

SUMMIT ACADEMY OIC
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**SUMMIT ACADEMY OIC
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE	25
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26



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 balance sheets as of June 30, 2023 and 2022, 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, 2023 and 2022, 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 audits 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 audits. 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 11, 2023, 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 11, 2023

**SUMMIT ACADEMY OIC
BALANCE SHEETS
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,456,711	\$ 3,574,079
Program Service Fee Receivables	971,365	1,138,121
Pledges Receivable - Current Portion	2,442,013	1,718,579
Other Assets	354,652	241,427
Total Current Assets	7,224,741	6,672,206
PROPERTY AND EQUIPMENT		
Land	465,500	465,500
Building and Building Improvements	8,428,022	8,235,688
Automobiles	53,256	53,256
Furniture and Equipment	3,043,030	2,529,057
Total	11,989,808	11,283,501
Less: Accumulated Depreciation	6,306,048	5,583,625
Net Property and Equipment	5,683,760	5,699,876
OTHER ASSETS		
Right of Use Asset - Operating	199,480	-
Right of Use Asset - Finance	15,833	-
Investments - Long-Term	3,773,454	3,564,945
Pledges Receivable - Long-Term	1,922,086	1,605,345
Total Other Assets	5,910,853	5,170,290
Total Assets	\$ 18,819,354	\$ 17,542,372
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lease Liability - Current Operating	\$ 167,030	\$ -
Lease Liability - Current Finance	7,462	20,060
Accounts Payable	392,105	441,898
Deferred Financial Aid Revenue	149,719	33,378
Accrued Payroll and Related Expenses	753,636	885,983
Utility Contract Obligation - Short-Term	37,036	37,036
Total Current Liabilities	1,506,988	1,418,355
LONG-TERM LIABILITIES		
Lease Liability - Long-Term Operating	171,227	-
Lease Liability - Long-Term Finance	8,838	15,182
Deferred Rent	-	208,800
Asset Retirement Obligation	272,181	259,220
Utility Contract Obligation - Long-Term	369,078	406,114
Total Long-Term Liabilities	821,324	889,316
Total Liabilities	2,328,312	2,307,671
NET ASSETS		
Without Donor Restrictions	10,495,418	10,808,711
With Donor Restrictions	5,995,624	4,425,990
Total Net Assets	16,491,042	15,234,701
Total Liabilities and Net Assets	\$ 18,819,354	\$ 17,542,372

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Support:						
Government Grants	\$ 3,834,492	\$ -	\$ 3,834,492	\$ 5,063,899	\$ -	\$ 5,063,899
Contributions of Nonfinancial Assets	53,763	-	53,763	89,897	-	89,897
Contributions from Individuals, Corporations, and Foundations	3,000,699	3,683,614	6,684,313	5,300,732	1,003,000	6,303,732
Total Support	<u>6,888,954</u>	<u>3,683,614</u>	<u>10,572,568</u>	<u>10,454,528</u>	<u>1,003,000</u>	<u>11,457,528</u>
Revenue:						
Federal Student Financial Aid	39,105	-	39,105	38,639	-	38,639
State Student Financial Aid	682,152	-	682,152	660,364	-	660,364
CARES Act Financial Aid	-	-	-	-	-	-
Gross Tuition	2,427,764	-	2,427,764	2,380,808	-	2,380,808
Less: SAOIC Grant	<u>(2,395,927)</u>	<u>-</u>	<u>(2,395,927)</u>	<u>(2,362,800)</u>	<u>-</u>	<u>(2,362,800)</u>
Net Tuition	1,413,572	-	1,413,572	1,376,342	-	1,376,342
Rental Income	129,600	-	129,600	129,600	-	129,600
Special Events (Net of Direct Benefits of \$218,958 and \$128,382 for the Years Ended June 30, 2023 and 2022, Respectively)	561,922	-	561,922	584,318	-	584,318
Investment Income (Loss)	122,220	129,602	251,822	-	(244,470)	(244,470)
Other	154,481	-	154,481	84,220	-	84,220
Total Revenue	<u>3,090,427</u>	<u>129,602</u>	<u>3,220,029</u>	<u>2,873,483</u>	<u>(244,470)</u>	<u>2,629,013</u>
Total	9,979,381	3,813,216	13,792,597	13,328,011	758,530	14,086,541
Net Assets Released from Restrictions	<u>2,243,582</u>	<u>(2,243,582)</u>	<u>-</u>	<u>1,502,454</u>	<u>(1,502,454)</u>	<u>-</u>
Total Support and Revenue	12,222,963	1,569,634	13,792,597	14,830,465	(743,924)	14,086,541

