

THE GREENSPIRE SCHOOL

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Greenspire School

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 The Greenspire School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Greenspire School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 The Greenspire School, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of The Greenspire School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Greenspire School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering The Greenspire School's internal control over financial reporting and compliance.

Manes Costeiran PC

September 24, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of The Greenspire School’s (the “Academy”) annual financial report presents our discussion and analysis of the public school Academy’s financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

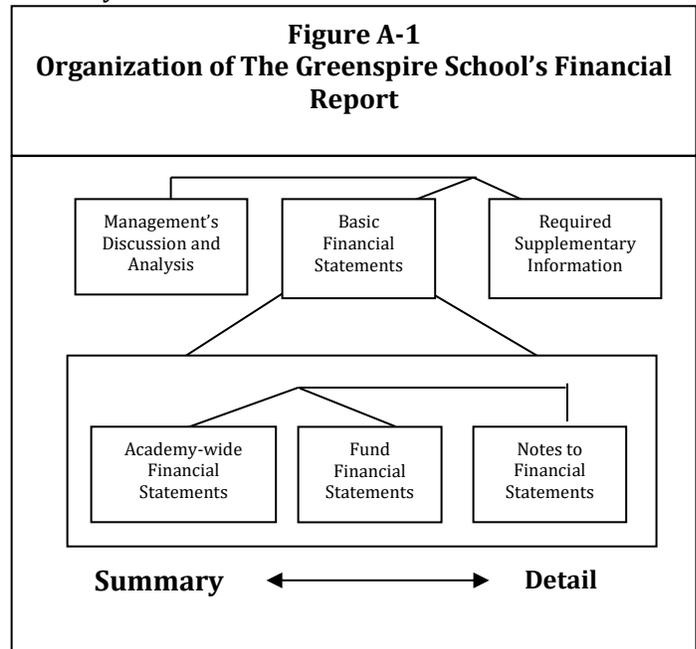
Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$56,210 in the ninth year of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy’s operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Academy-wide and Fund Financial Statements

| | Academy-wide statements | Governmental funds |
|--|--|---|
| Scope | Entire Academy (except fiduciary funds) | All activities of the Academy that are not fiduciary |
| Required financial statements | * Statement of net position * Statement of activities | * Balance sheet * Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

Academy-wide statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy's basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

Fund financial statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Governmental funds - Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the Academy as a whole

Net position - the Academy's combined net position of \$502,090 increased by \$66,265 during the year. See Figures A-3 and A-4.

The total revenues amounted to \$1,177,252 in the Academy's ninth year of operations. The state aid foundation allowance included in revenue from state sources accounts for approximately 87% of the Academy's revenue.

The total cost of instruction amounted to \$587,297. Total support service amounted to \$417,897.

Academy governmental activities

| Figure A-3 | | |
|---|-------------------|-------------------|
| The Greenspire School's Net Position | | |
| | 2020 | 2019 |
| Current assets | \$ 377,487 | \$ 485,008 |
| Capital assets | 1,617,484 | 1,642,466 |
| Total assets | <u>1,994,971</u> | <u>2,127,474</u> |
| Other liabilities | 174,079 | 337,810 |
| Long-term liabilities | 1,318,802 | 1,353,839 |
| Total liabilities | <u>1,492,881</u> | <u>1,691,649</u> |
| Net position | | |
| Net investment in capital assets | 298,682 | 288,627 |
| Unrestricted | 203,408 | 147,198 |
| Total net position | <u>\$ 502,090</u> | <u>\$ 435,825</u> |

| Figure A-4 | | |
|--|------------------|------------------|
| Changes in The Greenspire School's Net Position | | |
| | 2020 | 2019 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 62,187 | \$ 2,285 |
| Operating grants | 57,999 | 55,382 |
| General revenues | | |
| State aid - unrestricted | 1,042,043 | 1,036,748 |
| Other | 15,023 | 73,286 |
| Total revenues | <u>1,177,252</u> | <u>1,167,701</u> |
| Expenses | | |
| Instruction | 587,297 | 616,328 |
| Support services | 417,897 | 411,679 |
| Interest expense | 69,587 | 58,384 |
| Outgoing transfers and other | - | 4,725 |
| Unallocated depreciation | 36,206 | 35,316 |
| Total expenses | <u>1,110,987</u> | <u>1,126,432</u> |
| Change in net position | <u>\$ 66,265</u> | <u>\$ 41,269</u> |

Financial analysis of the Academy's funds

The Academy's fund balance increased by \$56,210 in its ninth year of operations. Instruction expenditures amounted to \$595,301 and support service expenditures amounted to \$409,389. Instruction expenditures decreased slightly due to the Academy's closure due to COVID-19, support service had a small increase related to the GASB 84 implementation.

