

**SUMMIT ACADEMY OIC**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Summit Academy, OIC  
Minneapolis, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Summit Academy OIC, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Summit Academy OIC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Summit Academy OIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Summit Academy OIC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Summit Academy OIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Summit Academy OIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule, as required by the Department of Education, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Summit Academy OIC'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 Summit Academy OIC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Summit Academy OIC's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 28, 2022

**SUMMIT ACADEMY OIC  
BALANCE SHEETS  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,574,079	5,202,846
Program Service Fee Receivables	1,138,121	807,643
Pledges Receivable - Current Portion	1,718,579	1,349,819
Other Assets	241,427	310,009
Total Current Assets	6,672,206	7,670,317
<b>PROPERTY AND EQUIPMENT</b>		
Land	465,500	465,500
Building and Building Improvements	8,235,688	8,060,138
Automobiles	53,256	53,256
Furniture and Equipment	2,529,057	2,483,492
Total	11,283,501	11,062,386
Less: Accumulated Depreciation	5,583,625	5,106,948
Net Property and Equipment	5,699,876	5,955,438
<b>OTHER ASSETS</b>		
Investments - Long-Term	3,564,945	1,547,808
Pledges Receivable - Long-Term	1,605,345	2,273,386
Total Other Assets	5,170,290	3,821,194
Total Assets	\$ 17,542,372	\$ 17,446,949
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Capital Leases	\$ 20,060	\$ 20,060
Accounts Payable	475,276	379,870
Accrued Payroll and Related Expenses	885,983	1,644,902
Utility Contract Obligation - Short-Term	37,036	37,036
Total Current Liabilities	1,418,355	2,081,868
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations, Less Current Maturities	15,182	33,765
Deferred Rent	208,800	104,400
Asset Retirement Obligation	259,220	246,876
Utility Contract Obligation - Long-Term	406,114	443,150
Total Long-Term Liabilities	889,316	828,191
Total Liabilities	2,307,671	2,910,059
<b>NET ASSETS</b>		
Without Donor Restrictions	10,808,711	9,374,009
With Donor Restrictions	4,425,990	5,162,881
Total Net Assets	15,234,701	14,536,890
Total Liabilities and Net Assets	\$ 17,542,372	\$ 17,446,949

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Support:						
Government Grants	\$ 5,063,899	\$ -	\$ 5,063,899	\$ 5,460,388	\$ -	\$ 5,460,388
Contributions of Nonfinancial Assets	89,897	-	89,897	38,787	-	38,787
Contributions from Individuals, Corporations, and Foundations	5,300,732	1,003,000	6,303,732	4,037,077	4,654,530	8,691,607
Total Support	<u>10,454,528</u>	<u>1,003,000</u>	<u>11,457,528</u>	<u>9,536,252</u>	<u>4,654,530</u>	<u>14,190,782</u>
Revenue:						
Federal Student Financial Aid	38,639	-	38,639	34,048	-	34,048
State Student Financial Aid	660,364	-	660,364	518,463	-	518,463
Net Tuition	1,376,342	-	1,376,342	1,136,089	-	1,136,089
Rental Income	129,600	-	129,600	129,600	-	129,600
Special Events (Net of Direct Benefits of \$128,382 and \$117,897 for the Years Ended June 30, 2022 and 2021, Respectively)	584,318	-	584,318	730,903	-	730,903
Investment Income	-	(244,470)	(244,470)	-	250,012	250,012
Other	84,220	-	84,220	213,782	-	213,782
Total Revenue	<u>2,873,483</u>	<u>(244,470)</u>	<u>2,629,013</u>	<u>2,762,885</u>	<u>250,012</u>	<u>3,012,897</u>
Total	13,328,011	758,530	14,086,541	12,299,137	4,904,542	17,203,679
Net Assets Released from Restrictions	<u>1,502,454</u>	<u>(1,502,454)</u>	<u>-</u>	<u>1,560,696</u>	<u>(1,560,696)</u>	<u>-</u>
Total Support and Revenue	14,830,465	(743,924)	14,086,541	13,859,833	3,343,846	17,203,679

