

THUNDERBIRD PREPARATORY ACADEMY, INC.

Financial Statements and
Supplementary Information

Year Ended June 30, 2019



Rives & Associates, LLP
Certified Public Accountants and Consultants

THUNDERBIRD PREPARATORY ACADEMY, INC.

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June 30, 2019

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FINANCIAL SECTION



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
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Independent Auditors' Report

To the Board of Directors
Thunderbird Preparatory Academy, Inc.
Cornelius, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Thunderbird Preparatory Academy, Inc., North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Thunderbird Preparatory Academy, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Thunderbird Preparatory Academy, Inc. as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that Thunderbird Preparatory Academy, Inc. will continue as a going concern. As discussed in Note VII to the financial statements, the School's enrollment is down and the school has not been able to make rent or debt payments due to cash flow issues. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plan regarding those matters are also described in Note VII. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thunderbird Preparatory Academy, Inc.'s basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary schedule, as well as the accompanying schedule of expenditures of Federal and State awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule, and the accompanying schedule of expenditures of Federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2019 on our consideration of Thunderbird Preparatory Academy, Inc.'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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Thunderbird Preparatory Academy, Inc.'s internal control over financial reporting and compliance.

Rives & Associates LLP

Raleigh, North Carolina
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Thunderbird Preparatory Academy, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2019

As management of Thunderbird Preparatory Academy, Inc., we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2019, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- The liabilities of Thunderbird Preparatory Academy, Inc. exceeded its assets at the close of the fiscal year by \$363,471 (*net position*).
- The School's total net position decreased by \$292,463, primarily due to a decrease in the governmental activities' net position.
- As of the close of the current fiscal year, Thunderbird Preparatory Academy, Inc.'s governmental funds reported combined ending fund balances of (\$137,884), a decrease of \$138,477 in comparison with the prior year.
- The State funded Average Daily Membership (ADM) was 497 in 2015-16, 155 in 2016-17, 123 in 2017-18, and 94 for the current fiscal year.
- During the current fiscal year, there were no changes in Thunderbird Preparatory Academy, Inc.'s total long-term debt. The School's long-term debt totaled \$349,470 on June 30, 2019.

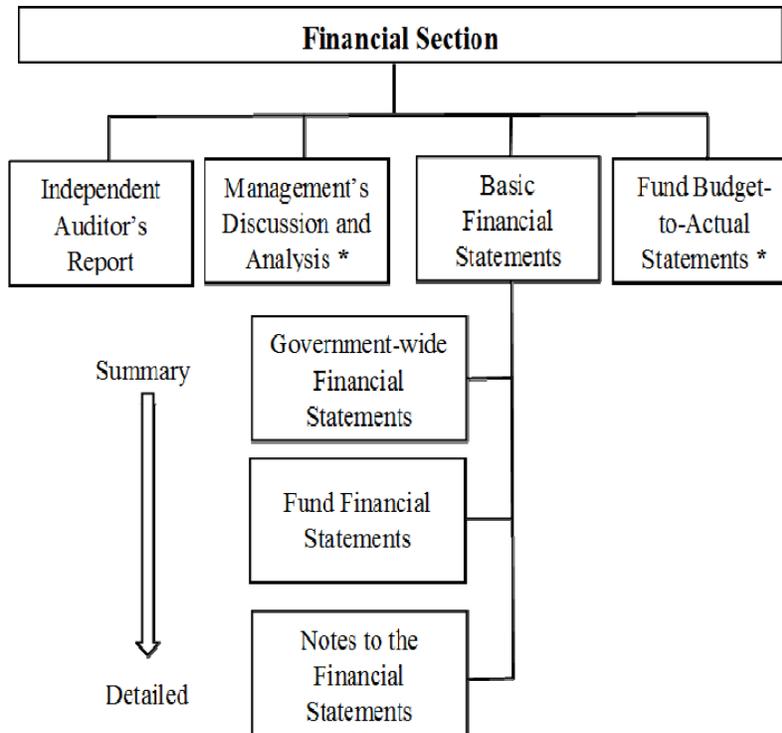
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Thunderbird Preparatory Academy, Inc.'s basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's

individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the Before and After School Care activities carried out by Thunderbird Preparatory Academy, Inc.

