

THE GREENSPIRE SCHOOL
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 30, 2019, 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 30, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of The Greenspire School’s (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, 2019. 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 \$47,609 in the eighth 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.

Fiduciary fund statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.

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.

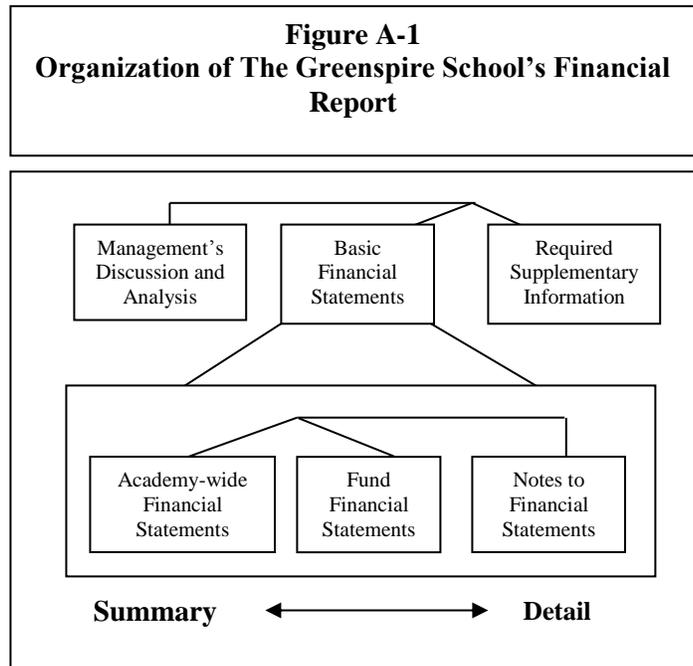


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Academy-wide statements	Governmental funds	Fiduciary Funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary assets and liabilities
Accounting basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both short-term and long-term, the Academy's funds do not currently contain capital assets, although they can.
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	All additions and deductions during the year, regardless of when cash is received or paid

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 \$435,825 increased by \$41,269 during the year. See Figures A-3 and A-4.

The total revenues amounted to \$1,167,701 in the Academy’s eighth 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 \$616,328. Total support service amounted to \$411,679.

Academy governmental activities

Figure A-3		
The Greenspire School's Net Position		
	2019	2018
Current assets	\$ 485,008	\$ 430,581
Capital assets	1,642,466	1,681,874
Total assets	<u>2,127,474</u>	<u>2,112,455</u>
Other liabilities	337,810	330,992
Long-term liabilities	1,353,839	1,386,907
Total liabilities	<u>1,691,649</u>	<u>1,717,899</u>
Net position:		
Net investment in capital assets	288,627	294,967
Unrestricted	147,198	99,589
Total net position	<u>\$ 435,825</u>	<u>\$ 394,556</u>

**Figure A-4
Changes in The Greenspire School's Net Position**

	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 2,285	\$ 126
Operating grants	55,382	23,913
General revenues:		
State aid - unrestricted	1,036,748	948,933
Other	73,286	71,390
Total revenues	<u>1,167,701</u>	<u>1,044,362</u>
Expenses:		
Instruction	616,328	508,077
Support services	411,679	346,890
Interest expense	58,384	55,238
Outgoing transfers and other	4,725	-
Unallocated depreciation	35,316	34,237
Total expenses	<u>1,126,432</u>	<u>944,442</u>
Change in net position	<u>\$ 41,269</u>	<u>\$ 99,920</u>

Financial analysis of the Academy's funds

The Academy's fund balance increased by \$47,609 in its eighth year of operations. Instruction expenditures amounted to \$613,249 and support service expenditures amounted to \$394,039. Both increased due to the increase in the number of students attending the Academy.

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 revenues would exceed expenditures and transfers out by \$4,921. The actual results for the year showed revenue over expenditures of \$47,609.

Actual revenues were \$11,937 less than budgeted.

Actual expenditures and transfers were \$54,625 less than budget, due primarily to grants.