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program Services:						
Training	\$ 5,872,065	\$ -	\$ 5,872,065	\$ 5,466,984	\$ -	\$ 5,466,984
Service	2,745,132	-	2,745,132	4,087,863	-	4,087,863
Total Program Services	<u>8,617,197</u>	<u>-</u>	<u>8,617,197</u>	<u>9,554,847</u>	<u>-</u>	<u>9,554,847</u>
Supporting Services:						
Management and General	2,748,213	-	2,748,213	2,839,276	-	2,839,276
Rental Property	229,517	-	229,517	211,815	-	211,815
Fundraising	941,329	-	941,329	789,825	-	789,825
Total Supporting Services	<u>3,919,059</u>	<u>-</u>	<u>3,919,059</u>	<u>3,840,916</u>	<u>-</u>	<u>3,840,916</u>
Total Expenses	<u>12,536,256</u>	<u>-</u>	<u>12,536,256</u>	<u>13,395,763</u>	<u>-</u>	<u>13,395,763</u>
CHANGE IN OPERATING NET ASSETS	(313,293)	1,569,634	1,256,341	1,434,702	(743,924)	690,778
NONOPERATING ACTIVITY						
Endowment Pledge Bad Debt Recovery	-	-	-	-	7,033	7,033
Total Nonoperating Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,033</u>	<u>7,033</u>
CHANGE IN NET ASSETS	(313,293)	1,569,634	1,256,341	1,434,702	(736,891)	697,811
Net Assets - Beginning of Year	<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>
NET ASSETS - END OF YEAR	<u>\$ 10,495,418</u>	<u>\$ 5,995,624</u>	<u>\$ 16,491,042</u>	<u>\$ 10,808,711</u>	<u>\$ 4,425,990</u>	<u>\$ 15,234,701</u>

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services			Supporting Services				Total
	Training	Service	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	
Salaries	\$ 3,040,796	\$ 1,571,891	\$ 4,612,687	\$ 1,269,716	\$ 53,148	\$ 506,521	\$ -	\$ 6,442,072
Fringe Benefits	621,338	392,215	1,013,553	155,080	10,974	72,275	-	1,251,882
Professional Fees	599,189	192,042	791,231	323,672	9,856	209,155	-	1,333,914
Depreciation	392,518	174,608	567,126	46,388	85,301	23,608	-	722,423
Occupancy and Utilities	314,375	66,427	380,802	27,928	64,192	8,059	-	480,981
Equipment Rental and Maintenance	28,236	14,297	42,533	4,149	4,374	2,101	-	53,157
Classroom Supplies	356,935	5,530	362,465	5	20	1	-	362,491
Postage and Office Supplies	31,414	34,039	65,453	28,850	393	10,676	-	105,372
Training, Meetings, and Staff Travel	30,906	17,850	48,756	21,289	31	2,480	-	72,556
Public Relations and Recruiting	277,729	47,925	325,654	12,500	-	215	-	338,369
Student Assistance	113,848	131,441	245,289	-	-	-	-	245,289
Dues and Subscriptions	50,325	50,491	100,816	32,442	213	17,234	-	150,705
Bank Charges and Interest	-	864	864	15,715	-	9,382	-	25,961
General Operating Expenses	14,456	32,304	46,760	105,842	1,015	79,622	-	233,239
CARES Act Student	-	13,208	13,208	-	-	-	-	13,208
CARES Act Institutional	-	-	-	704,637	-	-	-	704,637
Subtotal	5,872,065	2,745,132	8,617,197	2,748,213	229,517	941,329	-	12,536,256
Plus Special Events Expenses	-	-	-	-	-	210,492	-	210,492
Total Expenses	<u>\$ 5,872,065</u>	<u>\$ 2,745,132</u>	<u>\$ 8,617,197</u>	<u>\$ 2,748,213</u>	<u>\$ 229,517</u>	<u>\$ 1,151,821</u>	<u>\$ -</u>	<u>\$ 12,746,748</u>

See accompanying Notes to Financial Statements.