General fund budgetary highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

The Academy's final budget for the general fund anticipated expenditures and transfers out would exceed revenues by \$4,870. The actual results for the year showed revenue over expenditures of \$56,210.

Actual revenues were \$45,352 less than budgeted.

Actual expenditures and transfers were \$106,432 less than budget, due primarily to grants and staffing.

By the end of the year ended June 30, 2020, the Academy had invested \$1,617,484 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a decrease of \$24,982 from the beginning of the year. Total depreciation expense for the year was \$49,844. More detailed information about capital assets can be found in Note 3 of the financial statements.

The Academy's capital assets are as follows:

| Figure A-5 | | | | |
|---|---------------------|-------------------------------------|---------------------------|---------------------------|
| The Greenspire School's Capital Assets | | | | |
| | 2020 | | | 2019 |
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value |
| Land | \$ 206,316 | \$ - | \$ 206,316 | \$ 206,316 |
| Construction in progress | 7,512 | - | 7,512 | 7,512 |
| Buildings and improvements | 1,569,523 | 206,618 | 1,362,905 | 1,396,276 |
| Technology and equipment | 123,510 | 82,759 | 40,751 | 32,362 |
| Total | <u>\$ 1,906,861</u> | <u>\$ 289,377</u> | <u>\$ 1,617,484</u> | <u>\$ 1,642,466</u> |

At year end the Academy had \$1,318,802 of long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 6 of the financial statements. During 2019 - 2020, the Academy repaid \$42,517 of long-term debt.

| | 2020 | 2019 |
|------------------------|---------------------|---------------------|
| Land contract | \$ 364,150 | \$ 378,904 |
| Construction loan | 948,045 | 974,935 |
| Energy Efficiency Loan | 6,607 | - |
| | <u>\$ 1,318,802</u> | <u>\$ 1,353,839</u> |

Factors bearing on the Academy’s future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- Enrollment is at capacity based on the existing plant; plans for future middle school expansion to support demand for enrollment are being developed at the board level.
- Plans for a high school expansion starting with 9th and 10th grades beginning fall of 2021.
- Our special education caseload is growing and subject to consistent monitoring as additional students potentially qualify for special services. As the caseload grows, the need to increase human resources in this area will also grow. The position grew from part-time to full-time in 2015 - 2016 and remains as a single FTE for 2019 - 2021. A single FTE special education assistant position was added for the 2020-2021 school year to serve a student that requires 1:1.
- The COVID-19 pandemic has required that the school buy required cleaning supplies, purchase additional Chromebooks for 1:1 use, purchase smaller and more flexible furniture, and software and hardware to facilitate our remote learning option.

The Board of Directors and management have taken appropriate steps to control cost. Primary consideration was given to maintaining the educational integrity of the program.

Contacting the Academy’s Financial Management

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional information, contact: The Greenspire School, 1026 Red Drive, Traverse City, MI 49684. We can be reached by phone at (231) 421-5905.

BASIC FINANCIAL STATEMENTS

**THE GREENSPIRE SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2020**

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 164,421 |
| Intergovernmental receivable | 212,097 |
| Prepays | 969 |
| Capital assets not being depreciated | 213,828 |
| Capital assets, net of accumulated depreciation | 1,403,656 |
| TOTAL ASSETS | 1,994,971 |
| LIABILITIES | |
| Accounts payable | 9,277 |
| Unearned revenue | 17,692 |
| Accrued expenditures | 17,110 |
| State aid note payable | 130,000 |
| Noncurrent liabilities | |
| Due within one year | 40,158 |
| Due in more than one year | 1,278,644 |
| TOTAL LIABILITIES | 1,492,881 |
| NET POSITION | |
| Net investment in capital assets | 298,682 |
| Unrestricted | 203,408 |
| TOTAL NET POSITION | \$ 502,090 |

See notes to financial statements.