By the end of the year ended June 30, 2019, the Academy had invested \$1,642,466 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a decrease of \$39,408 from the beginning of the year. Total depreciation expense for the year was \$48,120. 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				
	2019			2018
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 206,316	\$ -	\$ 206,316	\$ 206,316
Construction in progress	7,512	-	7,512	-
Buildings and improvements	1,569,523	173,247	1,396,276	1,429,646
Technology and equipment	98,648	66,286	32,362	45,912
Total	<u>\$ 1,881,999</u>	<u>\$ 239,533</u>	<u>\$ 1,642,466</u>	<u>\$ 1,681,874</u>

At year end the Academy had \$1,353,839 of long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 6 of the financial statements. During 2018 - 2019, the Academy repaid \$42,183 of long-term debt.

Figure A-6		
The Greenspire School's Long Term Debt		
	2019	2018
Land contract	\$ 378,904	\$ 391,967
Construction loan	974,935	994,940
	<u>\$ 1,353,839</u>	<u>\$ 1,386,907</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 expansion to support demand for enrollment are being developed at the board level with enrollment expansions planned for the 2021-2022 academic year
- Our special education caseload is stable but 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.

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, 2019**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 135,667
Investments	131,716
Intergovernmental receivable	215,066
Prepays	2,559
Capital assets not being depreciated	213,828
Capital assets, net of accumulated depreciation	1,428,638
TOTAL ASSETS	2,127,474
LIABILITIES:	
Accounts payable	10,827
Unearned revenue	7,275
Accrued expenditures	64,713
State aid note payable	135,000
Note payable	119,995
Noncurrent liabilities:	
Due within one year	43,807
Due in more than one year	1,310,032
TOTAL LIABILITIES	1,691,649
NET POSITION:	
Net investment in capital assets	288,627
Unrestricted	147,198
TOTAL NET POSITION	\$ 435,825

**THE GREENSPIRE SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 616,328	\$ -	\$ 52,011	\$ (564,317)
Support services	411,679	2,285	3,371	(406,023)
Interest and fees	58,384	-	-	(58,384)
Outgoing transfers and other	4,725	-	-	(4,725)
Unallocated depreciation	35,316	-	-	(35,316)
Total governmental activities	<u>\$1,126,432</u>	<u>\$ 2,285</u>	<u>\$ 55,382</u>	<u>(1,068,765)</u>
General revenues:				
Investment earnings				2,704
State sources				1,036,748
Other				56,205
Traverse Bay Area ISD				<u>14,377</u>
Total general revenues				<u>1,110,034</u>
CHANGE IN NET POSITION				41,269
NET POSITION , beginning of year				<u>394,556</u>
NET POSITION , end of year				<u>\$ 435,825</u>

**THE GREENSPIRE SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General fund
ASSETS:	
Cash and cash equivalents	\$ 135,667
Investments	131,716
Intergovernmental receivable	215,066
Prepays	2,559
TOTAL ASSETS	\$ 485,008
LIABILITIES:	
Accounts payable	\$ 10,827
Unearned revenue	7,275
Accrued expenditures	64,713
State aid note payable	135,000
Note payable	119,995
TOTAL LIABILITIES	337,810
FUND BALANCE:	
Nonspendable:	
Prepays	2,559
Unassigned	144,639
TOTAL FUND BALANCE	147,198
TOTAL LIABILITIES AND FUND BALANCE	\$ 485,008
Total governmental fund balances	\$ 147,198
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	\$ 1,881,999
Accumulated depreciation is	(239,533)
	1,642,466
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	(1,353,839)
Net position of governmental activities	\$ 435,825

**THE GREENSPIRE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General fund</u>
REVENUES:	
Local sources	\$ 61,194
State sources	1,070,892
Federal sources	21,238
Intergovernmental	14,377
Total revenues	<u>1,167,701</u>
EXPENDITURES:	
Current:	
Instruction:	
Basic programs	492,937
Added needs	120,312
Total instruction	<u>613,249</u>
Support services:	
Instructional staff	6,676
General administration	303,822
School administration	6,459
Business services	22,243
Operation and maintenance	45,891
Pupil transportation	1,573
Central services	7,375
Total support services	<u>394,039</u>
Debt service:	
Principal	42,183
Interest	58,384
Total debt service	<u>100,567</u>
Capital outlay	<u>12,237</u>
Total expenditures	<u>1,120,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,609
FUND BALANCE:	
Beginning of year	<u>99,589</u>
End of year	<u><u>\$ 147,198</u></u>

**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, 2019**

Net change in fund balance total governmental funds \$ 47,609

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	(48,120)
Capital outlay	8,712

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:

Refinancing of construction loan	(9,115)
Payments on debt	42,183

Change in net position of governmental activities \$ 41,269

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 of the nonfiduciary activities of the Academy. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by intergovernmental revenues.