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>EXPENSES</b>						
Program Services:						
Training	\$ 5,466,984	\$ -	\$ 5,466,984	\$ 4,441,248	\$ -	\$ 4,441,248
Service	4,087,863	-	4,087,863	1,955,631	-	1,955,631
Advocacy	-	-	-	371,065	-	371,065
Total Program Services	<u>9,554,847</u>	<u>-</u>	<u>9,554,847</u>	<u>6,767,944</u>	<u>-</u>	<u>6,767,944</u>
Supporting Services:						
Management and General	2,839,276	-	2,839,276	2,435,938	-	2,435,938
Fellowships and Scholarships	-	-	-	1,201,453	-	1,201,453
Rental Property	211,815	-	211,815	188,247	-	188,247
Fundraising	789,825	-	789,825	581,995	-	581,995
Total Supporting Services	<u>3,840,916</u>	<u>-</u>	<u>3,840,916</u>	<u>4,407,633</u>	<u>-</u>	<u>4,407,633</u>
Total Expenses	<u>13,395,763</u>	<u>-</u>	<u>13,395,763</u>	<u>11,175,577</u>	<u>-</u>	<u>11,175,577</u>
<b>CHANGE IN OPERATING NET ASSETS</b>	1,434,702	(743,924)	690,778	2,684,256	3,343,846	6,028,102
<b>NONOPERATING ACTIVITY</b>						
Endowment Pledge Bad Debt						
(Expense) Recovery	-	7,033	7,033	-	30,885	30,885
PPP Loan Forgiveness	-	-	-	771,600	-	771,600
Total Nonoperating Activity	<u>-</u>	<u>7,033</u>	<u>7,033</u>	<u>771,600</u>	<u>30,885</u>	<u>802,485</u>
<b>CHANGE IN NET ASSETS</b>	1,434,702	(736,891)	697,811	3,455,856	3,374,731	6,830,587
Net Assets - Beginning of Year	<u>9,374,009</u>	<u>5,162,881</u>	<u>14,536,890</u>	<u>5,918,153</u>	<u>1,788,150</u>	<u>7,706,303</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,808,711</u>	<u>\$ 4,425,990</u>	<u>\$ 15,234,701</u>	<u>\$ 9,374,009</u>	<u>\$ 5,162,881</u>	<u>\$ 14,536,890</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	Program Services				Supporting Services					
	Training	Service	Advocacy	Total	Management and General	Fellowship and Scholarships	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 2,799,575	\$ 1,585,003	\$ -	\$ 4,384,578	\$ 990,090	\$ -	\$ 51,652	\$ 436,123	\$ -	\$ 5,862,443
Fringe Benefits	598,351	351,476	-	949,827	121,216	-	10,974	67,136	-	1,149,153
Professional Fees	608,411	167,395	-	775,806	330,054	-	4,986	162,950	-	1,273,796
Depreciation	373,133	125,015	-	498,148	44,393	-	85,799	20,354	-	648,694
Occupancy and Utilities	275,972	41,045	-	317,017	25,358	-	51,479	6,575	-	400,429
Equipment Rental and Maintenance	38,799	13,343	-	52,142	3,975	-	5,280	1,995	-	63,392
Classroom Supplies	237,050	5,687	-	242,737	-	-	-	-	-	242,737
Postage and Office Supplies	25,038	30,031	-	55,069	33,186	-	298	3,942	-	92,495
Training, Meetings, and Staff Travel	14,401	12,928	-	27,329	18,276	-	38	3,762	-	49,405
Public Relations and Recruiting	387,225	1,742	-	388,967	25,000	-	-	5,503	-	419,470
Student Assistance	47,533	82,847	-	130,380	-	-	-	-	-	130,380
Dues and Subscriptions	50,026	14,823	-	64,849	17,336	-	23	15,083	-	97,291
Bank Charges and Interest	-	168	-	168	22,619	-	-	9,212	-	31,999
General Operating Expenses	11,470	7,263	-	18,733	173,722	-	1,286	57,190	-	250,931
CARES Act Student	-	1,649,097	-	1,649,097	-	-	-	-	-	1,649,097
CARES Act Institutional	-	-	-	-	1,034,051	-	-	-	-	1,034,051
Subtotal	5,466,984	4,087,863	-	9,554,847	2,839,276	-	211,815	789,825	-	13,395,763
Plus Special Events Expenses	-	-	-	-	-	-	-	128,382	-	128,382
Less Bad Debt Recoveries	-	-	-	-	-	-	-	-	(7,033)	(7,033)
Total Expenses	<u>\$ 5,466,984</u>	<u>\$ 4,087,863</u>	<u>\$ -</u>	<u>\$ 9,554,847</u>	<u>\$ 2,839,276</u>	<u>\$ -</u>	<u>\$ 211,815</u>	<u>\$ 918,207</u>	<u>\$ (7,033)</u>	<u>\$ 13,517,112</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services					
	Training	Service	Advocacy	Total	Management and General	Fellowship and Scholarships	Rental Property	Fundraising	Capital Campaign Fundraising	Total
Salaries	\$ 2,474,685	\$ 1,290,524	\$ 20,608	\$ 3,785,817	\$ 1,671,254	\$ -	\$ 49,280	\$ 343,046	\$ -	\$ 5,849,397
Fringe Benefits	473,931	264,434	5,005	743,370	186,732	-	9,404	48,322	-	987,828
Professional Fees	338,776	104,127	262,825	705,728	209,128	-	1,572	145,147	-	1,061,575
Depreciation	331,163	110,502	2,006	443,671	39,725	-	75,144	17,392	-	575,932
Occupancy and Utilities	258,872	36,984	711	296,567	22,724	-	48,471	5,793	-	373,555
Equipment Rental and Maintenance	24,735	12,725	234	37,694	3,118	-	3,004	1,739	-	45,555
Classroom Supplies	220,432	11,953	-	232,385	-	-	-	-	-	232,385
Postage and Office Supplies	20,186	23,824	73	44,083	21,832	-	328	3,795	-	70,038
Training, Meetings, and Staff Travel	2,148	10,102	-	12,250	5,459	-	12	1,533	-	19,254
Public Relations and Recruiting	266,860	-	67,000	333,860	25,000	-	-	21,500	-	380,360
Student Assistance	14,348	55,269	-	69,617	-	1,201,453	-	-	-	1,271,070
Dues and Subscriptions	11,916	17,539	-	29,455	30,794	-	-	16,379	-	76,628
Bank Charges and Interest	-	21	-	21	45,786	-	-	10,464	-	56,271
General Operating Expenses	3,196	17,627	12,603	33,426	62,980	-	1,032	(33,115)	-	64,323
CARES Act Institutional	-	-	-	-	111,406	-	-	-	-	111,406
Subtotal	4,441,248	1,955,631	371,065	6,767,944	2,435,938	1,201,453	188,247	581,995	-	11,175,577
								117,897		117,897
Plus Special Events Expenses	-	-	-	-	-	-	-	-	(30,885)	(30,885)
Total Expenses	\$ 4,441,248	\$ 1,955,631	\$ 371,065	\$ 6,767,944	\$ 2,435,938	\$ 1,201,453	\$ 188,247	\$ 699,892	\$ (30,885)	\$ 11,262,589