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

	Program Services			Supporting Services				Total
	Training	Service	Total	Management and General	Rental Property	Fundraising	Capital Campaign Fundraising	
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>\$ 9,554,847</u>	<u>\$ 2,839,276</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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,256,341	\$ 697,811
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss (Gain) on Investments	(99,591)	300,415
Depreciation	722,423	648,694
Asset Retirement Obligation	12,961	12,344
Amortization of Right of Use Asset	92,645	-
Lease Liability Adjustment	30,722	-
Bad Debt Expense	29,244	44,773
Change in Current Assets and Liabilities:		
Program Service Fee Receivables	166,756	(330,478)
Pledges Receivable	(1,069,419)	254,508
Other Assets	(113,225)	68,582
Deferred Rent	(208,800)	104,400
Accounts Payable	(49,793)	72,660
Deferred Financial Aid Revenue	116,341	22,746
Solar Panel Contract	(37,036)	(37,036)
Accrued Payroll and Related Expenses	(132,347)	(758,919)
Net Cash Provided by Operating Activities	729,847	1,100,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(144,118)	(2,338,863)
Proceeds from Sale of Investments	35,200	21,311
Purchase of Property and Equipment	(718,932)	(393,132)
Net Cash Used by Investing Activities	(827,850)	(2,710,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Leases	(19,365)	(18,583)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(117,368)	(1,628,767)
Cash and Cash Equivalents - Beginning of Year	3,574,079	5,202,846
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,456,711	\$ 3,574,079
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Disclosures:		
Cash Payments for Interest	\$ 25,960	\$ 24,965
Donated Stock	\$ 30,982	\$ 343,714
Net Capital Campaign Activity	\$ 8,175	\$ 7,033

See accompanying Notes to Financial Statements.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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:

Net Assets Without Donor Restriction – Those resources over which the board of directors has discretionary control. These resources are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets 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.

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, 2023 and 2022, no allowance for doubtful accounts was considered necessary. As of June 30, 2023, 2022 and 2021, the program service fee receivables were \$688,267, \$950,788 and \$635,723, respectively.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022, an allowance for uncollectible pledges receivable of \$33,676 and \$16,262, 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, 2023 and 2022 was \$116,267 and \$134,685, 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, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets—operating and lease liability, and finance leases are included in ROU assets—financing and lease liability in the balance sheets. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use their incremental borrowing rate. The Organization has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

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, 2023, 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. As of June 30, 2023, 2022 and 2021, the deferred financial aid revenue was \$149,719, \$33,378 and \$56,124, respectively.

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.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Grants, Financial Aid Revenue, and Contracts (Continued)

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 \$2,902,165 that have not been recognized at June 30, 2023, 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.

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.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

	2023			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds - International Equities	\$ 293,614	\$ -	\$ -	\$ 293,614
Exchange Traded Funds - U.S. Bonds	2,255,881	-	-	2,255,881
Exchange Traded Funds - U.S. Equities	1,223,900	-	-	1,223,900
Cash	-	-	-	59
Total Investments	<u>\$ 3,773,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,773,454</u>

	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	<u>\$ 3,564,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,564,945</u>

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Association's financial position and change in net assets as a result of the adoption of this accounting standard.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 11, 2023, the date the financial statements were available to be issued.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,456,711	\$ 3,574,079
Program Service Fee Receivables	971,365	1,138,121
Pledges Receivable - Current Portion	2,442,013	1,718,579
Pledges Receivable - Long-Term Portion	1,922,086	1,605,345
Less: Restricted Net Assets (Included Above)	(2,222,170)	(861,045)
Add: Time Restricted Net Assets Available with One Year	<u>742,000</u>	<u>725,000</u>
Total Financial Assets	<u><u>\$ 7,312,005</u></u>	<u><u>\$ 7,900,079</u></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, 2023, in the amount of \$1,681,573. There was one account held by the Organization that were over the FDIC limit at June 30, 2022, in the amount of \$2,611,636.

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 2023 and 2022.