B. 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. Traverse City Area Public schools is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2019. Effective July 1, 2019, Grand Valley State University will become 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.

C. 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.

D. 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)

D. Basis of Presentation - Fund Financial Statements (Concluded)

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.

E. 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 GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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.

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 GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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.

F. 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.
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.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

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, 2019. The Academy does not consider these amendments to be significant.

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

1. 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.

2. 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)

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

3. 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 1 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:

Capital asset classes:	Lives
Building and improvements	20 - 50
Technology and equipment	5 - 20

4. 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)

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

5. 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.

6. 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.

7. 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.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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

7. Fund balance policies (Concluded)

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.

H. Revenues and Expenditures/Expenses

1. 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.

2. 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.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

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, 2019, the Academy's bank balance of \$272,863 was not exposed to additional custodial credit risk as it was fully covered by federal depository insurance. Certificates of deposits are included in the above totals.

At June 30, 2019, the carrying amount is as follows:

Cash and cash equivalents	\$ 135,667
Investments	<u>131,716</u>
	<u><u>\$ 267,383</u></u>

NOTE 3 - CAPITAL ASSETS

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

	Balance July 30, 2018	Additions	Deletions	Balance July 30, 2019
Capital assets not being depreciated:				
Land	\$ 206,316	\$ -	\$ -	\$ 206,316
Construction in progress	-	7,512	-	7,512
	<u>206,316</u>	<u>7,512</u>	<u>-</u>	<u>213,828</u>
Capital assets being depreciated:				
Buildings and improvements	1,569,523	-	-	1,569,523
Technology and equipment	97,448	1,200	-	98,648
	<u>1,666,971</u>	<u>1,200</u>	<u>-</u>	<u>1,668,171</u>
Accumulated depreciation:				
Buildings and improvements	139,877	33,370	-	173,247
Technology and equipment	51,536	14,750	-	66,286
Total accumulated depreciation	<u>191,413</u>	<u>48,120</u>	<u>-</u>	<u>239,533</u>
Net capital assets being depreciated	<u>1,475,558</u>	<u>(46,920)</u>	<u>-</u>	<u>1,428,638</u>
Net governmental capital assets	<u><u>\$ 1,681,874</u></u>	<u><u>\$(39,408)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,642,466</u></u>

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2019 amounted to \$48,120 and was charged as follows:

Instruction	\$ 4,279
Support services	8,525
Unallocated	<u>35,316</u>
Total	<u><u>\$ 48,120</u></u>

NOTE 4 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE

At June 30, 2019, the Academy has one outstanding state aid anticipation note in the amount of \$135,000, which has an interest rate of 5.90% and matures April 18, 2020. 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, 2019 is as follows:

Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
\$ 145,000	\$ 135,000	\$ (145,000)	\$ 135,000

NOTE 5 - NOTE PAYABLE

At June 30, 2019, the Academy has outstanding a \$119,995 note payable. The note is secured by the certificate of deposit and carries an interest rate of 4.08%.

Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
\$ 119,995	\$ -	\$ -	\$ 119,995

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2019.

	Notes from direct borrowings and direct placements		Total
	Construction Loan	Land Contract	
	Balance July 1, 2018	\$ 994,940	
Additions	982,000	-	982,000
Deletions	(1,002,005)	(13,063)	(1,015,068)
Balance June 30, 2019	974,935	378,904	1,353,839
Due within one year	30,211	13,596	43,807
Due in more than one year	\$ 944,724	\$ 365,308	\$ 1,310,032

The Academy entered into an advance mortgage construction loan for the construction of a building in March of 2013. On March 15, 2019, the Academy refinanced the remaining \$972,885 due on the loan, resulting in principal outstanding of \$982,000 with an interest rate of 5.00%. The loan matures on March 5, 2024. The difference between the new debt and old debt was \$9,115, which is recorded as refinancing of the loan.

