2021, the Academy had an outstanding loan payable of \$687,031 due to receiving a loan through the Paycheck Protection Program ("PPP") provision created by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues were favorable to budget by approximately \$442,000. The Academy ended the year with Federal funding that was not budgeted and slightly higher local funding. Total expenditures were higher than budgeted mainly due to higher personnel costs resulting in an unfavorable variance in instructional expenditures as well as higher than budgeted expenditures for school administration and capital outlays - instruction. Overall, the Academy ended the year with a change in fund balance that was favorable to the budget by approximately \$16,000.

CHEROKEE CHARTER ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In fiscal year 2021, the total per student revenue decreased due to changes in the Georgia Department of Education's budget. However, enrollment for fiscal year 2022 is anticipated to increase by approximately 12% 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. Grant revenue will remain at fiscal year 2021 levels. 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 33334.

CHEROKEE CHARTER ACADEMY

**STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
<hr/>	
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,360,301
Accounts receivable	10,107
Due from other governments	639,073
Prepaid items	9,731
Deposits	19,685
Capital assets (depreciable, net of accumulated depreciation)	462,168
Total assets	<u>2,501,065</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	1,795,834
Total deferred outflows of resources	<u>1,795,834</u>
 <u>LIABILITIES</u>	
Accounts payable	277,815
Accrued liabilities	1,147
Salaries and benefits payable	453,424
Due to management company	86,391
Note payable, due within one year	687,031
Net pension liability	5,401,691
Compensated absences, due in one year	30,845
Compensated absences, due in more than one year	10,282
Total liabilities	<u>6,948,626</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	889,521
Total deferred inflows of resources	<u>889,521</u>
 <u>NET POSITION (DEFICIT)</u>	
Investment in capital assets	462,168
Restricted for:	
Federal programs	10,605
Unrestricted (deficit)	<u>(4,014,021)</u>
Total net position (deficit)	<u><u>\$ (3,541,248)</u></u>

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

CHEROKEE CHARTER ACADEMY

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 4,026,119	\$ -	\$ 2,676,005	\$ (1,350,114)
Support services:				
Pupil services	398,433	-	4,000	(394,433)
Improvement of instructional services	9,953	-	500	(9,453)
Educational media services	48,708	-	-	(48,708)
General administration	42,050	-	75,287	33,237
School administration	776,034	-	125,670	(650,364)
Business administration	268,458	-	-	(268,458)
Maintenance and operation of plant	2,205,254	-	484,094	(1,721,160)
Food services	234,932	12,805	222,083	(44)
Central support services	38,258	-	295	(37,963)
Community service operations	140,980	150,133	-	9,153
Total governmental activities	<u>\$ 8,189,179</u>	<u>\$ 162,938</u>	<u>\$ 3,587,934</u>	<u>(4,438,307)</u>
General revenues:				
State supplement				3,937,136
Unrestricted investment earnings				121
Total general revenues				3,937,257
Change in net position				(501,050)
Net position (deficit) - beginning of fiscal year, restated				(3,040,198)
Net position (deficit) - end of fiscal year				<u>\$ (3,541,248)</u>

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

CHEROKEE CHARTER ACADEMY

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

	General Fund	Other Governmental Funds	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,360,301	\$ -	\$ 1,360,301
Accounts receivable	10,107	-	10,107
Due from other governments	577,343	61,730	639,073
Interfund receivable	61,730	-	61,730
Deposits	19,685	-	19,685
Prepaid items	9,731	-	9,731
Total assets	<u>\$ 2,038,897</u>	<u>\$ 61,730</u>	<u>\$ 2,100,627</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 277,815	\$ -	\$ 277,815
Due to management company	86,391	-	86,391
Interfund payable	-	61,730	61,730
Salaries and benefits payable	453,424	-	453,424
Total liabilities	<u>817,630</u>	<u>61,730</u>	<u>879,360</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenues	<u>2,753</u>	<u>7,852</u>	<u>10,605</u>
Total deferred inflows of resources	<u>2,753</u>	<u>7,852</u>	<u>10,605</u>
<u>FUND BALANCES</u>			
Non-spendable:			
Prepaid items	9,731	-	9,731
Deposits	19,685	-	19,685
Unassigned	1,189,098	(7,852)	1,181,246
Total fund balance	<u>1,218,514</u>	<u>(7,852)</u>	<u>1,210,662</u>
Total liabilities and fund balances	<u>\$ 2,038,897</u>	<u>\$ 61,730</u>	<u>\$ 2,100,627</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, 2021