During the year 2023, two entities represented 28% of the contributions received during the year. During the year 2022, no entities contributed more than 10% of contributions. Additionally, of the contributions received during June 30, 2023 and 2022, approximately \$910,000 and \$469,000, respectively were from board members.

At June 30, 2023, one entity made up 11% of support receivables. At June 30, 2022, two entity made up 66% of support receivables. Additionally, of the support receivables at June 30, 2023 and 2022, approximately \$705,000 and \$319,500, respectively, were from board members.

At June 30, 2023, no entities made up over 10% of program receivables. At June 30, 2022, no entities made over 10% of program receivables.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Annual Pledges Receivable	\$ 2,113,802	\$ 2,697,809
Capital Campaign Pledges Receivable	2,283,973	649,410
Allowance for Uncollectible Pledges	(33,676)	(16,262)
Unamortized Discount	-	(7,033)
Total	<u>\$ 4,364,099</u>	<u>\$ 3,323,924</u>
Amounts Due in:		
Less than One Year	\$ 2,442,013	\$ 1,718,579
One to Five Years	1,922,086	1,605,345
Total	<u>\$ 4,364,099</u>	<u>\$ 3,323,924</u>

The imputed interest rate utilized for computing the discount for long-term pledges was 4.91% and 2.44% for years ended June 30, 2023 and 2022, respectively.

NOTE 5 INVESTMENTS

Investments consist of the following as of June 30:

<u>2023</u>	
Exchange Traded Funds - International Equities	\$ 293,614
Exchange Traded Funds - U.S. Bonds	2,255,881
Exchange Traded Funds - U.S. Equities	1,223,900
Cash	59
Total Investments	<u>\$ 3,773,454</u>
<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>

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, 2023), 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. Effective March 14, 2023, the note was renewed with a maturity date of March 11, 2024. 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, 2023 or 2022.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 NET ASSETS

Donor-Restricted Net Assets

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

	2023	2022
Time Restricted Pledges	\$ 4,101,616	\$ 2,810,099
Purpose Restricted for Programs	401,120	252,605
Purpose Restricted, Earnings on Endowment	201,310	71,708
Total	<u>\$ 4,704,046</u>	<u>\$ 3,134,412</u>
Held in Perpetuity	2023	2022
Building and Maintenance	\$ 645,789	\$ 645,789
Innovation/Strategic Opportunity Fund	645,789	645,789
Total	<u>\$ 1,291,578</u>	<u>\$ 1,291,578</u>
Total Restricted Net Assets	<u>\$ 5,995,624</u>	<u>\$ 4,425,990</u>

Restrictions Released

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

	2023	2022
Program Expenditures	\$ 92,025	\$ 90,075
Time Restrictions Met	2,151,557	1,412,379
Total	<u>\$ 2,243,582</u>	<u>\$ 1,502,454</u>

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.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 ENDOWMENT (CONTINUED)

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, 2023 and 2022, 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.

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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, June 30, 2021	\$ -	\$ 1,363,286	\$ 1,363,286
Contributions	-	-	-
Bad Debt (Expense) Recovery	-	-	-
Investment Income	-	129,602	129,602
Appropriations	-	-	-
Endowment Fund Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 1,492,888</u>	<u>\$ 1,492,888</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance Restated, June 30, 2020	\$ -	\$ 1,600,723	\$ 1,600,723
Contributions	-	-	-
Bad Debt	-	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>

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.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 LEASES

The Organization leases certain equipment and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options up to three years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Council to pay real estate taxes, insurance, and repairs. The Organization does not have any covenants with these agreements or required to maintain certain financial ratios.

The following table provides quantitative information concerning the Council 's leases as of June 30, 2023:

Right-of-Use Assets:	
Financing Leases, Net	\$ 15,833
Operating Leases, Net	199,480
Total	<u>\$ 215,313</u>
Lease Liabilities:	
Current:	
Financing Leases	\$ 7,462
Operating Leases	167,030
Noncurrent:	
Financing Leases	8,838
Operating Leases	171,227
Total	<u>\$ 354,557</u>
Finance Lease Costs:	
Amortization of ROU Assets	\$ 18,197
Interest on Lease Liabilities	662
Operating Lease Costs	104,400
Total	<u>\$ 123,259</u>
Other Information:	
Operating Cash Flows from Finance Leases	\$ 662
Operating Cash Flows from Operating Leases	174,000
Financing Cash Flows from Finance Leases	19,426
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liability	-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	292,126
Weighted Average Remaining Lease Term - Finance Leases	2.3 Years
Weighted Average Remaining Lease Term - Operating Leases	2.0 Years
Weighted Average Discount Rate - Finance Leases	1.78%
Weighted Average Discount Rate - Operating Leases	2.85%