Long-term obligations at June 30, 2019 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. \$ 974,935

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%. 378,904

Total notes from direct borrowings and direct placements 1,353,839

Total general long-term obligations \$ 1,353,839

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,353,839 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, 2019 are as follows:

Year ending June 30,	Notes from direct borrowings and direct placements				Total
	Construction Loan		Land Contract		
	Principal	Interest	Principal	Interest	
2020	\$ 30,211	\$ 48,048	\$ 13,596	\$ 14,907	\$ 106,762
2021	31,756	46,503	14,150	14,353	106,762
2022	33,381	44,878	14,727	13,776	106,762
2023	35,089	43,170	15,327	13,176	106,762
2024	844,498	371,610	15,952	12,551	1,244,611
2025 - 2029	-	-	90,059	52,456	142,515
2030 - 2034	-	-	109,967	32,548	142,515
2035 - 2038	-	-	105,126	8,783	113,909
	<u>\$ 974,935</u>	<u>\$ 554,209</u>	<u>\$ 378,904</u>	<u>\$ 162,550</u>	<u>\$ 2,070,598</u>

Interest expense for the year ended June 30, 2019 was approximately \$58,000.

NOTE 7 - OVERSIGHT FEES

The Academy paid an administrative oversight fee of 3% of its state school aid to Traverse City Area Public Schools, 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, 2019, the Academy incurred expense of approximately \$31,967 for oversight fees.

**THE GREENSPIRE SCHOOL
NOTES TO FINANCIAL STATEMENTS**

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 \$12,500 for the fiscal year 2019.

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. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the Academy's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Academies with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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 2021 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, 2019**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local	\$ 44,600	\$ 68,010	\$ 61,194	\$ (6,816)
State sources	1,046,064	1,073,201	1,070,892	(2,309)
Federal sources	1,691	23,077	21,238	(1,839)
Intergovernmental	8,800	15,350	14,377	(973)
Total revenues	<u>1,101,155</u>	<u>1,179,638</u>	<u>1,167,701</u>	<u>(11,937)</u>
EXPENDITURES:				
Instruction:				
Basic programs	497,716	514,681	492,937	21,744
Added needs	92,988	131,012	120,312	10,700
Total instruction	<u>590,704</u>	<u>645,693</u>	<u>613,249</u>	<u>32,444</u>
Support services:				
Instructional staff	4,180	7,162	6,676	486
General administration	318,254	317,930	303,822	14,108
School administration	6,720	6,460	6,459	1
Business	22,800	22,500	22,243	257
Operation and maintenance	43,770	48,359	45,891	2,468
Pupil transportation	1,000	2,100	1,573	527
Central services	5,000	8,000	7,375	625
Support services	600	600	-	600
Total support services	<u>402,324</u>	<u>413,111</u>	<u>394,039</u>	<u>19,072</u>
Debt service:				
Principal	44,091	42,461	42,183	278
Interest	55,774	58,404	58,384	20
Total debt service	<u>99,865</u>	<u>100,865</u>	<u>100,567</u>	<u>298</u>
Capital outlay	16,011	15,048	12,237	2,811
Total expenditures	<u>1,108,904</u>	<u>1,174,717</u>	<u>1,120,092</u>	<u>54,625</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(7,749)</u>	<u>4,921</u>	<u>47,609</u>	<u>42,688</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (7,749)</u>	<u>\$ 4,921</u>	<u>47,609</u>	<u>\$ 42,688</u>
FUND BALANCE:				
Beginning of year			<u>99,589</u>	
End of year			<u>\$ 147,198</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, 2019, 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 30, 2019.

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.

Maney Costeiran PC

September 30, 2019

September 30, 2019

To the Board of Directors
The Greenspire School

We have audited the financial statements of The Greenspire School for the year ended June 30, 2019, and have issued our report thereon dated September 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America 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

1. 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 2019. We noted no transactions entered into by the Academy 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:

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management 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. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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.

2. Difficulties Encountered in Performing the Audit

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

3. 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.

4. *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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2019.

6. *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 Greenspire School's financial statements or a determination of the type of auditor's 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.

7. *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 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.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

A separate management letter was not issued.

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,

Maney Costeiran PC