The condensed government-wide financial statements are provided in Figures 2 and 3 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thunderbird Preparatory Academy, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of Thunderbird Preparatory Academy, Inc. can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net

**Management's Discussion and Analysis
Thunderbird Preparatory Academy, Inc.
June 30, 2019**

Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Thunderbird Preparatory Academy, Inc. has one proprietary fund, which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Thunderbird Preparatory Academy, Inc. uses enterprise funds to account for its Before and After School Care functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Government-Wide Financial Analysis

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The liabilities of Thunderbird Preparatory Academy, Inc. exceeded assets by \$363,471 as of June 30, 2019. At June 30, 2018, the net position of the School stood at (\$71,008). The School's net position decreased by \$292,463 for the fiscal year ended June 30, 2019, compared to a decrease of \$103,875 in 2018. The amount of \$223,534 represents the School's investment in capital assets (e.g. leasehold improvements, computer and equipment, and school furnishings) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, (\$587,005), is unrestricted. In 2018, the amount of net investment in capital assets was \$196,836, with unrestricted net position standing at (\$267,844).

A condensed statement of net position which summarizes the assets, liabilities, and net position at June 30, 2019 and 2018 is as follows:

**Thunderbird Preparatory Academy, Inc.'s
Condensed Statement of Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Cash and cash equivalents	\$ 6,705	\$ 116,434	\$ -	\$ 73,279	\$ 6,705	\$ 189,713
Other current assets	29,448	10,395	108,749	108,749	138,197	119,144
Capital assets, net of depreciation	223,534	243,187	-	-	223,534	243,187
Total assets	259,687	370,016	108,749	182,028	368,436	552,044
Current and other liabilities	382,437	273,582	-	-	382,437	273,582
Long-term liabilities	349,470	349,470	-	-	349,470	349,470
Total liabilities	731,907	623,052	-	-	731,907	623,052
Net position:						
Net investment in capital assets	223,534	196,836	-	-	223,534	196,836
Unrestricted	(695,754)	(449,872)	108,749	182,028	(587,005)	(267,844)
Total net position	\$ (472,220)	\$ (253,036)	\$ 108,749	\$ 182,028	\$ (363,471)	\$ (71,008)

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.
- Generally speaking, funding changes proportionately with any changes in student enrollment.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2019 and 2018:

**Thunderbird Preparatory Academy, Inc.'s
Condensed Statement of Activities
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for services	\$ 34,000	\$ -	\$ 235	\$ 69,860	\$ 34,235	\$ 69,860
Operating grants and contributions	36,542	48,767	-	-	36,542	48,767
County, State, and Federal funds	898,899	1,024,326	-	-	898,899	1,024,326
Unrestricted grants and contributions	8,485	103,320	8	38	8,493	103,358
Other	4,922	6,496	-	-	4,922	6,496
Total revenues	982,848	1,182,909	243	69,898	983,091	1,252,807
Expenses:						
Instructional services	951,764	983,250	-	-	951,764	983,250
System-wide support services	255,640	275,894	-	-	255,640	275,894
Community services	6,955	7,425	-	-	6,955	7,425
Interest on long-term debt	61,054	73,673	-	-	61,054	73,673
Before and after school care	-	-	141	16,440	141	16,440
Total expenses	1,275,413	1,340,242	141	16,440	1,275,554	1,356,682
Increase (decrease) in net position before transfers	(292,565)	(157,333)	102	53,458	(292,463)	(103,875)
Transfers	73,381	37,544	(73,381)	(37,544)	-	-
Change in net position	(219,184)	(119,789)	(73,279)	15,914	(292,463)	(103,875)
Net position, July 1	(253,036)	(133,247)	182,028	166,114	(71,008)	32,867
Net position, June 30	<u>\$ (472,220)</u>	<u>\$ (253,036)</u>	<u>\$ 108,749</u>	<u>\$ 182,028</u>	<u>\$ (363,471)</u>	<u>\$ (71,008)</u>

Governmental activities. Governmental activities decreased the School's net position by \$292,565, before a transfer of \$73,381 was received from business-type activities, reducing the decrease in net position to \$219,184.

Business-type activities. Business-type activities increased the School's net position by \$102, before a transfer of \$73,381 was made to the governmental fund.

Financial Analysis of the School's Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Thunderbird Preparatory Academy, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was (\$138,820), while total fund balance reached (\$137,884).

**Management's Discussion and Analysis
Thunderbird Preparatory Academy, Inc.
June 30, 2019**

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Before and After School Care fund at the end of the fiscal year amounted to \$108,749. The total change in net position for the Before and After School Care fund was (\$73,279), after a transfer was made to the governmental funds. Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. Thunderbird Preparatory Academy, Inc.'s investment in capital assets for its governmental activities as of June 30, 2019, totals \$223,534 (net of accumulated depreciation). Capital assets include leasehold improvements, computer and equipment, and school furnishings.