Total fund balance - governmental funds		\$ 1,210,662
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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	\$ 1,820,501	
Less accumulated depreciation	<u>(1,358,333)</u>	
Total capital assets		462,168

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	\$ (5,401,691)	
Deferred outflows of resources - pension items	1,795,834	
Deferred inflows of resources - pension items	<u>(889,521)</u>	(4,495,378)

Receivables not collected within 60 days of fiscal year-end are not considered
available and are deferred inflows of resources on the governmental funds'
balance sheet but are recognized as revenue on the government-wide
statement of net position.

10,605

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:

Note payable	\$ (687,031)	
Accrued interest payable	(1,147)	
Compensated absences	<u>(41,127)</u>	<u>(729,305)</u>

Net position (deficit) of governmental activities		<u>\$ (3,541,248)</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, 2021

	General Fund	Other Governmental Funds	Total
REVENUES			
Local funds	\$ 150,133	\$ 12,805	\$ 162,938
State funds	6,649,227	-	6,649,227
Federal funds	424,282	440,956	865,238
Investment earnings	122	-	122
Total revenues	<u>7,223,764</u>	<u>453,761</u>	<u>7,677,525</u>
EXPENDITURES			
Current			
Instruction	3,615,203	187,422	3,802,625
Support services:			
Pupil services	367,447	4,000	371,447
Improvement of instructional services	8,573	1,380	9,953
Educational media services	48,708	-	48,708
General administration	42,050	-	42,050
School administration	767,217	880	768,097
Business administration	268,458	-	268,458
Maintenance and operation of plant	2,187,300	-	2,187,300
Food services	44	234,888	234,932
Central support services	36,738	295	37,033
Other outlays	124,677	16,303	140,980
Capital outlays - instruction	393,742	16,445	410,187
Total expenditures	<u>7,860,157</u>	<u>461,613</u>	<u>8,321,770</u>
Net change in fund balance	(636,393)	(7,852)	(644,245)
Fund balance - beginning of fiscal year, restated	<u>1,854,907</u>	-	<u>1,854,907</u>
Fund balance - end of fiscal year	<u>\$ 1,218,514</u>	<u>\$ (7,852)</u>	<u>\$ 1,210,662</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, 2021

Total net change in fund balance - governmental funds	\$ (644,245)
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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	\$ 417,159	
Depreciation expense	<u>(134,066)</u>	283,093

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. (152,295)

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.

Compensated absences	<u>1,792</u>
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Change in net position of governmental activities	<u>\$ (501,050)</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, 2021

	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
State funds	\$ 6,653,177	\$ 6,653,177	\$ 6,649,227	\$ (3,950)
Local funds	128,949	128,949	150,133	21,184
Federal funds	-	-	424,282	424,282
Investment earnings	123	123	122	(1)
Total revenues	<u>6,782,249</u>	<u>6,782,249</u>	<u>7,223,764</u>	<u>441,515</u>
EXPENDITURES				
Current				
Instruction	3,325,815	3,325,815	3,615,203	(289,388)
Support services:				
Pupil services	462,727	462,727	367,447	95,280
Improvement of instructional services	14,355	14,355	8,573	5,782
Educational media services	-	-	48,708	(48,708)
General administration	57,081	57,081	42,050	15,031
School administration	537,514	537,514	767,217	(229,703)
Business administration	264,040	264,040	268,458	(4,418)
Food services	94,800	94,800	44	94,756
Maintenance and operation of plant	2,253,553	2,253,553	2,187,300	66,253
Central support services	67,855	67,855	36,738	31,117
Other outlays	70,567	70,567	124,677	(54,110)
Capital outlays - instruction	<u>294,125</u>	<u>294,125</u>	<u>393,742</u>	<u>(99,617)</u>
Total expenditures	<u>7,442,432</u>	<u>7,442,432</u>	<u>7,860,157</u>	<u>(417,725)</u>
Net change in fund balance	(660,183)	(660,183)	(636,393)	23,790
Fund balances - beginning, restated	<u>1,854,907</u>	<u>1,854,907</u>	<u>1,854,907</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,194,724</u>	<u>\$ 1,194,724</u>	<u>\$ 1,218,514</u>	<u>\$ 23,790</u>

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

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2021

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 2021, the Academy adopted Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. As noted in the Restatement of Net Position and Fund Balance note disclosure, the Academy restated beginning net position and beginning fund balance for the General Fund for the cumulative effect of this accounting change.

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, 2021

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, 2021**

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 sixty 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, 2021**

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, 2021

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, 2021**

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 five (5) 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; 4) the net difference between project and actual investment earnings on the pension assets, which will be amortized over a five-year period; and 5) the Academy's actual contributions to the pension plan during the fiscal year ended June 30, 2021 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 one (1) item that qualifies 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.

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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, 2021.

Instruction	\$	289,388
Support services:		
Educational media services		48,708
School administration		229,703
Business administration		4,418
Other outlays		54,110
Capital outlays - instruction		106,589

These excess expenditures were funded with savings in other functions, and revenues collected in excess of anticipated levels.

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, 2021

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, 2021, 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, 2021, 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, 2021**

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, 2021.

NOTE 6: CAPITAL ASSETS

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

Governmental Activities	Balances June 30, 2020	Increases	Decreases	Balances June 30, 2021
Capital assets, being depreciated:				
Furniture, fixtures, and equipment	\$ 446,336	\$ -	\$ -	\$ 446,336
Computer equipment	777,460	417,159	-	1,194,619
Leasehold improvements	179,546	-	-	179,546
Total	<u>1,403,342</u>	<u>417,159</u>	<u>-</u>	<u>1,820,501</u>
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	384,804	13,303	-	398,107
Computer equipment	758,594	102,809	-	861,403
Leasehold improvements	80,869	17,954	-	98,823
Total	<u>1,224,267</u>	<u>134,066</u>	<u>-</u>	<u>1,358,333</u>
Governmental activities capital assets, net	<u>\$ 179,075</u>	<u>\$ 283,093</u>	<u>\$ -</u>	<u>\$ 462,168</u>

Current fiscal year depreciation expense by function is as follows:

Instruction	\$ 116,112
Maintenance of Operations and Plant	<u>17,954</u>
	<u>\$ 134,066</u>

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.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: LONG-TERM DEBT AND OBLIGATIONS

The changes in long-term debt and obligations during the fiscal year ended June 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable from					
direct borrowing	\$ 687,031	\$ -	\$ -	\$ 687,031	\$ 687,031
Compensated absences	42,919	105,142	(106,934)	41,127	30,845
Net pension liability	5,390,083	973,608	(962,000)	5,401,691	-
Governmental activities					
Long-term liabilities	<u>\$ 6,120,033</u>	<u>\$ 1,078,750</u>	<u>\$ (1,068,934)</u>	<u>\$ 6,129,849</u>	<u>\$ 717,876</u>

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

Note Payable – Direct Borrowing

In May 2020, the Academy entered into a loan payable agreement of \$687,031 with the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”) provision created by the Coronavirus Aid, Relief, and Economic Security Act (“CARES”) Act. The note bears interest at 1% and matures in April 2022. Per the terms of the note payable, the first six months of principal and interest payments are deferred, with interest accruing, then converting to monthly principal and interest payments, amortized over eighteen months, with all remaining unpaid principal and accrued interest due and payable 24 months from the date of the note. At June 30, 2021, the outstanding balance was \$687,031. The Academy expects to meet any provisions for loan forgiveness within the next fiscal year.

The debt service requirements to maturity are as follows:

Fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 687,031	\$ 8,342	\$ 695,373
	<u>\$ 687,031</u>	<u>\$ 8,342</u>	<u>\$ 695,373</u>

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES

COMMITMENTS AND CONTINGENCY

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.

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, 2021, the Academy had expenditures of \$247,222 for fees to the management company, and reports liabilities of \$86,391 to the management company.

OPERATING LEASE AGREEMENT

The Academy has entered into a non-cancellable lease agreement for the building which the school utilizes. The lease period extends through June 30, 2034 with a company affiliated with the management company. The lease payments made during the fiscal year ended June 30, 2021 were \$1,295,866. The terms of the lease are adjusted each year, effective July 1, to adjust the lease rental payments by the changes in the Wall Street Journal published Consumer Price Index. The adjusted annual rental payment for the fiscal year ended June 30, 2021 will reflect an increase of 1.01%. Based on the current adjustment, the future minimum lease payments would be as follows:

Year Ending June 30,	Annual Lease Payments
2022	\$ 1,304,234
2023	1,312,656
2024	1,321,132
2025	1,329,663
2026	1,338,249
2027-2031	6,821,989
2032-2034	4,199,832
Total	<u>\$ 17,627,755</u>

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 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 2021. The Academy's contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual Academy payroll. Academy contributions to TRS were \$575,180 for the year ended June 30, 2021.

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

At June 30, 2021, the Academy reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the Academy's proportion was 0.022299%, which is an decrease of 0.002768% from its proportion measured as of June 30, 2019.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2021, the Academy recognized pension expense of \$676,022. At June 30, 2021, 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
Net difference between projected and actual earnings on pension plan investments	\$ 130,101	\$ -
Differences between expected and actual experience	235,245	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	298,928	889,521
Changes of assumption	556,380	-
Academy contributions subsequent to the measurement date	575,180	-
Total	<u>\$ 1,795,834</u>	<u>\$ 889,521</u>

Academy contributions subsequent to the measurement date of \$575,180 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, 2022. 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,
2022	\$ (13,616)
2023	204,350
2024	93,506
2025	46,893
Total	<u>\$ 331,133</u>

CHEROKEE CHARTER ACADEMY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: RETIREMENT PLANS (CONTINUED)

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

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 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
Post-retirement benefit increase	1.50%, semi-annually

Post-retirement 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. Post-retirement 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.

The actuarial assumptions used in the June 30, 2019 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 table on the following page.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: RETIREMENT PLANS (CONTINUED)

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
U.S. large equities	51.00	8.90
U.S. small equities	1.50	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Total	100.00%	

* 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.

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	\$ 8,565,792	\$ 5,401,691	\$ 2,808,035

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 publically available at www.trsga.com/publications.

CHEROKEE CHARTER ACADEMY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11: INTERFUND BALANCES

Interfund balances as of June 30, 2021 are as follows:

<u>Payable to</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 61,730
		<u>\$ 61,730</u>

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

NOTE 12: SUBSEQUENT EVENT

On November 22, 2021, under provisions of the Paycheck Protection Program ("PPP"), the \$687,031 loan balance, including accrued interest of \$1,147, was forgiven by the Small Business Administration.

NOTE 13: PRIOR PERIOD ADJUSTMENT

In conjunction with the implementation of GASB Statement No. 84, *Fiduciary Activities*, the Academy is required to reevaluate the accounting treatment of fiduciary activities. The new standard requires the Academy to determine if funds are considered custodial funds under the new definitions of GASB Statement No. 84. Therefore, in conjunction with the implementation of GASB Statement No. 84, the following restatements were required to the beginning fund balance of the General Fund and net position of governmental activities to properly report the Academy's student activities.

Fund balance, General Fund, as previously reported	\$ 1,856,353
Restatement for implementation of GASB No. 84	28,251
Fund balance, beginning of year, as restated	<u>\$ 1,884,604</u>

	<u>Governmental Activities</u>
Net position, governmental activities, as previously reported	\$ (4,434,080)
Restatement for implementation of GASB No. 84	28,251
Net position, beginning of year, as restated	<u>\$ (4,405,829)</u>

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, 2021

	2021	2020	2019	2018
Academy's proportion of the net pension liability	0.022299%	0.025067%	0.028366%	0.024260%
Academy's proportionate share of the net pension liability	\$ 5,401,691	\$ 5,390,083	\$ 5,265,337	\$ 4,508,789
Academy's covered payroll	\$ 3,120,383	\$ 3,057,239	\$ 3,481,374	\$ 2,451,682
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	173.11%	176.31%	151.24%	183.91%
Plan fiduciary net position as a percentage of the total pension liability	77.01%	78.56%	80.27%	79.33%
	2017	2016	2015	2014
Academy's proportion of the net pension liability	0.027671%	0.028538%	0.029168%	0.025926%
Academy's proportionate share of the net pension liability	\$ 5,708,829	\$ 4,344,627	\$ 3,684,992	\$ 4,517,574
Academy's covered payroll	\$ 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	173.32%	140.48%	115.06%	158.00%
Plan fiduciary net position as a percentage of the total pension liability	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, 2021

	2021	2020	2019	2018	2017
Contractually required contributions	\$ 575,180	\$ 659,649	\$ 638,963	\$ 585,219	\$ 349,855
Contributions in relation to the contractually required contributions	575,180	659,649	638,963	585,219	349,855
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's covered payroll	\$ 3,017,733	\$ 3,120,383	\$ 3,057,239	\$ 3,481,374	\$ 2,451,682
Contributions as a percentage of covered payroll	19.060%	21.140%	20.900%	16.810%	14.270%
	2016	2015	2014	2013	2012
Contractually required contributions	\$ 433,131	\$ 379,793	\$ 365,422	\$ 293,930	\$ 215,544
Contributions in relation to the contractually required contributions	433,131	379,793	365,422	293,930	215,544
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Academy's covered payroll	\$ 3,293,772	\$ 3,092,777	\$ 3,202,647	\$ 2,859,241	\$ 2,096,732
Contributions as a percentage of covered payroll	13.150%	12.280%	11.410%	10.280%	10.280%

CHEROKEE CHARTER ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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, 2021

	Title I Fund	Title II Fund	Title IV Fund	School Lunch Program Fund	Special Education Fund	Total
<u>ASSETS</u>						
Due from other governments	\$ 12,620	\$ 5,951	\$ 12,201	\$ -	\$ 30,958	\$ 61,730
Total assets	<u>\$ 12,620</u>	<u>\$ 5,951</u>	<u>\$ 12,201</u>	<u>\$ -</u>	<u>\$ 30,958</u>	<u>\$ 61,730</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Interfund payable	\$ 12,620	\$ 5,951	\$ 12,201	\$ -	\$ 30,958	\$ 61,730
Total liabilities	<u>12,620</u>	<u>5,951</u>	<u>12,201</u>	<u>-</u>	<u>30,958</u>	<u>61,730</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenues	-	-	6,972	-	880	7,852
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>6,972</u>	<u>-</u>	<u>880</u>	<u>7,852</u>
<u>FUND BALANCES</u>						
Unassigned fund balance	-	-	(6,972)	-	(880)	(7,852)
Total fund balance	<u>-</u>	<u>-</u>	<u>(6,972)</u>	<u>-</u>	<u>(880)</u>	<u>(7,852)</u>
Total liabilities and fund balances	<u>\$ 12,620</u>	<u>\$ 5,951</u>	<u>\$ 12,201</u>	<u>\$ -</u>	<u>\$ 30,958</u>	<u>\$ 61,730</u>

CHEROKEE CHARTER ACADEMY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Title I Fund	Title II Fund	Title IV Fund	School Lunch Program Fund	Special Education Fund	Total
REVENUES						
Local funds	\$ -	\$ -	\$ -	\$ 12,805	\$ -	\$ 12,805
Federal funds	69,639	13,451	9,429	222,083	126,354	440,956
Total revenues	<u>69,639</u>	<u>13,451</u>	<u>9,429</u>	<u>234,888</u>	<u>126,354</u>	<u>453,761</u>
EXPENDITURES						
Current						
Instruction	62,214	11,951	13,401	-	99,856	187,422
Support services:						
Pupil services	-	1,000	3,000	-	-	4,000
Improvement of instructional services	-	500	-	-	880	1,380
School administration	-	-	-	-	880	880
Food services	-	-	-	234,888	-	234,888
Central support services	-	-	-	-	295	295
Other outlays	-	-	-	-	16,303	16,303
Capital outlay:	7,425	-	-	-	9,020	16,445
Total expenditures	<u>69,639</u>	<u>13,451</u>	<u>16,401</u>	<u>234,888</u>	<u>127,234</u>	<u>461,613</u>
Net change in fund balance	-	-	(6,972)	-	(880)	(7,852)
Fund balance - beginning of fiscal year	-	-	-	-	-	-
Fund balance - end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,972)</u>	<u>\$ -</u>	<u>\$ (880)</u>	<u>\$ (7,852)</u>

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 the Cherokee Charter Academy (the "Academy"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cherokee Charter Academy's basic financial statements, and have issued our report thereon dated April 6, 2022. Our report includes a reference to the changes in accounting principle resulting from the implementation of the Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 Response to the Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
April 6, 2022



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

We have audited Cherokee Charter Academy's (the "Academy") compliance with the types of compliance requirements described 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, 2021. The Academy's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
April 6, 2022

CHEROKEE CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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	\$ 42,300
National School Snack Program	10.555	205GA324N1099	179,783
Total Child Nutrition Cluster			222,083
Total U.S. Department of Agriculture			222,083
U.S. DEPARTMENT OF EDUCATION:			
Passed through Georgia Department of Education:			
Title I Programs - Improving Academic Achievement	84.010	S010A200010	69,639
Total Title I, Part A			69,639
Title II Part A Programs - Improving Teacher Quality	84.367	S367A200001	13,451
Total Title II, Part A			13,451
Title IV - Part A, Student Support and Academic Enrichment	84.424	S424A200011	9,429
Title VI Part B - Special Ed Ages 3-5	84.173	H173A200081	1,500
Title VI Part B - Special Ed Flowthrough	84.027	H027A200073	124,854
Total Special Education Cluster			126,354
COVID-19: Charter School Program COVID Relief	84.282	S282A200012	73,873
Total Charter Schools Programs			73,873
Education Stabilization Fund ("ESSER")			
COVID-19: CARES Act Elementary and Secondary School Emergency Relief Fund Grant	84.425D	S425D200012	49,316
COVID-19: ESSER II - CRRSA Act - LEA	84.425D	S425D200012	229,078
COVID-19: ESSER III - Retention Bonus	84.425U	S425U200012	72,015
Total Education Stabilization Fund ("ESSER")			350,409
Total U.S. Department of Education			643,155
Total Expenditures of Federal Awards			\$ 865,238

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, 2021

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?

yes X 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, 2021

Section II – Financial Statement Findings and Responses

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.

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 General Fund required an audit adjustment of approximately \$61,000 to reduce unavailable revenue, reduce intergovernmental receivables and adjust interfund balances for grant receivables improperly recorded.
- The General Fund required an audit adjustment of approximately \$8,000 to move expenditures to a special revenue fund to report grant related expenditures in the proper fund.
- The Title I Fund required an audit adjustment of approximately \$13,000 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 \$30,000 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 \$1,000 to move expenditures from the General Fund to report grant related expenditures in the proper fund.
- The Title II 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 Title IV Fund required an audit adjustment of approximately \$18,000 to record a receivable and interfund payables related to federal funding expended as of year-end but not recorded.
- The Title IV Fund required an audit adjustment of approximately \$7,000 to move expenditures from the General Fund to report grant related expenditures in the proper fund.

Effects: Audit adjustments totaling approximately \$144,000 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, 2021

Section III – Federal Award Findings and Questioned Costs

None reported

CHEROKEE CHARTER ACADEMY

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

Status of Prior Year Findings

2020-001 Accounting for Long-term Debt

Criteria: Internal controls should be in place to ensure that amounts recorded as long-term debt and related transactions are recorded in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the Academy's long-term debt and related balances.

Condition: Corrected.



2021-001 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 between the grants team and accounting team to evaluate qualified grant expenditures as well as discuss timing of when grant funds will be drawn down.

The accountant for the Academy has established a process for tracking all grant revenues along with proper support, including details of type of grant funding and what expenditures are covered to ensure proper coding. We have established a date by which all qualified grant expenditures must be reported to the accountant so that there is ample time to record necessary receivables for amounts not yet collected.

In addition, as part of the monthly close process, the reconciliation and recording of the grant revenues and expenditures is reviewed by the Accounting Manager and Assistant Controller.

Anticipated Completion Date: March 31, 2022