**THE GREENSPIRE SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Governmental</u> |
|--|---------------------|-------------------------|------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Activities</u> |
| | | <u>Services</u> | <u>Grants</u> | <u>Net (Expense)</u> |
| | | | | <u>Revenue and</u> |
| | | | | <u>Changes in</u> |
| | | | | <u>Net Position</u> |
| Governmental activities | | | | |
| Instruction | \$ 587,297 | \$ - | \$ 54,342 | \$ (532,955) |
| Support services | 417,897 | 62,187 | 3,657 | (352,053) |
| Interest and fees | 69,587 | - | - | (69,587) |
| Unallocated depreciation | 36,206 | - | - | (36,206) |
| Total governmental activities | <u>\$ 1,110,987</u> | <u>\$ 62,187</u> | <u>\$ 57,999</u> | <u>(990,801)</u> |
| General revenues | | | | |
| Investment earnings | | | | 566 |
| State sources | | | | 1,042,043 |
| Traverse Bay Area ISD | | | | 14,457 |
| Total general revenues | | | | <u>1,057,066</u> |
| CHANGE IN NET POSITION | | | | 66,265 |
| NET POSITION, beginning of year | | | | <u>435,825</u> |
| NET POSITION, end of year | | | | <u>\$ 502,090</u> |

See notes to financial statements.

**THE GREENSPIRE SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

| | General Fund |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 164,421 |
| Intergovernmental receivable | 212,097 |
| Prepays | 969 |
| TOTAL ASSETS | \$ 377,487 |
| LIABILITIES | |
| Accounts payable | \$ 9,277 |
| Unearned revenue | 17,692 |
| Accrued expenditures | 17,110 |
| State aid note payable | 130,000 |
| TOTAL LIABILITIES | 174,079 |
| FUND BALANCE | |
| Nonspendable | |
| Prepays | 969 |
| Assigned for subsequent year expenditures | 2,396 |
| Unassigned | 200,043 |
| TOTAL FUND BALANCE | 203,408 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 377,487 |
| Total governmental fund balances | \$ 203,408 |
| 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 are not reported in the funds: | |
| The cost of the capital assets is | \$ 1,906,861 |
| Accumulated depreciation is | (289,377) |
| | 1,617,484 |
| Long-term liabilities that are not due and payable in the current period and are not reported in the funds: | |
| Notes from direct borrowings and direct placements | (1,318,802) |
| Net position of governmental activities | \$ 502,090 |

See notes to financial statements.

**THE GREENSPIRE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

| | General Fund |
|--|-------------------------|
| REVENUES | |
| Local sources | \$ 62,754 |
| State sources | 1,066,022 |
| Federal sources | 34,019 |
| Incoming transfers and other | 21,937 |
| Total revenues | 1,184,732 |
| EXPENDITURES | |
| Current | |
| Instruction | |
| Basic programs | 467,177 |
| Added needs | 128,124 |
| Total instruction | 595,301 |
| Support services | |
| Instructional staff | 3,851 |
| General administration | 303,747 |
| School administration | 5,383 |
| Business services | 24,587 |
| Operation and maintenance | 48,983 |
| Pupil transportation | 1,298 |
| Central services | 4,968 |
| Support services | 16,572 |
| Total support services | 409,389 |
| Debt service | |
| Principal | 42,517 |
| Interest | 69,587 |
| Total debt service | 112,104 |
| Capital outlay | 11,728 |
| Total expenditures | 1,128,522 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 56,210 |
| FUND BALANCE | |
| Beginning of year | 147,198 |
| End of year | \$ 203,408 |

See notes to financial statements.

**THE GREENSPIRE SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balance total governmental funds \$ 56,210

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

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

| | |
|----------------------|----------|
| Depreciation expense | (49,844) |
| Capital outlay | 24,862 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

| | |
|------------------------------------|---------|
| Issuance of Energy Efficiency Loan | (7,480) |
| Payments on debt | 42,517 |
| | 42,517 |

Change in net position of governmental activities \$ 66,265

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

The Greenspire School (the "Academy") is a public school academy as part of the Michigan Public School system under Public Act No. 362 of 1993. Effective July 1, 2019, Grand Valley State University became the authorizing governing body to charter the public school through June 30, 2026. The Academy's Board of Directors is approved by the authorizing body for the Academy and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for the fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

The Academy reports the following major governmental fund:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the Academy Aid Act and the Academy Code of Michigan. The Michigan Department of Education administers the allocation of state funds to academies based on information supplied by the Academies. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principle Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as intergovernmental receivables.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Academy Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information (continued)

2. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
3. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Academy Board of Directors.
4. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The Academy does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

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

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Academy or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital assets

Capital assets, which include property, building and technology and equipment as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

| <u>Capital Asset Classes</u> | <u>Lives</u> |
|------------------------------|--------------|
| Building and improvements | 20 - 50 |
| Technology and equipment | 5 - 20 |

Deferred outflows/inflows 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/ expenditure) until then. The Academy has no items that qualify for reporting in this category.