The following schedule summarizes the School's capital assets as June 30, 2019 and 2018:

Thunderbird Preparatory Academy, Inc.'s Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities	
	2019	2018
Leasehold improvements	\$ 195,274	\$ 208,993
Computer and equipment	18,418	22,447
School furnishings	9,842	11,747
Capital assets, net	\$ 223,534	\$ 243,187

Additional information about the School's capital assets can be found in note II.A.2. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, Thunderbird Preparatory Academy, Inc. had total debt outstanding of \$349,470. The debt consists of a \$103,119 note payable to American Charter Development (ACD), a \$200,000 note payable to ALK Angel Holdings, and a second note payable to ACD in the amount of \$46,351.

The School's outstanding debt at June 30, 2019 and 2018 is summarized in the following schedule:

**Thunderbird Preparatory Academy, Inc.'s
Long-term Obligations
Figure 5**

	Governmental Activities	
	2019	2018
Notes payable direct borrowing:		
Note payable - ACD	\$ 103,119	\$ 103,119
Note payable - ALK	200,000	200,000
Note payable - ACD	46,351	46,351
Total long-term obligations	<u>\$ 349,470</u>	<u>\$ 349,470</u>

During the current fiscal year, there were no changes to Thunderbird Preparatory Academy, Inc.'s total long-term debt.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the School:

- The State of North Carolina increased its per pupil funding by \$298.41 per ADM compared to the previous year. This equated to an increase of 5.98%.
- The school strives daily to continue to improve its relationships with all members of the community thereby enhancing its long-term presence as a solid member of the community.
- Thunderbird Preparatory Academy, Inc. continues to collaborate with school faculty, parents, students, and community partners to ensure its students become productive citizens in the community.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board Chair, Thunderbird Preparatory Academy, Inc., 17609 Old Statesville Road, Cornelius, NC 28031 Telephone (704) 896-9500. Additional information is available at the School's website, lakesidecharteracademy.com.

THUNDERBIRD PREPARATORY ACADEMY, INC.

Exhibit 1

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,705	\$ -	\$ 6,705
Due from other governments	28,462	-	28,462
Receivables (net)	50	-	50
Due from other funds	-	108,749	108,749
Prepaid items	936	-	936
	<u>36,153</u>	<u>108,749</u>	<u>144,902</u>
Capital assets (Note II.A) 2):			
Capital assets, net of depreciation	223,534	-	223,534
Total capital assets	<u>223,534</u>	<u>-</u>	<u>223,534</u>
 Total assets	 <u>259,687</u>	 <u>108,749</u>	 <u>368,436</u>
LIABILITIES			
Accounts payable and accrued expenses	22,638	-	22,638
Short term note payable	42,650	-	42,650
Due to other funds	108,749	-	108,749
Accrued interest payable	208,400	-	208,400
Long-term liabilities:			
Due within one year	149,470	-	149,470
Due in more than one year	200,000	-	200,000
Total liabilities	<u>731,907</u>	<u>-</u>	<u>731,907</u>
NET POSITION			
Net investment in capital assets	223,534	-	223,534
Unrestricted	(695,754)	108,749	(587,005)
Total net position	<u>\$ (472,220)</u>	<u>\$ 108,749</u>	<u>\$ (363,471)</u>

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

THUNDERBIRD PREPARATORY ACADEMY, INC.

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government	
					Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 951,764	\$ -	\$ 36,542	\$ (915,222)	\$ -	\$ (915,222)
System-wide support services	255,640	34,000	-	(221,640)	-	(255,640)
Community services	6,955	-	-	(6,955)	-	(6,955)
Interest on long-term debt	61,054	-	-	(61,054)	-	(61,054)
Total governmental activities	<u>1,275,413</u>	<u>34,000</u>	<u>36,542</u>	<u>(1,204,871)</u>	<u>-</u>	<u>(1,238,871)</u>
Business-type activities:						
Before/after school care	<u>141</u>	<u>235</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
Total business-type activities	<u>141</u>	<u>235</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>94</u>
Total primary government	<u>\$ 1,275,554</u>	<u>\$ 34,235</u>	<u>\$ 36,542</u>	<u>(1,204,871)</u>	<u>94</u>	<u>(1,238,777)</u>
General revenues:						
Unrestricted county appropriations				252,495	-	252,495
Unrestricted State appropriations				646,404	-	646,404
Donations- corporate contributions				4,922	-	4,922
Miscellaneous, unrestricted				8,485	8	8,493
Transfers				73,381	(73,381)	-
Total general revenues and transfers				<u>985,687</u>	<u>(73,373)</u>	<u>912,314</u>
Change in net position				(219,184)	(73,279)	(292,463)
Net position, beginning				<u>(253,036)</u>	<u>182,028</u>	<u>(71,008)</u>
Net position, ending				<u>\$ (472,220)</u>	<u>\$ 108,749</u>	<u>\$ (363,471)</u>

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

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>State</u>	<u>Fund</u>	
		<u>Public</u>	<u>Federal</u>	
	<u>General</u>	<u>School</u>	<u>Grants</u>	<u>Governmental</u>
				<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,705	\$ -	\$ -	\$ 6,705
Due from other governments	28,462	-	-	28,462
Receivables (net)	50	-	-	50
Prepaid items	936	-	-	936
Total assets	<u>\$ 36,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,153</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 22,638	\$ -	\$ -	\$ 22,638
Short term note payable	42,650	-	-	42,650
Due to child care fund	108,749	-	-	108,749
Total liabilities	<u>174,037</u>	<u>-</u>	<u>-</u>	<u>174,037</u>
Fund balances:				
Nonspendable:				
Prepaid items	936	-	-	936
Unassigned	<u>(138,820)</u>	<u>-</u>	<u>-</u>	<u>(138,820)</u>
Total fund balances	<u>(137,884)</u>	<u>-</u>	<u>-</u>	<u>(137,884)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,153</u>	<u>\$ -</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	223,534
Accrued interest payable included in the statement of net position did not require use of resources in current year	(208,400)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	<u>(349,470)</u>
Net position of governmental activities	<u>\$ (472,220)</u>

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

THUNDERBIRD PREPARATORY ACADEMY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	<u>Major Funds</u>		<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>State Public School</u>	<u>Federal Grants</u>	
REVENUES				
State of North Carolina	\$ -	\$ 646,404	\$ -	\$ 646,404
Boards of Education	252,495	-	-	252,495
U.S. Government	-	-	36,542	36,542
Contributions and donations	4,922	-	-	4,922
Other	42,485	-	-	42,485
Total revenues	<u>299,902</u>	<u>646,404</u>	<u>36,542</u>	<u>982,848</u>
EXPENDITURES				
Current:				
Instructional services	374,168	541,055	36,542	951,765
System-wide support services	127,487	105,349	-	232,836
Community services	6,955	-	-	6,955
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	3,150	-	-	3,150
Total expenditures	<u>511,760</u>	<u>646,404</u>	<u>36,542</u>	<u>1,194,706</u>
Excess (deficiency) of revenues over expenditures	<u>(211,858)</u>	<u>-</u>	<u>-</u>	<u>(211,858)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	73,381	-	-	73,381
Total other financing sources (uses)	<u>73,381</u>	<u>-</u>	<u>-</u>	<u>73,381</u>
Net change in fund balance	(138,477)	-	-	(138,477)
Beginning fund balance	593	-	-	593
Ending fund balance	<u>\$ (137,884)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,884)</u>

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

THUNDERBIRD PREPARATORY ACADEMY, INC.

Exhibit 5

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

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

Net changes in fund balances- total governmental funds \$ (138,477)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (19,653)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (61,054)

Accrued interest

Total changes in net position of governmental activities \$ (219,184)

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

Statement of Net Position
 Proprietary Fund
 June 30, 2019

	<u>Enterprise Funds</u>
	<u>Major Fund</u>
	<u>Before/After</u>
	<u>School Care</u>
ASSETS	
Current assets:	
Cash	\$ -
Due from general fund	108,749
Total assets	<u>\$ 108,749</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
NET POSITION	
Unrestricted	108,749
Total net position	<u>\$ 108,749</u>

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

THUNDERBIRD PREPARATORY ACADEMY, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 7

	Enterprise Funds
	Major Fund
	Before/After
	School Care
OPERATING REVENUES	
Child care fees	\$ 235
Total operating revenues	235
OPERATING EXPENSES	
Other	141
Total operating expenses	141
Operating income	94
NONOPERATING REVENUES	
Other income	8
Transfers to/from other funds	(73,381)
Total nonoperating revenues	(73,373)
Change in net position	(73,279)
Total net position - beginning	182,028
Total net position - ending	\$ 108,749

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

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Funds
	Major Fund
	Before/After
	School Care
CASH FLOWS FROM OPERATING ACTIVITES	
Cash received from customers	\$ 235
Cash paid for goods and services	(141)
Net cash provided by operating activities	94
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES	
Interest income	8
Transfers (to)/from other funds	(73,381)
Net cash used by noncapital financing activities	(73,373)
Net increase (decrease) in cash and cash equivalents	(73,279)
Balances - beginning of year	73,279
Balances - end of year	\$ -
Reconciliation of operating income to cash used by operating activities:	
Operating income	\$ 94
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in payables	-
Net cash provided by operating activities	\$ 94

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

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Thunderbird Preparatory Academy, Inc. (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as Thunderbird Preparatory Academy, Inc. Because of the authority of the State Board of Education (the “SBE”) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A) Reporting Entity

Thunderbird Preparatory Academy, Inc. is a North Carolina non-profit corporation incorporated in 2014. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Thunderbird Preparatory Academy, Inc. has been approved to operate Lakeside Charter Academy, a public school serving approximately 94 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2019 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

Thunderbird Preparatory Academy, Inc. has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

B) Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), the School is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The School reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School and is reported as a special revenue fund.

The School reports the following major enterprise fund:

Before and After Child Care Fund: The Before and After Child Care Fund is used to account for the child care program within the School.

THUNDERBIRD PREPARATORY ACADEMY, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D) Budgetary Data

Annual budgets are adopted for all funds, on a School wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplementary information represents the budget of the School at June 30, 2019. All appropriations lapse at year end.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the School are made in local banks, whose accounts are FDIC insured. Also, the School may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items

4. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	20
Computer and equipment	5
School furnishings	10

THUNDERBIRD PREPARATORY ACADEMY, INC.

Notes to the Financial Statements

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

5. Deferred outflows / inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meets this criterion.

6. Compensated Absences

The School's paid time off policy does not allow vesting for payment if not used. Therefore, no accrual is included in the financial statements.

7. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

7. Net Position/Fund Balances (Continued)

Fund Balance

In the governmental fund financial statements, fund balance is composed of two classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operating expenses of the School which is not a spendable resource.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

THUNDERBIRD PREPARATORY ACADEMY, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

8. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of (\$334,336) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 275,701
Less accumulated depreciation	<u>(52,167)</u>
Net capital assets	223,534
Accrued interest payable recognized in the statement of net position but not reported	(208,400)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Debt financing	(349,470)
Total adjustment	<u>\$ (334,336)</u>

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses

1. Funding

The School is funded by the State Board of Education (SBE), receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Charlotte/Mecklenburg County Schools) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-218.105(a)].

Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. (G.S. 115C-218.105(b)).

Additionally, the School receives for each student an amount equal to the per pupil share of the local current expense fund of the local school administrative unit in which the child resides. (G.S. 115C-218.105 (c)). Amounts transferred that consist of revenue from supplemental taxes shall be transferred only to a charter school located in the district where the taxes are levied and the child resides.

For the fiscal year ended June 30, 2019, the School received funding from the Board of Education for Charlotte-Mecklenburg County (\$246,781), Cabarrus County (\$2,464) and Iredell-Statesville County (\$3,250).

Furthermore, Thunderbird Preparatory Academy, Inc. has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

THUNDERBIRD PREPARATORY ACADEMY, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2019**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of (\$80,707) between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ -
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(19,653)
Expenses reported on the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Accrued interest that is recorded on the statement of activities but not in the fund statements	(61,054)
Total	<u>\$ (80,707)</u>

G) Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2019, the School had deposits with banks and savings and loans with a carrying amount of \$6,405. The bank balance with the financial institutions was \$26,252, all of which was covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk. The School holds \$300 in petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Leasehold improvements	222,638	-	-	222,638
Computer and equipment	34,014	-	-	34,014
School furnishings	19,049	-	-	19,049
Total assets	275,701	-	-	275,701
Less accumulated depreciation for:				
Leasehold improvements	13,645	13,719	-	27,364
Computer and equipment	11,567	4,029	-	15,596
School furnishings	7,302	1,905	-	9,207
Total accumulated depreciation	32,514	19,653	-	52,167
Governmental activity capital assets, net	\$ 243,187			\$ 223,534

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 19,653
	\$ 19,653

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities

1. Retirement Plan

The Thunderbird Preparatory Academy, Inc. has adopted a tax deferred annuity retirement plan under Internal Revenue Code section 401 (k). The Thunderbird Preparatory Academy, Inc. Retirement Plan (The Plan) is a defined contribution plan and is administered by American Funds. The plan was effective July 1, 2015. All full-time employees who have reached age 21 are eligible to participate in the plan after completion of one year of service to the School. Thunderbird Preparatory Academy, Inc. will contribute up to 2%. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

At June 30, 2019, all eligible employees of the School were included in the plan. The Thunderbird Preparatory Academy, Inc. made all required contributions. For the year ended June 30, 2019, the pension cost to the School was \$5,690.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

As authorized by G.S. 115C-218.90(a)(4), Thunderbird Preparatory Academy, Inc. also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan ("Medical Plan"), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through this plan, permanent full-time employees of the School are eligible to receive health care benefits. The School pays the full cost of coverage for employees enrolled in the Medical Plan.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligation

a) Installment Notes

The School entered into a direct borrowing in March 2015 with American Charter Development for \$150,000 related to the operations of the School. The loan was amended during the year ended June 30, 2018 to extend maturity to December 15, 2019, with interest calculated on unpaid principal balances at 9.5%. The outstanding loan balance at June 30, 2019 was \$103,119. The accrued interest on the loan at June 30, 2019 was \$38,254.

The School entered into another direct borrowing in July 2016 with American Charter Development for \$51,744 related to construction costs of the School. The loan was amended during the year ended June 30, 2018 to extend maturity to December 15, 2019, with interest calculated on unpaid principal balances at 9.5%. The outstanding loan balance at June 30, 2019 was \$46,351. The accrued interest on the loan at June 30, 2019 was \$11,317.

The School entered into a direct borrowing in April 2015 with ALK Angel Holdings for up to \$250,000 related to operations of the School. The outstanding balance of the loan at June 30, 2019 was \$200,000. The loan is to be repaid with interest only payments of \$4,167 monthly through the maturity date. The entire balance of the loan will be paid back by June 1, 2022. The direct borrowing is secured by a first priority security interest in and lien upon all of the School's right, title and interest in and to the deposit account and the account collateral and all current and future proceeds thereof. The accrued interest on the loan at June 30, 2019 was \$145,872.

The following is a summary of the changes in the School's general long-term obligations for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Direct note payable – ACD	\$ 103,119	\$ -	\$ -	\$ 103,119	\$ 103,119
Direct note payable – ALK	200,000	-	-	200,000	-
Direct note payable – ACD	46,351	-	-	46,351	46,351
Total	\$ 349,470	\$ -	\$ -	\$ 349,470	\$ 149,470

Payments on the general long-term obligations to maturity are as follows:

<u>Year ending</u>	
June 30, 2020	\$ 149,470
June 30, 2021	-
June 30, 2022	<u>200,000</u>
Total	\$ <u>349,470</u>

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

C) Interfund Balances and Activity

During the year ended June 30, 2019, \$73,381 was transferred from the General Fund to the Before/After School Care Fund to supplement operations.

The composition of interfund balances as of June 30, 2019, is as follows:

Balance owed to the Before and After School Fund from the General Fund to repay previous funds borrowed to supplement operations. \$ 108,749

D) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance	\$ (137,884)
Less:	
Prepaid items	9,36
Remaining fund balance	\$ (138,820)

III. RELATED PARTY TRANSACTIONS

A Board Member also works for American Charter Development (ACD), a company that provided original facility development services for the School. ACD does not own the building and is not the landlord of the School; however, ACD is a guarantor on subordinated debt of the current landlord. Additionally, as discussed in Note II (B)(3) ACD has loaned the school funds and as of June 30, 2019 the School owed ACD \$149,470.

ACD also lent the School \$81,000 on November 5, 2018 as a short term note payable. The total principle sum, or the amount thereof outstanding, together with any accrued but unpaid interest was due February 5, 2019. As of June 30, 2019 the outstanding balance on this short term note was \$42,650.

THUNDERBIRD PREPARATORY ACADEMY, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2019

IV. LIMITED PARTNERSHIP AGREEMENT

During June 30, 2015, the Board of Directors of the School voted to enter into a limited partnership agreement with Thunderbird Charter School, LP (the LP). The purpose of the partnership is to: develop a school facility, hire and manage school personnel and educate children. The School is the General Partner in the LP. The LP obtained \$3,000,000 to American Charter Development, LLC for development of the project (school facility). In June 2015, the project (school facility) was purchased by Vertex. With this purchase, Vertex assumed the obligation to repay the \$3,000,000 to the investors. After the investors obtain the I-829 Green Card adjudication – approval or denial (through the Federal Eb-5 Immigrant Investor Program), the School has the option to purchase the school facility from Vertex at which time Vertex would repay the \$3,000,000 obligation to the investors. All School employees are employees of the LP.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VI. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued.

The School entered into a lease agreement for rent of the building, beginning July 1, 2019 that expires after a 20 year term on June 30, 2039. The monthly base rent on the new lease will be determined by 25% of all Tenant's gross revenues from grants or gifts specifically for the facility and from enrollment of students in the school.

VII. GOING CONCERN CONSIDERATIONS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the School as a going concern. Funding from the State and Local LEAs is based on student enrollment numbers. Student enrollment for the year ending June 30, 2019 was approximately 94 students and as of the report date, the School has 122 students enrolled. The School was unable to make their required lease payments for the majority of the year ending June 30, 2019. The School was also unable to make all of their debt and interest payments for the year ending June 30, 2019. The continuance of the School's operations depends on its ability to attract and maintain students and to operate within its cash flow. These factors raise doubt about the School's ability to continue as a going concern. Management is taking measures to increase student enrollment and has renegotiated their rent agreement with their landlord as of July 1, 2019.

SUPPLEMENTARY INFORMATION

THUNDERBIRD PREPARATORY ACADEMY, INC.

Schedule 1

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Government Fund Types

For the Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
State of North Carolina	\$ 657,278	\$ 646,404	\$ (10,874)
Boards of Education:			
Cabarrus County	-	2,464	2,464
Charlotte-Meck County	256,194	246,781	(9,413)
Iredell-Statesville Co Schools	-	3,250	3,250
U.S. Government	49,493	36,542	(12,951)
Donations	73,380	4,922	(68,458)
Others	73,950	42,485	(31,465)
Total revenues	<u>1,110,295</u>	<u>982,848</u>	<u>(127,447)</u>
EXPENDITURES			
Salaries and bonuses	666,118	668,910	(2,792)
Employee benefits	80,289	125,551	(45,262)
Books and supplies	31,811	68,441	(36,630)
Technology	14,410	14,097	313
Non-capitalized equipment and leases	11,000	19,809	(8,809)
Contracted student services	16,100	35,619	(19,519)
Staff development	19,175	5,456	13,719
Administrative services	80,302	107,942	(27,640)
Insurance	23,646	3,290	20,356
Rent	63,777	3,388	60,389
Facilities	31,700	75,946	(44,246)
Utilities	46,100	50,457	(4,357)
Nutrition and food	5,500	12,191	(6,691)
Transportation and travel	-	459	(459)
Federal programs	-	-	-
Total	<u>1,089,928</u>	<u>1,191,556</u>	<u>(101,628)</u>
Debt service:			
Principal	-	-	-
Interest and other charges	-	3,150	(3,150)
Total debt service	<u>-</u>	<u>3,150</u>	<u>(3,150)</u>
Total expenditures	<u>1,089,928</u>	<u>1,194,706</u>	<u>(104,778)</u>
Other financing sources (uses):			
Transfers	-	73,381	73,381
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>73,381</u>	<u>73,381</u>
Excess of revenue over expenditures	<u>\$ 20,367</u>	<u>\$ (138,477)</u>	<u>\$ (158,844)</u>
Fund balance - beginning		593	
Fund balance - ending		<u>\$ (137,884)</u>	

THUNDERBIRD PREPARATORY ACADEMY, INC.

Schedule 2

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proprietary Fund Types

For the Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Before/after school care	\$ -	\$ 235	\$ 235
Total revenues	<u>-</u>	<u>235</u>	<u>235</u>
EXPENDITURES			
Food purchases		-	-
Salaries and benefits	-	-	-
Materials and supplies	-	-	-
Contracted services	-	-	-
Other	-	141	(141)
Total expenditures	<u>-</u>	<u>141</u>	<u>(141)</u>
Revenues over (under) expenditures	<u>-</u>	<u>94</u>	<u>94</u>
Other financing sources (uses):			
Interest income	-	8	8
Transfers	-	(73,381)	(73,381)
Total other financing sources	<u>-</u>	<u>(73,373)</u>	<u>(73,373)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (73,279)</u>	<u>\$ (73,279)</u>

COMPLIANCE SECTION



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Certified Public Accountants

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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*

To the Board of Directors
Thunderbird Preparatory Academy, Inc.
Cornelius, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thunderbird Preparatory Academy, Inc., as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Thunderbird Preparatory Academy, Inc.'s basic financial statements, and have issued our report thereon dated October 31 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Thunderbird Preparatory Academy, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Thunderbird Preparatory Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Thunderbird Preparatory Academy, Inc.'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 the internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Rives & Associates LLP

Raleigh, North Carolina
October 31, 2019



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Certified Public Accountants

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Independent Auditors' Report On Compliance For Each Major State Program and on Internal Control Over Compliance Required By the OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Directors
Thunderbird Preparatory Academy, Inc.
Cornelius, North Carolina

Report on Compliance for Each Major State Program

We have audited Thunderbird Preparatory Academy, Inc., North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Thunderbird Preparatory Academy, Inc.'s major State programs for the year ended June 30, 2019. Thunderbird Preparatory Academy, Inc.'s major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Thunderbird Preparatory Academy, Inc.'s major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standard, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Thunderbird Preparatory Academy, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Thunderbird Preparatory Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on its major State program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Thunderbird Preparatory Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Thunderbird Preparatory Academy, Inc.'s internal control over compliance with the types of requirements that are appropriate in the circumstances that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Thunderbird Preparatory Academy, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Thunderbird Preparatory Academy, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questions costs. Thunderbird Preparatory Academy, Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rives & Associates LLP

Raleigh, North Carolina
October 31, 2019

Thunderbird Preparatory Academy, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001

SIGNIFICANT DEFICIENCY

Criteria: The school must adopt a policy mirroring that of the local school board for completing background checks.