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 697,811	\$ 6,830,587
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss (Gain) on Investments	300,415	(219,751)
Depreciation	648,694	575,932
Asset Retirement Obligation	12,344	11,756
PPP Loan Forgiveness	-	(771,600)
Bad Debt Expense	44,773	58,000
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	(330,478)	38,383
Pledges Receivable	254,508	(2,480,461)
Other Assets	68,582	(92,579)
Accounts Payable	95,406	168,857
Solar Panel Contract	(37,036)	(33,372)
Accrued Payroll and Related Expenses	(758,919)	955,427
Net Cash Provided by Operating Activities	996,100	5,041,179
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(2,338,863)	(289,902)
Proceeds from Sale of Investments	21,311	2,373
Purchase of Property and Equipment	(393,132)	(899,998)
Net Cash Used by Investing Activities	(2,710,684)	(1,187,527)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Debt	-	(869,896)
Deferred Rent	104,400	104,400
Payments on Capital Leases	(18,583)	(14,651)
Net Cash Provided (Used) by Financing Activities	85,817	(780,147)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,628,767)	3,073,505
Cash and Cash Equivalents - Beginning of Year	5,202,846	2,129,341
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,574,079	\$ 5,202,846
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Disclosures:		
Cash Payments for Interest	\$ 24,965	\$ 56,271
Donated Stock	\$ 343,714	\$ 68,554
Net Capital Campaign Activity	\$ 7,033	\$ 30,885

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Summit Academy OIC (the Organization), a nonprofit organization based in Minneapolis, Minnesota, trains and retrains the unemployed and underemployed, secures placement for trainees in jobs, and promotes other educational and developmental programs. The Organization has been accredited as a post-secondary vocational school by the Council on Occupational Education.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Financial Statement Presentation**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without Donor Restriction* – Those resources over which the board of directors has discretionary control.

*With Donor Restriction* – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time or to be held in perpetuity.

**Measurement of Operations**

In its statements of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists primarily of contributions and expenses relating to the capital campaign and forgiveness of the PPP loan.

**Cash**

The Organization maintains its cash in checking, savings, certificate of deposits, and money market accounts which, at times, may exceed federally insured limits.

**Program Service Fee Receivables**

Program service fee receivables are recorded for amounts that have been earned on government contracts during the fiscal year, as well as amounts due for the annual golf event. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are performed on an unsecured basis based on the related contract and no interest is charged. An allowance is provided for receivables when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance, which is typically done at year-end. At June 30, 2022 and 2021, no allowance for doubtful accounts was considered necessary.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pledges Receivable**

Promises to give are recorded at their net realizable value. Long-term promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. As of June 30, 2022 and 2021, an allowance for uncollectible pledges receivable of \$16,262 and \$15,000, respectively, was recorded.

**Investments**

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of financial position. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

**Property and Equipment**

Property and equipment includes fixed assets stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. The Organization capitalizes all additions greater than \$1,000. Depreciation of property and equipment is computed on the straight-line basis. The estimated useful lives in determining depreciation are:

Building and Building Improvements	10 to 30 Years
Furniture and Equipment	3 to 30 Years
Automobiles	5 Years

**Unemployment Trust**

The Organization participates in a trust in which premium payments are deposited to administer self-insurance unemployment claims. The balance as of June 30, 2022 and 2021 was \$134,685 and \$218,068, respectively, and is recorded in Other Assets.

**Asset Retirement Obligation**

The Organization has recorded an obligation to dispose of assets that are legally required to be removed at a future date. This obligation has been recorded at its estimated fair value using the net present value of the future obligation using a risk-free interest rate and an estimated inflationary rate.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Utility Contract Obligation**

As discussed in Note 10, the Organization entered into three solar array agreements with Green2Solar Leasing. As part of this agreement, Green2Solar Leasing advanced \$545,000 to Summit Academy OIC to pay for solar equipment purchased. The \$545,000 will be amortized over the life of the three solar agreements (see Note 10 for agreement terms). As of June 30, 2022, the utility contract obligation is the remaining amount not amortized on this agreement.

**Deferred Financial Aid Revenue**

The Organization charges tuition to its students for a 20-week training program. The financial aid awarded a student for the tuition charge is recorded as deferred revenue on day one of classes and then recognized on a monthly basis as the class session progresses through the 20 weeks.

**Governmental Grants, Financial Aid Revenue, and Contracts**

Governmental grants, financial aid revenue, and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made or the required services are provided. Funds received but not yet earned are shown as deferred revenue. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

A portion of the Organization's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost reimbursable grants of \$858,852 that have not been recognized at June 30, 2022, because qualifying expenditures have not yet been incurred.

**Contributions**

Contributions, unconditional promises to give (pledges receivable), and contributions of donated stock are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in donor-restricted net assets. When these restrictions expire, donor-restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

**Tax Status**

Summit Academy OIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. Summit Academy OIC is not considered a private foundation and contributions to the Organization are considered tax deductible.

**SUMMIT ACADEMY OIC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Status (Continued)**

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization's tax returns are subject to review and examination by federal and state authorities.

**Use of Estimates**

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Salary costs are charged directly to the program they relate to and related costs are allocated based on full-time equivalents. Other costs have been allocated among the program and the supporting services based on full-time equivalents or square footage.

**Fair Value Hierarchy**

In accordance with accounting standards, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy (Continued)**

The fair value of investments measured on a recurring basis were as follows as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds - International Equities	\$ 250,379	\$ -	\$ -	\$ 250,379
Exchange Traded Funds - U.S. Bonds	2,223,936	-	-	2,223,936
Exchange Traded Funds - U.S. Equities	1,090,621	-	-	1,090,621
Cash	-	-	-	9
Total Investments	\$ 3,564,936	\$ -	\$ -	\$ 3,564,945

  

	2021			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds - International Equities	\$ 306,273	\$ -	\$ -	\$ 306,273
Exchange Traded Funds - U.S. Bonds	600,897	-	-	600,897
Exchange Traded Funds - U.S. Equities	640,466	-	-	640,466
Cash	-	-	-	172
Total Investments	\$ 1,547,636	\$ -	\$ -	\$ 1,547,808

**Revenue Recognition**

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers (students), in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services.

The Organization has five 20-week cohorts. Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, proratably over the term of the related semester. Any payments received prior to fiscal year end related to academic terms that occur subsequent to fiscal year end are recorded as deferred revenue in the accompanying statements of financial position.

Customer contracts generally have separately stated prices for each performance obligation contained in the contract. Therefore, each performance obligation generally has its own standalone selling price. Arrangements for payment are agreed to prior to registration of the student's cohort. Generally, payments for tuition are due prior to the start of the academic terms. Most students obtain Title IV or other financial aid resulting in the Organization receiving a significant amount of the transaction price at the beginning of the academic term.

**Change in Accounting Principle**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. Summit Academy OIC's financial statements reflect the application of ASU 2020-07 guidance retrospectively.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2022, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY**

The following table reflects the Organization's financial assets as of June 30 that are available to meet general expenditures within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,574,079	\$ 5,202,846
Program Service Fee Receivables	1,138,121	807,643
Pledges Receivable - Current Portion	1,718,579	1,349,819
Pledges Receivable - Long-Term Portion	1,605,345	2,273,386
Less: Restricted Net Assets (Included Above)	(861,045)	(3,615,073)
Add: Time Restricted Net Assets Available with One Year	<u>725,000</u>	<u>1,181,667</u>
Total Financial Assets	<u>\$ 7,900,079</u>	<u>\$ 7,200,288</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**NOTE 3 CONCENTRATIONS**

The Organization maintains a portion of its cash balance in accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. One account held by the Organization was over the FDIC limit at June 30, 2022, in the amount of \$2,866,159. There was one account held by the Organization that were over the FDIC limit at June 30, 2021, in the amount of \$4,665,141.

The Organization receives much of its funding through grants to fund programs. A significant amount of the Organization's program service revenue and program service fee receivables is from a limited number of governmental agencies for 2022 and 2021.

**SUMMIT ACADEMY OIC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 3 CONCENTRATIONS (CONTINUED)**

During the year 2022, no entities contributed more than 10% of the contributions received during the year. During the year 2021, two entities represented 47% of the contributions received during the year. Additionally, of the contributions received during June 30, 2022 and 2021, approximately \$469,000 and \$112,000, respectively were from board members.

At June 30, 2022, two entities made up 66% of support receivables. At June 30, 2021, two entity made up 77% of support receivables. Additionally, of the support receivables at June 30, 2022 and 2021, approximately \$319,500 and \$68,000, respectively, were from board members.

At June 30, 2022, no entities made up over 10% of program receivables. At June 30, 2021, no entities made over 10% of program receivables.

**NOTE 4 PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Annual Pledges Receivable	\$ 2,697,809	\$ 3,572,498
Capital Campaign Pledges Receivable	649,410	103,987
Allowance for Uncollectible Pledges	(16,262)	(15,000)
Unamortized Discount	(7,033)	(38,280)
Total	<u>\$ 3,323,924</u>	<u>\$ 3,623,205</u>
Amounts Due in:		
Less than One Year	\$ 1,718,579	\$ 1,349,819
One to Five Years	1,605,345	2,273,386
Total	<u>\$ 3,323,924</u>	<u>\$ 3,623,205</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 2.44% and 0.87% for years ended June 30, 2022 and 2021, respectively.

**NOTE 5 INVESTMENTS**

Investments consist of the following as of June 30:

<u>2022</u>		
Exchange Traded Funds - International Equities	\$ 250,379	
Exchange Traded Funds - U.S. Bonds	2,223,936	
Exchange Traded Funds - U.S. Equities	1,090,621	
Cash	9	
Total Investments	<u>\$ 3,564,945</u>	
<u>2021</u>		
Exchange Traded Funds - International Equities	\$ 306,273	
Exchange Traded Funds - U.S. Bonds	600,897	
Exchange Traded Funds - U.S. Equities	640,466	
Cash	172	
Total Investments	<u>\$ 1,547,808</u>	

Subsequent to year end, there was a significant decline in investments.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 6 NOTES PAYABLE**

The Organization also entered into a Revolving Line of Credit during 2016. Available borrowings under the line of credit are \$1,200,000. Interest is payable monthly at 1.00% above the bank's index rate (3.25% at June 30, 2022), with a floor on the interest rate of 5.00%. The note is due on demand, but if no demand is made, the note was originally due in full on November 15, 2019. Effective December 10, 2020, the note was renewed until November 15, 2021. Effective March 11, 2022, the note was renewed with a maturity date of March 11, 2023. The note is secured by a mortgage on the property located at 935 Olson Memorial Highway and all business assets. No balance was due as of June 30, 2022 or 2021.