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net position flow assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund balance flow assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2020, the Academy's bank balance of \$166,585 was not exposed to additional custodial credit risk as it was fully covered by federal depository insurance.

At June 30, 2020, the carrying amount is as follows:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | <u>\$ 164,421</u> |
|---------------------------|-------------------|

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

| | Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--------------------------------------|--------------------------|--------------------|-------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 206,316 | \$ - | \$ - | \$ 206,316 |
| Construction in progress | 7,512 | - | - | 7,512 |
| | <u>213,828</u> | <u>-</u> | <u>-</u> | <u>213,828</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 1,569,523 | - | - | 1,569,523 |
| Technology and equipment | 98,648 | 24,862 | - | 123,510 |
| | <u>1,668,171</u> | <u>24,862</u> | <u>-</u> | <u>1,693,033</u> |
| Accumulated depreciation | | | | |
| Buildings and improvements | 173,247 | 33,371 | - | 206,618 |
| Technology and equipment | 66,286 | 16,473 | - | 82,759 |
| | <u>239,533</u> | <u>49,844</u> | <u>-</u> | <u>289,377</u> |
| Total accumulated depreciation | <u>239,533</u> | <u>49,844</u> | <u>-</u> | <u>289,377</u> |
| Net capital assets being depreciated | <u>1,428,638</u> | <u>(24,982)</u> | <u>-</u> | <u>1,403,656</u> |
| Net governmental capital assets | <u>\$ 1,642,466</u> | <u>\$ (24,982)</u> | <u>\$ -</u> | <u>\$ 1,617,484</u> |

Depreciation for the fiscal year ended June 30, 2020 amounted to \$49,844 and was charged as follows:

| | |
|------------------|------------------|
| Instruction | \$ 5,130 |
| Support services | 8,508 |
| Unallocated | <u>36,206</u> |
| Total | <u>\$ 49,844</u> |

NOTE 4 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2020, the Academy has one outstanding state aid anticipation note in the amount of \$130,000, which has an interest rate of 4.10% and matures April 18, 2021. Proceeds of the note were used to fund school operations. The note is secured by the full faith and credit of the Academy as well as pledged as state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2020 is as follows:

| Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--------------------------|-------------------|---------------------|--------------------------|
| <u>\$ 135,000</u> | <u>\$ 130,000</u> | <u>\$ (135,000)</u> | <u>\$ 130,000</u> |

THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - NOTE PAYABLE

During the year ended June 30, 2020, the Academy paid off the note payable in full.

| Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--------------------------|-----------|--------------|--------------------------|
| \$ 119,995 | \$ - | \$ (119,995) | \$ - |

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2020.

| | Notes from Direct Borrowings and Direct Placements | | | Total |
|---------------------------|---|------------------|------------------------------|--------------|
| | Construction Loan | Land Contract | Energy Efficiency Loan | |
| Balance June 30, 2019 | \$ 974,935 | \$ 378,904 | \$ - | \$ 1,353,839 |
| Additions | - | - | 7,480 | 7,480 |
| Deletions | (26,890) | (14,754) | (873) | (42,517) |
| Balance June 30, 2020 | 948,045 | 364,150 | 6,607 | 1,318,802 |
| Due within one year | 25,670 | 12,992 | 1,496 | 40,158 |
| Due in more than one year | \$ 922,375 | \$ 351,158 | \$ 5,111 | \$ 1,278,644 |

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2020 is comprised of the following issues:

Notes from Direct Borrowings and Direct Placements:

Construction Loan - March 2019 mortgage with the original amount of \$982,000 to be paid in monthly installments of \$6,522 including interest through March 15, 2024 with an interest rate of 5.00%. The remaining portion will be due upon the maturity. \$ 948,045

Land Contract - July 2013 purchase of land and improvements. Loan due in monthly installments of \$2,375 including interest through July 1, 2038 with an interest rate of 4.00%. 364,150

Energy Efficiency Loan - November 2019 energy efficiency project. Loan due in monthly installments of \$125 through November 5, 2024 with 0% interest rate. 6,607