Condition: The school must complete a criminal background check for each employee during the year.

Effect: The school is in violation of this statute.

Cause: The school did not run criminal history checks on any employee during the year.

Questioned Costs: N/A

Recommendation: The school should run a criminal history check on each employee before providing that employee with an offer of employment.

Finding 2019-002

SIGNIFICANT DEFICIENCY

Criteria: The school shall obtain and maintain the minimum insurance levels per the Charter Agreement.

Condition: The school must maintain all insurance policies required for the full fiscal year.

Effect: The school is in violation of this statute.

Cause: The school had a lapse in their Workers Compensation insurance resulting in being uncovered for 15 days of the year.

Questioned Costs: N/A

Recommendation: The school should maintain payments on their insurance policies to maintain proper coverage.

Views of responsible officials and planned corrective actions: The School agrees with this finding. Please refer to the corrective action plan on page 42.

Thunderbird Preparatory Academy, Inc.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-002

SIGNIFICANT DEFICIENCY

Criteria: The school must adopt a policy mirroring that of the local school board for completing background checks.

Condition: The school must complete a criminal background check for each employee during the year.

Effect: The school is in violation of this statute.

Cause: The school did not run criminal history checks on any employee during the year.

Questioned Costs: N/A

Recommendation: The school should run a criminal history check on each employee before providing that employee with an offer of employment.

Finding 2019-003

SIGNIFICANT DEFICIENCY

Criteria: The school shall obtain and maintain the minimum insurance levels per the Charter Agreement.

Condition: The school must maintain all insurance policies required for the full fiscal year.

Effect: The school is in violation of this statute.

Cause: The school had a lapse in their Workers Compensation insurance resulting in being uncovered for 15 days of the year.

Questioned Costs: N/A

Recommendation: The school should maintain payments on their insurance policies to maintain proper coverage.

Views of responsible officials and planned corrective actions: The School agrees with this finding. Please refer to the corrective action plan on page 42.



Lakeside Charter Academy
17609 Old Statesville Rd.
Cornelius, NC 28031

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Name of contact person: Susanne George

Corrective action:

Lakeside board, staff and administration are committed to reaching financial compliance through collaborative efforts. For the 2020 fiscal year Lakesides growth was over 73% from the previous year. Exceeding their enrollment over the 30%, increased their county revenues for the school. Lakeside also hired a new Business Manager with a background in budgeting. The current Business Manager has worked extensively with Acadia, Dr. Montague and the board to work within the budget through joint efforts and constant communication. Administration has gone through pay arrangements with the staff and have established policies and arrangements that will stabilize the payroll portion of the budget for the wellbeing of the school. Spending has been decreased by cutting back on waste and a Parent Action Team has been organized to help with fundraising efforts. With the school on financial cautionary compliance and receiving an allotment each month, they are working to be sure we are within our budget on a monthly basis. The board will be more involved as they view budget expenses weekly. Currently the school is active in community events with the intent to bring awareness to the school increasing student applications which will bring increased revenues for next year.

Proposed completion date: On going through June 30, 2019

SECTION III - STATE AWARDS AND QUESTIONED COSTS

Finding 2019-002

Name of contact person: Susanne George

Corrective action:

Once it became apparent that background checks had not been ran, or immediately on all staff. These were completed and filed in personnel folders members including substitutes, have backgrounds check ran before work Lakeside is using.

Proposed completion date: October 15, 2019



Lakeside Charter Academy
17609 Old Statesville Rd.
Cornelius, NC 28031

SECTION III - STATE AWARDS AND QUESTIONED COSTS

Finding 2019-003

Name of contact person: Susanne George

Corrective action:

Once it became apparent that the premiums for workers comp had not been paid, the process began immediately to get it reinstated. The issue date for the new policy was 9/30/2019. Policy Period is from 10/01/2019 to 10/01/2020. Employers Preferred is the workers comp carrier.

Proposed completion date: September 30, 2019

Thunderbird Preparatory Academy, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

No findings in the prior year

Thunderbird Preparatory Academy, Inc.
Schedule of Expenditures and State Awards
For the Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL GRANTS			
Cash Assistance			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction			
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	32,076
Title VI-B Targeted Assistance (Special Needs)	84.027	PRC 118	4,466
Total Title VI-B Cluster			<u>36,542</u>
Total U.S. Department of Education			<u>36,542</u>
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	629,475
State Public School Fund - Summer Reading Program		PRC 016	16,929
Total State assistance			<u>646,404</u>
Total federal and State assistance			<u><u>\$ 682,946</u></u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Lakeside Charter Academy under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.