**NOTE 7 NET ASSETS**

**Donor-Restricted Net Assets**

Net assets with donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Time Restricted Pledges	\$ 2,810,099	\$ 3,445,053
Purpose Restricted for Programs	252,605	117,105
Purpose Restricted, Earnings on Endowment	71,708	316,178
Total	<u>\$ 3,134,412</u>	<u>\$ 3,878,336</u>
<b>Held in Perpetuity</b>	<u>2022</u>	<u>2021</u>
Building and Maintenance	\$ 645,789	\$ 642,273
Innovation/Strategic Opportunity Fund	645,789	642,272
Total	<u>\$ 1,291,578</u>	<u>\$ 1,284,545</u>
Total Restricted Net Assets	<u>\$ 4,425,990</u>	<u>\$ 5,162,881</u>

**Restrictions Released**

Net assets restrictions were released as a result of the following conditions being met:

	<u>2022</u>	<u>2021</u>
Program Expenditures	\$ 90,075	\$ 196,814
Time Restrictions Met	1,412,379	1,363,882
Total	<u>\$ 1,502,454</u>	<u>\$ 1,560,696</u>

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8 ENDOWMENT**

**Donor-Restricted Endowments**

Summit Academy OIC has donor-restricted endowment funds established for building and maintenance and innovation/strategic opportunity. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of Summit Academy OIC has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Summit Academy OIC classifies as net assets with donor restrictions the original value of the gifts to the donor-restricted endowment, the value of subsequent gifts to the donor-restricted endowment, and accumulated earnings that are required to be classified as donor-restricted based on donor stipulations. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction held in perpetuity is classified as net assets with donor restriction that is purpose restricted until those amounts are appropriated for expenditure by Summit Academy OIC in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2022 and 2021, Summit Academy OIC had no endowment funds that were underwater.

**Return Objectives and Risk Parameters, Investment and Spending Policies**

Summit Academy OIC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Summit Academy OIC must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets having exceeded a cash balance is \$500,000 have been invested in a manner intended to produce results that meet or exceed the price and yield results of a moderate allocation model. The board will review annually the management of funds and its decision to manage the fund internally or hire an external investment manager to manage the funds to meet Summit Academy OIC board's requirements.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8 ENDOWMENT (CONTINUED)**

**Return Objectives and Risk Parameters, Investment and Spending Policies**

Changes in donor-restricted endowment net assets for the years ended June 30 were as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2020	\$ -	\$ 1,600,723	\$ 1,600,723
Contributions	-	-	-
Bad Debt (Expense) Recovery	-	7,033	7,033
Investment Income	-	(244,470)	(244,470)
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 1,363,286</u>	<u>\$ 1,363,286</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance Restated, June 30, 2019	\$ -	\$ 1,321,624	\$ 1,321,624
Contributions	-	-	-
Bad Debt	-	30,885	30,885
Investment Income	-	250,012	250,012
Appropriations	-	(1,798)	(1,798)
Endowment Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 1,600,723</u>	<u>\$ 1,600,723</u>

Once the funds are invested, investment income from certain donor-restricted assets held in perpetuity, by order of the gift requirements, will be classified as income without donor restrictions that is purpose restricted.

**NOTE 9 LEASES**

On September 14, 2018, the Organization entered into one lease for three copiers, which requires 60 monthly payments of \$1,249. On January 15, 2021, the Organization entered into one lease for one copier, which requires 60 monthly payments of \$425. Future obligations on the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 20,093
2024	7,593
2025	<u>3,825</u>
Total Payments	31,511
Less: Amount Representing Interest	<u>3,764</u>
Present Value of Minimum Lease Payments	35,275
Less: Current Maturities	<u>(20,093)</u>
Noncurrent Portion of Obligations Under Capital Lease	<u>\$ 15,182</u>

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 9 LEASES (CONTINUED)**

The following represent the value of capital leases that are capitalized as furniture and equipment at June 30. Amortization expense is included with depreciation expense in the financial statements.

	<u>2022</u>	<u>2021</u>
Cost	\$ 90,702	\$ 90,702
Accumulated Depreciation	(55,427)	(36,877)
Net Equipment	<u>\$ 35,275</u>	<u>\$ 53,825</u>

**NOTE 10 SOLAR ARRAY AGREEMENT**

During the 2020, Summit Academy OIC entered into three separate agreements to purchase power from Green2Solar Leasing. The power will be generated from the solar array atop of the Organization's building. The agreements require Summit Academy OIC to purchase the solar equipment from another Organization, Ideal Energies, for a total of \$545,000. As part of the agreements with Green2Solar Leasing, Summit Academy OIC was advanced \$545,000 from Green2Solar Leasing as a pre-payment on the agreement. Summit Academy OIC used these proceeds to purchase the solar equipment.

As a result of the agreements, Summit Academy OIC has a utility contract obligation of \$545,000 which is presented as a liability on the statement of financial position. The utility contract obligation will be amortized over the life of the agreement with Green2Solar Leasing. Approximately \$275,000 will be amortized over 13 years and \$270,000 will be amortized over 17 years. As of June 30, 2022 and 2021, the utility contract obligation was \$443,150 and \$480,186, respectively.

**NOTE 11 RENTAL INCOME**

The Organization has a lease agreement to lease part of their building to Summit Early Learning Center, Inc. Effective January 1, 2016, rent on this lease is based on a month-to-month basis with monthly payments of \$10,800. The total lease amount for each of the fiscal years 2022 and 2021 was \$129,600 and \$129,600, respectively.

**NOTE 12 EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) profit-sharing plan to which it makes an annually determined discretionary contribution up to a maximum of 4% of employee compensation. All employees who meet certain minimum employment and age requirements are eligible to participate. The Organization's discretionary contribution to the plan was \$145,774 and \$98,284 for 2022 and 2021, respectively.

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 13 CONTRIBUTED NONFINANCIAL ASSETS**

The Organization received the following contributions of nonfinancial assets for the year ending June 30:

	<u>2022</u>	<u>2021</u>	<u>Fair Value Techniques</u>
Information Technology Supplies	\$ 61,000	\$ -	Estimated at the fair value of the supplies received provided by the donor
Other	28,897	38,787	Estimated at the fair value of the item received by the donor.
Total Contributed Non-Financial Assets	<u>\$ 89,897</u>	<u>\$ 38,787</u>	

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets. The information technology supplies contributed are used by students during their training courses. The other contributed assets consist of items that the Organization uses as prizes during their annual campaign.

**NOTE 14 COMPOSITE SCORE**

The Organization participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the Organization is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the Organization's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2022 is as follows:

Primary Reserve Ratio:			
Expendable Net Assets	\$	8,278,489	
Total Expenses/Losses	\$	13,395,763	<u>0.62</u>
Equity Ratio:			
Modified Net Assets	\$	15,234,701	
Modified Assets	\$	17,542,372	<u>0.87</u>
Net Income Ratio:			
Change in Net Assets Without Donor Restrictions	\$	1,434,702	
Total Revenues/Gains	\$	14,830,465	<u>0.10</u>

<u>RATIO</u>	<u>Ratio</u>	<u>Strength Factor</u>	<u>Weight</u>	<u>Composite Scores</u>
<b>Primary Reserve Ratio</b>	0.6180	3.0000	40%	1.2000
<b>Equity Ratio</b>	0.8685	3.0000	40%	1.2000
<b>Net Income Ratio</b>	0.0967	3.0000	20%	<u>0.6000</u>
				<u>3.0000</u>

**SUMMIT ACADEMY OIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 14 COMPOSITE SCORE (CONTINUED)**

**Net Assets**

Net assets with donor restrictions: restricted in perpetuity \$ 1,291,578

Other net assets with donor restrictions (not restricted in perpetuity):

a. Annuities with donor restrictions	\$	-
b. Term endowments		-
c. Life income funds (trusts)		-
d. Total annuities, term endowments, and life income funds with donor restrictions		-

**Property, Plant, and Equipment, net**

Pre-implementation property, plant, and equipment, net

a. Ending balance of pre-implementation as of June 30, 2021	\$	4,007,623
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard		-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)		(259,930)
d. Balance pre-implementation property, plant, and equipment, net		3,747,693

Debt financed post-implementation property, plant, and equipment, net

Long-lived assets acquired with debt subsequent to June 30, 2019:

a. Equipment		24,752
b. Land improvements		-
c. Building		-
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months		24,752

Construction in progress - acquired subsequent to June 30, 2019

-

Post-implementation property, plant, and equipment, net, acquired without debt:

a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		1,927,431
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Total Property, Plant, and Equipment, net - June 30, 2022

\$ 5,699,876

**Debt to be excluded from expendable net assets**

Pre-implementation debt:

a. Ending balance of pre-implementation as of June 30, 2020	\$	26,747
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.		-
c. Less subsequent debt repayments		(13,731)
d. Balance Pre-implementation Debt		13,016

Allowable post-implementation debt used for capitalized long-lived assets:

a. Equipment - all capitalized		22,226
b. Land improvements		-
c. Buildings		-
d. Balance Post-implementation Debt		22,226

Construction in progress (CIP) financed with debt or line of credit

-

Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value

\$ 35,242

**SUMMIT ACADEMY OIC  
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE  
JUNE 30, 2022 AND 2021**

<b>Primary Reserve Ratio:</b>			
		<b>Expendable Net Assets:</b>	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 10,808,711
2	SFP	Net assets with donor restrictions	\$ 4,425,990
3	Note 7	Net assets restricted in perpetuity	\$ 1,291,578
4	N/A	Unsecured related-party receivable	\$ -
5	N/A	Donor restricted annuities, term endowments, life income funds	\$ -
6	Note 13	Property, plant, and equipment pre-implementation	\$ 3,747,693
7	Note 13	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ 24,752
8	N/A	Construction in progress purchased with long-term debt	\$ -
9	Note 13	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 1,927,431
10	N/A	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11	N/A	Lease right-of-use asset, post-implementation	\$ -
12	N/A	Intangible assets	\$ -
13	N/A	Post-employment and pension liabilities	\$ -
14	Note 13	Long-term debt - for long-term purposes pre-implementation	\$ 13,016
15	Note 13	Long-term debt - for long-term purposes post-implementation	\$ 22,226
16	N/A	Line of credit for construction in progress	\$ -
17	N/A	Pre-implementation right-of-use asset liability	\$ -
18	N/A	Post-implementation right-of-use asset liability	\$ -
		<b>Total Expenses and Losses:</b>	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 13,395,763
20	N/A	Nonservice component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
21	N/A	Sale of fixed assets (if loss)	\$ -
22	N/A	Change in value of interest-rate swap agreements (if loss)	\$ -
		<b>Equity Ratio:</b>	
		<b>Modified Net Assets:</b>	
23	SFP	Net assets without donor restrictions	\$ 10,808,711
24	SFP	Net assets with donor restrictions	\$ 4,425,990
25	N/A	Lease Right-of-use asset - Pre-implementation	\$ -
26	N/A	Lease Right-of-use liability - Pre-implementation	\$ -
27	N/A	Intangible assets	\$ -
28	N/A	Unsecured related-party receivables	\$ -
		<b>Modified Assets:</b>	
29	SFP	Total assets	\$ 17,542,372
30	N/A	Lease right-of-use asset pre-implementation	\$ -
31	N/A	Intangible assets	\$ -
32	N/A	Unsecured related-party receivables	\$ -
		<b>Net Income Ratio:</b>	
33	SOA	<b>Change in Net Assets Without Donor Restrictions</b>	\$ 1,434,702
		<b>Total Revenues and Gains Without Donor Restriction:</b>	
34	SOA	Total operating revenue (including net assets released from restrictions)	\$ 14,830,465
35	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)	\$ -
36	SOA	Nonservice component of pension/postemployment (nonoperating) cost (if gain)	\$ -
37	SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
38	SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
39	SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
40	N/A	Sale of fixed assets (if gain)	\$ -
41	SOA	Other gains	\$ -



**INDEPENDENT AUDITORS' 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**

Board of Directors  
Summit Academy OIC  
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Summit Academy OIC which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

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

***Summit Academy OIC's Response to Findings***

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

***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.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 28, 2022

**SUMMIT ACADEMY OIC  
SCHEDULE OF FINDINGS AND QUESTIONS COSTS  
YEAR ENDED JUNE 30, 2022**

2022-001 – Audit Adjustment

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The organization received a contribution from an entity which meets the definition of a challenge (matching) grant according to FASB Subtopic 958-605-55-17.

**Criteria or specific requirement:** A challenge grant is a common form of a condition a promise to give. Therefore, the revenue relating to this grant should only be recorded once the required condition is met.

**Effect:** The organization recorded \$750,000 of the contribution although the condition was not met.

**Cause:** The organization had received a verbal communication from the donor of their intent to pledge a donation of \$1 million in fiscal year 2022. Subsequently, when the original pledge was made, the donor's contribution was based on the organization's meeting certain matching levels.

**Repeat Finding:** No.

**Recommendation:** The organization should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether grants are conditional versus unconditional.

**Views of responsible officials and planned corrective actions:** Management will review their internal control processes and ensure that as grants are received a thorough review of the grants are done to ensure it is recorded correctly.



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