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2024	\$ 174,000	\$ 7,598
2025	174,000	5,100
2026	-	3,825
Total Lease Payments	348,000	16,523
Less: Interest	(9,742)	(224)
Present Value of Lease Liabilities	\$ 338,258	\$ 16,299

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, 2023 and 2022, the utility contract obligation was \$406,114 and \$443,150, 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 2023 and 2022 was \$129,600 and \$129,600, respectively.

SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$147,511 and \$145,774 for 2023 and 2022, respectively.

NOTE 13 CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>	<u>Fair Value Techniques</u>
Information Technology Supplies	\$ 24,005	\$ 61,000	Estimated at the fair value of the supplies received provided by the donor
Other	29,758	28,897	Estimated at the fair value of the item received by the donor.
Total Contributed Non-Financial Assets	<u>\$ 53,763</u>	<u>\$ 89,897</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 RELATED PARTY TRANSACTIONS

The Organization received \$910,400 and \$469,592 in contributions from trustee board members during the years ended June 30, 2023 and 2022, respectively.

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 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, 2023 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 9,654,948	
Total Expenses/Losses	\$ 12,536,256	0.77

Equity Ratio:

Modified Net Assets	\$ 16,491,042	
Modified Assets	\$ 18,819,354	0.88

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	\$ (313,293)	
Total Revenues/Gains	\$ 12,345,183	(0.03)

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.7702	3.0000	40%	1.2000
Equity Ratio	0.8763	3.0000	40%	1.2000
Net Income Ratio	-0.0254	0.3656	20%	0.0731
				2.4731

**SUMMIT ACADEMY OIC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 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, 2023	\$ 3,747,693
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)	(290,109)
d. Balance pre-implementation property, plant, and equipment, net	3,457,584

Debt financed post-implementation property, plant, and equipment, net
Long-lived assets acquired with debt subsequent to June 30, 2020:

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

Construction in progress - acquired subsequent to June 30, 2020

-

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

a. Long-lived assets acquired without use of debt subsequent to June 30, 2020	2,226,176
---	-----------

Total Property, Plant, and Equipment, net - June 30, 2023

\$ 5,683,760

Debt to be excluded from expendable net assets

Pre-implementation debt:

a. Ending balance of pre-implementation as of June 30, 2021	\$ 13,016
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	(13,016)
c. Less subsequent debt repayments	-
d. Balance Pre-implementation Debt	-

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

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

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

\$ -

**SUMMIT ACADEMY OIC
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
JUNE 30, 2023 AND 2022**

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 10,495,418
2	SFP	Net assets with donor restrictions	\$ 5,995,624
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	\$ 3,457,584
7	Note 13	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ -
8	N/A	Construction in progress purchased with long-term debt	\$ -
9	Note 13	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 2,226,176
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	\$ 215,313
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	\$ -
15	Note 13	Long-term debt - for long-term purposes post-implementation	\$ -
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	\$ 354,557
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 12,536,256
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)	\$ -
		Equity Ratio:	
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 10,495,418
24	SFP	Net assets with donor restrictions	\$ 5,995,624
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	\$ -
		Modified Assets:	
29	SFP	Total assets	\$ 18,819,354
30	N/A	Lease right-of-use asset pre-implementation	\$ -
31	N/A	Intangible assets	\$ -
32	N/A	Unsecured related-party receivables	\$ -
		Net Income Ratio:	
33	SOA	Change in Net Assets Without Donor Restrictions	\$ (313,293)
		Total Revenues and Gains Without Donor Restriction:	
34	SOA	Total operating revenue (including net assets released from restrictions)	\$ 12,222,963
35	SOA	Investments gain, net (aggregate operating and nonoperating interest, dividends, realized and unrealized gains)	\$ 122,220
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, 2023, 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 11, 2023.

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. 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 or significant deficiencies may exist that were not identified.

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*.

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 11, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.