Total general long-term obligations \$ 1,318,802

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,318,802 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2020 are as follows:

| Year Ending June 30, | Notes from Direct Borrowings and Direct Placements | | | | | | Total |
|-------------------------|--|-------------------|-------------------|-------------------|------------------------|-------------|---------------------|
| | Building Mortgage | | Land Contract | | Energy Efficiency Loan | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2021 | \$ 25,670 | \$ 47,577 | \$ 12,992 | \$ 13,135 | \$ 1,496 | \$ - | \$ 100,870 |
| 2022 | 32,241 | 46,018 | 14,727 | 13,776 | 1,496 | - | 108,258 |
| 2023 | 33,914 | 44,345 | 15,327 | 13,176 | 1,496 | - | 108,258 |
| 2024 | 856,220 | 32,140 | 15,952 | 12,551 | 1,496 | - | 918,359 |
| 2025 | - | - | 16,602 | 11,901 | 623 | - | 29,126 |
| 2026 - 2030 | - | - | 93,728 | 48,788 | - | - | 142,516 |
| 2031 - 2035 | - | - | 114,448 | 28,068 | - | - | 142,516 |
| 2036 - 2039 | - | - | 80,374 | 5,030 | - | - | 85,404 |
| | <u>\$ 948,045</u> | <u>\$ 170,080</u> | <u>\$ 364,150</u> | <u>\$ 146,425</u> | <u>\$ 6,607</u> | <u>\$ -</u> | <u>\$ 1,635,307</u> |

Interest expense for the year ended June 30, 2020 was approximately \$70,000.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OVERSIGHT FEES

The Academy paid an administrative oversight fee of 3% of its state school aid to Grand Valley State University, as set forth by contract, to reimburse the School District for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2020, the Academy incurred expense of approximately \$30,502 for oversight fees.

NOTE 8 - MANAGEMENT AGREEMENT

The Academy had entered into an annual (renewable at the end of each 12 month period) management agreement with Traverse City Area Public Schools for operations of the Academy. Under the terms of the management agreement, TCAPS' compensation for operating the Academy was \$15,000 for the fiscal year 2020.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

**THE GREENSPIRE SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------------|-------------------|-------------------------------|
| REVENUES | | | | |
| Local | \$ 62,200 | \$ 65,691 | \$ 62,754 | \$ (2,937) |
| State sources | 1,091,060 | 1,106,496 | 1,066,022 | (40,474) |
| Federal sources | 19,000 | 34,917 | 34,019 | (898) |
| Incoming transfers and other | 11,000 | 22,980 | 21,937 | (1,043) |
| Total revenues | <u>1,183,260</u> | <u>1,230,084</u> | <u>1,184,732</u> | <u>(45,352)</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Basic programs | 513,775 | 526,602 | 467,177 | 59,425 |
| Added needs | 119,876 | 140,158 | 128,124 | 12,034 |
| Total instruction | <u>633,651</u> | <u>666,760</u> | <u>595,301</u> | <u>71,459</u> |
| Support services | | | | |
| Instructional staff | 6,500 | 5,710 | 3,851 | 1,859 |
| General administration | 323,015 | 320,946 | 303,747 | 17,199 |
| School administration | 6,720 | 6,720 | 5,383 | 1,337 |
| Business | 21,800 | 25,300 | 24,587 | 713 |
| Operation and maintenance | 53,958 | 53,209 | 48,983 | 4,226 |
| Pupil transportation | 1,500 | 1,500 | 1,298 | 202 |
| Central services | 5,000 | 12,500 | 4,968 | 7,532 |
| Other support services | 13,100 | 20,000 | 16,572 | 3,428 |
| Total support services | <u>431,593</u> | <u>445,885</u> | <u>409,389</u> | <u>36,496</u> |
| Debt service | | | | |
| Principal | 44,073 | 43,507 | 42,517 | 990 |
| Interest | 67,600 | 65,501 | 69,587 | (4,086) |
| Total debt service | <u>111,673</u> | <u>109,008</u> | <u>112,104</u> | <u>(3,096)</u> |
| Capital outlay | | | | |
| Total expenditures | <u>1,181,917</u> | <u>1,234,954</u> | <u>1,128,522</u> | <u>106,432</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | <u>1,343</u> | <u>(4,870)</u> | <u>56,210</u> | <u>61,080</u> |
| NET CHANGE IN FUND BALANCE | | | | |
| | <u>\$ 1,343</u> | <u>\$ (4,870)</u> | <u>56,210</u> | <u>\$ 61,080</u> |
| FUND BALANCE | | | | |
| Beginning of year | | | <u>147,198</u> | |
| End of year | | | <u>\$ 203,408</u> | |

**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 Board of Directors
The Greenspire School

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Greenspire School as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Greenspire School's basic financial statements and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Manes Costeiran PC

September 24, 2020

September 24, 2020

To the Board of Education
The Greenspire School

We have audited the financial statements of The Greenspire School for the year ended June 30, 2020, and have issued our report thereon dated September 24, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of The Greenspire School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The Greenspire School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Greenspire School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the The Greenspire School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the The Greenspire School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education and management of The Greenspire School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC