

**Crossroads Charter Academy**

**Big Rapids, Michigan**

**Audited Financial Statements**

**June 30, 2010**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Board of Directors of Crossroads Charter Academy**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crossroads Charter Academy, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Crossroads Charter Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

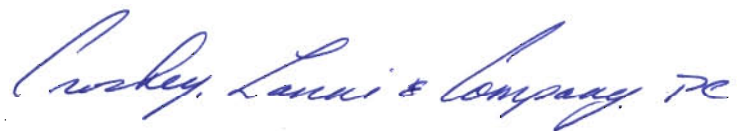
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Crossroads Charter Academy as of June 30, 2010, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2010 on our consideration of Crossroads Charter Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through viii, and 19, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crossroads Charter Academy's financial statements as a whole. The introductory section, combining and individual non major fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the financial statements. The combining and individual non major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Croskey, Lanni & Company, P.C.

August 18, 2010  
Rochester, Michigan

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Crossroads Charter Academy's "CCA", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the school's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

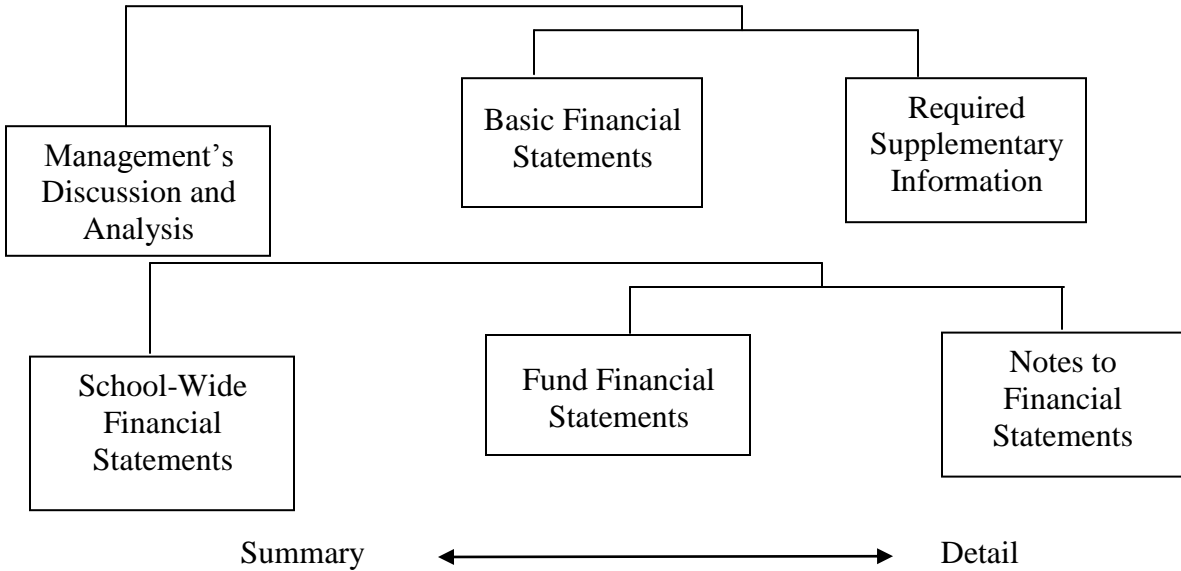
- ❖ The school's financial status remains stable, even though state aid had decreased to \$7,162 per pupil but had an increase in enrollment.
- ❖ The total cost of basic programs was \$2,434,640.
- ❖ General fund revenues were at \$4,746,183 while general fund expenditures were at \$4,050,261.
- ❖ Blended enrollment used for state aid purposes was 607.56 compared to 574.71 last year.
- ❖ The school has a positive general fund balance of \$1,416,763 as of June 30, 2010.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

**Figure A-1  
Organization of CCA'S Annual Financial Report**



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

**Figure A-2  
Major Features of School-Wide and Fund Financial Statements**

|  | Fund Financial Statements  |   |   |
|--|--|---|---|
|  | School-Wide Statements   | Government Funds  | Fiduciary Funds   |
| Scope                                  | Entire school (except fiduciary funds)   | The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.   | Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required Financial Statements          | *Statement of net assets<br>*Statement of activities                               | *Balance sheet<br>*Statement of revenues expenditures and changes in fund balances  | *Statement of fiduciary net assets<br>*Statement of changes in fiduciary net assets   |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                    | Modified accrual accounting and current financial resources   | Accrual accounting and economic resources focus   |
| Type of asset/liability information    | All assets and liabilities both financial and capital, short-term and long-term    | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included                     | All assets and liabilities, both short-term and long-term   |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid   |

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

## **SCHOOL-WIDE STATEMENTS**

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

The two school-wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

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

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4 and A-5.

The school's financial position is the product of many factors. A new asset depreciation schedule was implemented six years ago due to the new regulations required by GASB 34. New asset purchases were funded by the bond issue from the previous year.

### **School Governmental**

The stability of the school's finances is a result of the following measures:

- ❖ A strong fund balance has been accumulated over the years.
- ❖ Encumbrance system was implemented for spending controls and more current budget status.
- ❖ Health insurance options including a HMO plan were implemented to help maintain cost controls.

### **General Fund Budgetary Analysis**

Over the course of the year, the school reviewed the annual operating budget several times. The following operational changes were made:

- ❖ Changes were made in the second and fourth quarters to account for final enrollment counts and changes in assumptions since the original budget was adopted.

### **Financial Outlook**

The Crossroads Charter Academy's financial forecast is optimistic even with the economic conditions of the state heading into the 2010/2011 school year. This is despite the revenue limitations the State of Michigan imposed on schools the past eight years.

- ❖ Enrollment has increased approximately 9% for 2010/11 school year.
- ❖ State aid is proposed to remain near the 09/10 level.
- ❖ By refinancing school debt with a bond issue three years ago, the school secured a stable mortgage.

APPENDIX A

Table A-3  
CCA's Net Assets

|   | <u>2009</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| Current and other assets                        | \$ 2,005,016        | \$ 2,277,049        |
| Capital assets                                  | <u>6,686,887</u>    | <u>6,518,550</u>    |
| Total assets                                    | <u>8,691,903</u>    | <u>8,795,599</u>    |
| Long-term debt outstanding                      | 5,490,000           | 5,390,000           |
| Other liabilities                               | <u>447,187</u>      | <u>462,318</u>      |
| Total liabilities                               | <u>5,937,187</u>    | <u>5,852,318</u>    |
| Net assets:                                     |                     |                     |
| Invested in capital assets, net of related debt | 1,196,887           | 1,128,550           |
| Unrestricted                                    | <u>1,557,829</u>    | <u>1,814,731</u>    |
| Total net assets                                | <u>\$ 2,754,716</u> | <u>\$ 2,943,281</u> |

Table A-4  
Changes in CCA's Net Assets

|                                    | <u>2009</u>         | <u>2010</u>       |
|------------------------------------|---------------------|-------------------|
| Revenues:                          |                     |                   |
| Program revenues:                  |                     |                   |
| Federal and state operating grants | \$ 852,617          | \$ 846,016        |
| General revenues:                  |                     |                   |
| State aid – unrestricted           | 3,945,709           | 4,139,749         |
| Miscellaneous                      | <u>71,542</u>       | <u>11,851</u>     |
| Total revenues                     | <u>4,869,868</u>    | <u>4,997,616</u>  |
| Expenses:                          |                     |                   |
| Instruction                        | 2,395,628           | 2,434,640         |
| Support services                   | 2,128,812           | 1,927,955         |
| Interest on long-term debt         | 282,612             | 278,119           |
| Unallocated depreciation           | <u>168,333</u>      | <u>168,333</u>    |
| Total expenses                     | <u>4,975,385</u>    | <u>4,809,047</u>  |
| Increase (decrease) in net assets  | <u>\$ (105,517)</u> | <u>\$ 188,569</u> |

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2010, the school had invested \$7,598,126 in capital assets, including an addition onto the high school, computers, software and equipment. (More detailed information about capital assets can be found in Note 7 in the financial statements.)

|                               | <b>Balance<br/>June 30, 2010</b> | <b>Balance<br/>June 30, 2009</b> |
|-------------------------------|----------------------------------|----------------------------------|
| Land                          | \$ 220,000                       | \$ 220,000                       |
| Buildings                     | 7,138,869                        | 7,138,869                        |
| Equipment                     | 239,257                          | 239,257                          |
| Total cost                    | 7,598,126                        | 7,598,126                        |
| Less accumulated depreciation | 1,079,576                        | 911,239                          |
| Net book value                | <u>\$ 6,518,550</u>              | <u>\$ 6,686,887</u>              |

### **Long-Term Debt**

At year end the school had debt of \$5,390,000 consisting primarily of bonding obligations further described in Note 8 to the financial statements.

- ❖ The school paid \$278,118 of the debt interest and \$100,000 of principal from the bond issue.
- ❖ The school had a bond issue that allows 28 years of stabilized mortgage payments with interest at slightly over 5%.

## **FACTORS BEARING ON THE SCHOOL'S FUTURE**

- ❖ Quality education offered by CCA. We were the only school receiving Ed Yes "A's" for all buildings. Both buildings met AYP.
- ❖ State aid foundation grant stabilization.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's business office at:

Crossroads Charter Academy, 215 N. State Street, Big Rapids, MI 49307

# CROSSROADS CHARTER ACADEMY

## STATEMENT OF NET ASSETS JUNE 30, 2010 See Independent Auditor's Report

### ASSETS

#### Current Assets

|                                   |            |
|-----------------------------------|------------|
| Cash and cash equivalents         | \$ 797,587 |
| Prepaid expenses                  | 92,996     |
| Investments                       | 421,145    |
| Due from other governmental units | 965,321    |
|                                   | <hr/>      |
| Total current assets              | 2,277,049  |

#### Property, Furniture and Equipment

|  |                     |
|--|---------------------|
| At cost less accumulated depreciation of \$1,079,576 | 6,518,550           |
|  | <hr/>               |
| Total assets   | <u>\$ 8,795,599</u> |

### LIABILITIES AND NET ASSETS

#### Current Liabilities

|                                  |           |
|----------------------------------|-----------|
| Accounts payable                 | \$ 43,895 |
| Notes payable                    | 75,552    |
| Long-term debt - current portion | 105,000   |
| Other accrued expenses           | 342,871   |
|                                  | <hr/>     |
| Total current liabilities        | 567,318   |

#### Long-Term Debt

5,285,000

#### Net Assets

|   |                     |
|---|---------------------|
| Invested in capital assets, net of related debt | 1,128,550           |
| Unrestricted                                    | 1,814,731           |
|   | <hr/>               |
| Total net assets                                | 2,943,281           |
|   | <hr/>               |
| Total liabilities and net assets                | <u>\$ 8,795,599</u> |

See accompanying notes to financial statements



**CROSSROADS CHARTER ACADEMY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

| Functions                        | Expenses            | Program Revenues     |                   | Net (Expense)                      |
|----------------------------------|---------------------|----------------------|-------------------|------------------------------------|
|                                  |                     | Charges for Services | Operating Grants  | Revenues and Changes in Net Assets |
|                                  |                     |                      |                   | Government Type Activities         |
| Elementary school                | \$ 1,031,462        | \$ -                 | \$ 314,041        | \$ (717,421)                       |
| Middle school                    | 215,749             | -                    | -                 | (215,749)                          |
| High school                      | 758,244             | -                    | -                 | (758,244)                          |
| Special education                | 208,384             | -                    | 59,741            | (148,643)                          |
| Compensatory education           | 220,801             | -                    | 220,801           | -                                  |
| Guidance services                | 66,672              | -                    | -                 | (66,672)                           |
| Other pupil support services     | 23,146              | -                    | -                 | (23,146)                           |
| Improvement of instruction       | 78,738              | -                    | -                 | (78,738)                           |
| Library                          | 41,608              | -                    | -                 | (41,608)                           |
| Computer assisted programs       | 25,434              | -                    | -                 | (25,434)                           |
| General administration           | 32,599              | -                    | -                 | (32,599)                           |
| Executive administration         | 289,087             | -                    | -                 | (289,087)                          |
| Building administration          | 198,992             | -                    | -                 | (198,992)                          |
| Business support services        | 365,767             | -                    | -                 | (365,767)                          |
| Lunch program                    | 195,363             | 60,283               | 175,411           | 40,331                             |
| Athletic program                 | 116,971             | 15,720               | -                 | (101,251)                          |
| Operation and maintenance        | 395,031             | -                    | -                 | (395,031)                          |
| Pupil transportation services    | 36,402              | -                    | -                 | (36,402)                           |
| Central support services         | 49,971              | -                    | -                 | (49,971)                           |
| Community activities             | 12,174              | -                    | -                 | (12,174)                           |
| Unallocated depreciation         | 168,333             | -                    | -                 | (168,333)                          |
| Unallocated interest             | 278,119             | 19                   | -                 | (278,100)                          |
| Total primary government         | <u>\$ 4,809,047</u> | <u>\$ 76,022</u>     | <u>\$ 769,994</u> | <u>(3,963,031)</u>                 |
| <b>General Purpose Revenues:</b> |                     |                      |                   |                                    |
| State school aid - unrestricted  |                     |                      |                   | 4,139,749                          |
| Interest                         |                     |                      |                   | 3,054                              |
| Miscellaneous                    |                     |                      |                   | 8,797                              |
| Total general purpose revenues   |                     |                      |                   | <u>4,151,600</u>                   |
| Excess of revenues over expenses |                     |                      |                   | 188,569                            |
| Net assets - July 1, 2009        |                     |                      |                   | <u>2,754,712</u>                   |
| Net assets - June 30, 2010       |                     |                      |                   | <u>\$ 2,943,281</u>                |



See accompanying notes to financial statements

**CROSSROADS CHARTER ACADEMY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2010

See Independent Auditor's Report

**ASSETS**

|                                   | <b>Governmental<br/>Fund Types</b> |                     |
|-----------------------------------|------------------------------------|---------------------|
|                                   | <b>General</b>                     | <b>Debt Service</b> |
| Cash                              | \$ 797,587                         | \$ -                |
| Investments                       | -                                  | 421,145             |
| Prepaid expenses                  | 92,996                             | -                   |
| Due from other governmental units | 965,321                            | -                   |
| Total assets                      | <u>\$ 1,855,904</u>                | <u>\$ 421,145</u>   |

**LIABILITIES AND FUND BALANCES**

**Liabilities**

|                        |           |      |
|------------------------|-----------|------|
| Accounts payable       | \$ 43,895 | \$ - |
| Note payable           | 75,552    | -    |
| Other accrued expenses | 319,694   | -    |
| Total liabilities      | 439,141   | -    |

**Fund Balances**

|                                     |                     |                   |
|-------------------------------------|---------------------|-------------------|
| Reserved for prepaid expenses       | 92,996              | -                 |
| Reserved:                           |                     |                   |
| Reserved for debt service           | -                   | 421,145           |
| Unreserved:                         |                     |                   |
| Undesignated                        | 1,323,767           | -                 |
| Total fund balances                 | <u>1,416,763</u>    | <u>421,145</u>    |
| Total liabilities and fund balances | <u>\$ 1,855,904</u> | <u>\$ 421,145</u> |

See accompanying notes to financial statements



**CROSSROADS CHARTER ACADEMY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2010

See Independent Auditor's Report

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

|  |                     |
|--|---------------------|
| <b>Total Governmental Fund Balances</b>  | \$ 1,837,908        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,598,126 and the accumulated depreciation is \$1,079,576. | 6,518,550           |
| Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.   | (23,177)            |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.   | <u>(5,390,000)</u>  |
| <b>Net Assets of Governmental Activities</b>   | <u>\$ 2,943,281</u> |



See accompanying notes to financial statements

**CROSSROADS CHARTER ACADEMY**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report

|   | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> | <u>Capital<br/>Projects</u> |
|---|----------------|-------------------------|---------------------------|-----------------------------|
| <b>Revenues</b>   |                |                         |                           |                             |
| Local sources   | \$ 11,851      | \$ 19                   | \$ 76,003                 | \$ -                        |
| State sources   | 4,334,471      | -                       | 3,726                     | -                           |
| Federal sources   | 399,861        | -                       | 171,685                   | -                           |
| Total governmental fund revenues  | 4,746,183      | 19                      | 251,414                   | -                           |
| <b>Expenditures</b>   |                |                         |                           |                             |
| Elementary school   | 1,031,462      | -                       | -                         | -                           |
| Middle school   | 215,749        | -                       | -                         | -                           |
| High school   | 758,244        | -                       | -                         | -                           |
| Special education   | 208,384        | -                       | -                         | -                           |
| Compensatory education  | 220,801        | -                       | -                         | -                           |
| Guidance services   | 66,672         | -                       | -                         | -                           |
| Other pupil support services  | 23,146         | -                       | -                         | -                           |
| Improvement of instruction  | 78,738         | -                       | -                         | -                           |
| Educational media services  | 41,608         | -                       | -                         | -                           |
| Computer assisted programs  | 25,434         | -                       | -                         | -                           |
| General administration  | 32,599         | -                       | -                         | -                           |
| Executive administration  | 289,087        | -                       | -                         | -                           |
| Building administration   | 198,992        | -                       | -                         | -                           |
| Business support services   | 365,767        | -                       | -                         | -                           |
| Lunch program   | -              | -                       | 195,363                   | -                           |
| Athletic program  | -              | -                       | 116,971                   | -                           |
| Operation and maintenance   | 395,031        | -                       | -                         | -                           |
| Pupil transportation services   | 36,402         | -                       | -                         | -                           |
| Central support services  | 49,971         | -                       | -                         | -                           |
| Community activities  | 12,174         | -                       | -                         | -                           |
| Debt principal and interest   | -              | 378,119                 | -                         | -                           |
| Total governmental fund expenditures  | 4,050,261      | 378,119                 | 312,334                   | -                           |
| Excess (deficiency) of revenues over expenditures   | 695,922        | (378,100)               | (60,920)                  | -                           |
| <b>Other Financing Sources (Uses)</b>   |                |                         |                           |                             |
| Operating transfers in  | -              | 825,173                 | 167,688                   | -                           |
| Operating transfers out   | (400,825)      | (470,115)               | (106,768)                 | (15,153)                    |
| Total other financing sources (uses)  | (400,825)      | 355,058                 | 60,920                    | (15,153)                    |
| Excess (deficiency) of revenues and other financing<br>sources over expenditures and other (uses) | 295,097        | (23,042)                | -                         | (15,153)                    |
| Fund balance - July 1, 2009   | 1,121,666      | 444,187                 | -                         | 15,153                      |
| Fund balance - June 30, 2010  | \$ 1,416,763   | \$ 421,145              | \$ -                      | \$ -                        |



See accompanying notes to financial statements

**CROSSROADS CHARTER ACADEMY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report**

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

**Net Change in Fund Balances - Total Governmental Funds** \$ 256,902

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$5,000 are capitalized and the cost 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:

Depreciation expense (168,333)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal 100,000

**Change in Net Assets of Governmental Activities** \$ 188,569



See accompanying notes to financial statements

**CROSSROADS CHARTER ACADEMY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report**

**ASSETS**

|                           | <u>Agency</u>    |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 55,406        |
| Total assets              | <u>\$ 55,406</u> |

**LIABILITIES**

|                       |                  |
|-----------------------|------------------|
| Due to student groups | \$ 55,406        |
| Total liabilities     | <u>\$ 55,406</u> |



See accompanying notes to financial statements

**CROSSROADS CHARTER ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies**

The accounting policies of Crossroads Charter Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

**Reporting Entity**

Crossroads Charter Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1998, and began operation in July, 1998.

In July 2008, the Academy entered into a seven-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2010 were \$128,898.

In July 2009, the Academy entered into a one year agreement with Woodbridge Management Education Services (WMES), a Michigan based, not-for-profit management firm. Under the terms of this agreement, WMES provides a variety of services including payroll, and other human resource services. The Academy is obligated to pay Woodbridge Group three and one-half percent of its state aid revenue during the term of this contract. The total paid for these services amounted to \$177,733 for the year ended June 30, 2010.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school academy. Based on application of the criteria, the entity does not contain component units.

**Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

# CROSSROADS CHARTER ACADEMY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report

### NOTE 1 - Summary of Significant Accounting Policies - Continued

#### **Basis of Presentation - Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

#### **Governmental Funds**

A Governmental Fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Debt Service Fund** - The Debt Service Fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**School Service Fund** - The School Service Fund is used to account for the food service program operations. The School Service Fund is a subsidiary operation and is an obligation of the General Fund. Therefore any shortfall in the School Service Fund will be covered by an operating transfer from the General Fund. The School Service Fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Capital Project Fund** - The Capital Project Fund accounts for financial resources to be used for the acquisition, construction or improvement of capital facilities.

#### **Fiduciary Funds**

The Fiduciary Fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** - The Academy presently maintains an Activity Fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

## **CROSSROADS CHARTER ACADEMY**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

See Independent Auditor's Report

#### **NOTE 1 - Summary of Significant Accounting Policies - Continued**

Governmental and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon continued qualification for such aid.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The governmental-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

# **CROSSROADS CHARTER ACADEMY**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

See Independent Auditor's Report

### **NOTE 1 - Summary of Significant Accounting Policies - Continued**

#### **Government-Wide Financial Statements**

Net assets should be reported as restricted when constraints placed on net asset use are either externally, imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

#### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### **Receivables**

Account receivables at June 30, 2010 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2010 and are considered current for the purposes of these basic financial statements.

#### **Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**CROSSROADS CHARTER ACADEMY**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than 1 year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 10 - 50 years |
| Furniture and equipment   | 3 - 15 years  |
| Computers and software    | 3 - 10 years  |

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# CROSSROADS CHARTER ACADEMY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report

### NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund and school service fund budget. During the year ended June 30, 2010 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. During the year ended June 30, 2010, the Academy incurred budget overages in various functional areas.

### NOTE 3 - Deposits and Investments

As of June 30, 2010, the Academy had the following investments:

| <u>Type</u>                          | <u>S&amp;P Rating</u> | <u>Maturities</u> | <u>Carrying Value</u>      |
|--------------------------------------|-----------------------|-------------------|----------------------------|
| Deposits:                            |                       |                   |                            |
| Demand deposits                      |                       |                   | \$ 852,993                 |
| Investments:                         |                       |                   |                            |
| U.S. Treasury and agency obligations | AAAm                  | Various           | <u>421,145</u>             |
| Total deposits and investments       |                       |                   | <u><u>\$ 1,274,138</u></u> |
| Deposits:                            |                       |                   |                            |
| Cash - Agency Fund                   |                       |                   | \$ 55,406                  |
| Cash - Academy Wide                  |                       |                   | <u>797,587</u>             |
| Subtotal                             |                       |                   | <u>852,993</u>             |
| Investments:                         |                       |                   |                            |
| Investments - Debt Service           |                       |                   | <u>421,145</u>             |
| Total deposits and investments       |                       |                   | <u><u>\$ 1,274,138</u></u> |

**CROSSROADS CHARTER ACADEMY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
See Independent Auditor's Report

**NOTE 3 - Deposits and Investments - Continued**

**Interest Rate Risk**

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

**Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2010, the Academy's investments were rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

**Concentration of Credit Risk**

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2010, \$657,364 of the Academy's cash balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign Currency Risk**

The Academy is not authorized to invest in investments which have this type of risk.

**CROSSROADS CHARTER ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 See Independent Auditor's Report

**NOTE 4 - Due From Other Governmental Units**

Amounts owed from governmental units consist of the following:

|                 |                          |
|-----------------|--------------------------|
| Local sources   | \$ 1,053                 |
| State sources   | 793,973                  |
| Federal sources | <u>170,295</u>           |
| Total           | <u><u>\$ 965,321</u></u> |

**NOTE 5 - Capital Assets**

A summary of changes in general fixed assets is as follows:

|                          | <u>Balance</u><br><u>July 1, 2009</u> | <u>Additions</u>           | <u>Disposals</u>   | <u>Balance</u><br><u>June 30, 2010</u> |
|--------------------------|---------------------------------------|----------------------------|--------------------|--|
| Transportation           | \$ 93,693                             | \$ -                       | \$ -               | \$ 93,693                              |
| Land (non depreciable)   | 220,000                               | -                          | -                  | 220,000                                |
| Buildings and facilities | 2,789,814                             | -                          | -                  | 2,789,814                              |
| Furniture and fixtures   | 17,636                                | -                          | -                  | 17,636                                 |
| Computers                | 77,381                                | -                          | -                  | 77,381                                 |
| Custodial equipment      | 9,596                                 | -                          | -                  | 9,596                                  |
| Machinery and equipment  | 58,587                                | -                          | -                  | 58,587                                 |
| Improvements             | 1,271,318                             | -                          | -                  | 1,271,318                              |
| Building and facilities  | 3,000,000                             | -                          | -                  | 3,000,000                              |
| Classrooms               | <u>60,101</u>                         | <u>-</u>                   | <u>-</u>           | <u>60,101</u>                          |
| Subtotal                 | 7,598,126                             | -                          | -                  | 7,598,126                              |
| Accumulated depreciation | <u>911,243</u>                        | <u>168,333</u>             | <u>-</u>           | <u>1,079,576</u>                       |
| Net book value of assets | <u><u>\$ 6,686,883</u></u>            | <u><u>\$ (168,333)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 6,518,550</u></u>             |

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**NOTE 6 - Note Payable**

The Academy has obtained a \$375,000 state aid anticipation note from a financial institution. The loan was issued to provide the Academy with operating money at the beginning of the school year. Interest is calculated at 2.99% and security for the loan is provided through future state school aid payments. The total amount outstanding on the loan as of June 30, 2010 was \$75,552. The loan is scheduled to be paid in full by August of 2010.

**CROSSROADS CHARTER ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
 See Independent Auditor's Report

**NOTE 7 - Other Accrued Expenses**

Amounts accrued at year end consist of the following:

|   | <u>Net Assets</u> | <u>Funds</u>      |
|---|-------------------|-------------------|
| GVSU oversight fee                        | \$ 23,618         | \$ 23,618         |
| Purchased services - payroll and benefits | 296,076           | 296,076           |
| Interest                                  | 23,177            | -                 |
| Total accrued expenses                    | <u>\$ 342,871</u> | <u>\$ 319,694</u> |

**NOTE 8 - Long-Term Obligations Payable**

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2010.

|               | <u>July 1, 2009</u> | <u>Additions</u> | <u>Retirements<br/>&amp; Payments</u> | <u>June 30, 2010</u> | <u>One Year</u>   |
|---------------|---------------------|------------------|---------------------------------------|----------------------|-------------------|
| Revenue bonds | <u>\$ 5,490,000</u> | <u>\$ -</u>      | <u>\$ 100,000</u>                     | <u>\$ 5,390,000</u>  | <u>\$ 105,000</u> |

The Academy has issued revenue bonds bearing interest at an average rate of 5% through the year ended June 30, 2035. The obligations require semi-annual interest payments due June 1st and December 1st and an annual payment of principal due June 1st beginning in 2009. The bonds are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

The following are maturities of long-term obligations for each of the next five years and in total:

|             | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2011        | \$ 105,000       | \$ 273,494      |
| 2012        | 110,000          | 268,638         |
| 2013        | 115,000          | 263,550         |
| 2014        | 125,000          | 258,231         |
| 2015        | 130,000          | 252,450         |
| 2016 - 2020 | 735,000          | 1,165,900       |
| 2021 - 2025 | 935,000          | 964,544         |
| 2026 - 2031 | 1,200,000        | 700,244         |
| 2032 - 2035 | 1,935,000        | 353,063         |

# CROSSROADS CHARTER ACADEMY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report

### NOTE 9 - Operating Lease

The Academy has leased equipment for its facilities under non-cancelable agreements which expire in March 2013. The leases require approximate annual rentals of \$10,000.

The approximate amount of lease obligations coming due during the next three years are as follows:

|      |    |        |
|------|----|--------|
| 2011 | \$ | 10,000 |
| 2012 |    | 10,000 |
| 2013 |    | 7,500  |

Total equipment lease expense included in the statement of activities for the year ended June 30, 2010 amounted to \$10,716.

### NOTE 10 - Retirement Plan

All employees of the Academy are eligible to participate in a retirement plan established by Woodbridge Management Education Services which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. Employer contributions under this plan are discretionary and amounted to four percent of salaries for the year ended June 30, 2010. These contributions are fully vested with the employee after five years of service. Eligible employees may also contribute up to 15% of their salaries under the terms of this plan. Academy contributions for the year ended June 30, 2010 amounted to approximately \$79,500.

### NOTE 11 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.

### NOTE 12 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

|               | <u>General</u> | <u>Debt Service</u> | <u>School Service</u> | <u>Capital Project</u> |
|---------------|----------------|---------------------|-----------------------|------------------------|
| Transfers In  | \$ 576,883     | \$ 825,173          | \$ 167,688            | \$ -                   |
| Transfers Out | 977,708        | 470,115             | 106,768               | 15,153                 |

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The general fund also subsidizes the school service funds athletic and school lunch activities. These above transactions account for the major activity in the Academy's interfund transfer accounts.



**Croskey, Lanni & Company, PC**  
Certified Public Accountants and Business Advisors

David M. Croskey, CPA  
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Patrick M. Sweeney, CPA

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

### **To the Board of Directors of Crossroads Charter Academy**

We have audited the accompanying financial statements of Crossroads Charter Academy for the year ended June 30, 2010. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Crossroads Charter Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Croskey, Lanni &amp; Company PC".

Croskey, Lanni & Company, P.C.

August 18, 2010  
Rochester, Michigan

**CROSSROADS CHARTER ACADEMY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL AND SCHOOL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
See Independent Auditor's Report on Supplemental Information

|   | <b>General Fund</b>        |                         |               |
|---|----------------------------|-------------------------|---------------|
|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> |
| <b>Revenues</b>   |                            |                         |               |
| Local sources   | \$ 90,800                  | \$ 59,300               | \$ 11,851     |
| State sources   | 4,253,255                  | 4,239,890               | 4,334,471     |
| Federal sources   | 293,757                    | 466,566                 | 399,861       |
| Total governmental fund revenues  | 4,637,812                  | 4,765,756               | 4,746,183     |
| <b>Expenditures</b>   |                            |                         |               |
| Elementary school   | 981,807                    | 1,042,777               | 1,031,462     |
| Middle school   | 174,250                    | 217,620                 | 215,749       |
| High school   | 835,910                    | 794,490                 | 758,244       |
| Special education   | 190,382                    | 213,197                 | 208,384       |
| Compensatory education  | 280,499                    | 278,055                 | 220,801       |
| Guidance services   | 69,090                     | 70,710                  | 66,672        |
| Health services   | 750                        | 400                     | -             |
| Other pupil support services  | 28,675                     | 23,275                  | 23,146        |
| Improvement of instruction  | 56,375                     | 81,040                  | 78,738        |
| Educational media services  | 44,775                     | 50,980                  | 41,608        |
| Computer assisted programs  | 25,000                     | 28,000                  | 25,434        |
| General administration  | 34,500                     | 34,625                  | 32,599        |
| Executive administration  | 284,405                    | 289,880                 | 289,087       |
| Building administration   | 195,695                    | 208,280                 | 198,992       |
| Business support services   | 366,500                    | 373,670                 | 365,767       |
| Lunch program   | -                          | -                       | -             |
| Athletic program  | -                          | -                       | -             |
| Operation and maintenance   | 450,490                    | 418,970                 | 395,031       |
| Pupil transportation services   | 34,425                     | 40,195                  | 36,402        |
| Central support services  | 44,687                     | 49,135                  | 49,971        |
| Community activities  | 1,495                      | 4,115                   | 12,174        |
| Total governmental fund expenditures  | 4,099,710                  | 4,219,414               | 4,050,261     |
| Excess of revenues over expenditures  | 538,102                    | 546,342                 | 695,922       |
| <b>Other Financing Sources (uses)</b>   |                            |                         |               |
| Payments to other school districts  | (13,000)                   | (13,000)                | -             |
| Operating transfers in  | 480,000                    | 484,150                 | -             |
| Operating transfers out   | (987,834)                  | (973,320)               | (400,825)     |
| Total other financing sources (uses)  | (520,834)                  | (502,170)               | (400,825)     |
| Excess of revenues and other financing sources over expenditures and other (uses) | 17,268                     | 44,172                  | 295,097       |
| Fund balance - July 1, 2009   | 1,121,666                  | 1,121,666               | 1,121,666     |
| Fund balance - June 30, 2010  | \$ 1,138,934               | \$ 1,165,838            | \$ 1,416,763  |



See accompanying notes to financial statements

**School Service Fund**

| <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    |
|----------------------------|-------------------------|------------------|
| \$ 68,200                  | \$ 76,700               | \$ 76,003        |
| -                          | 162,700                 | 3,726            |
| 122,500                    | 12,000                  | 171,685          |
| <u>190,700</u>             | <u>251,400</u>          | <u>251,414</u>   |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| 184,889                    | 200,639                 | 195,363          |
| 128,645                    | 123,820                 | 116,971          |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| -                          | -                       | -                |
| <u>313,534</u>             | <u>324,459</u>          | <u>312,334</u>   |
| (122,834)                  | (73,059)                | (60,920)         |
| -                          | -                       | -                |
| 122,834                    | 108,320                 | 167,688          |
|                            |                         | <u>(106,768)</u> |
| <u>122,834</u>             | <u>108,320</u>          | <u>60,920</u>    |
| -                          | 35,261                  | -                |
| -                          | -                       | -                |
| <u>\$ -</u>                | <u>\$ 35,261</u>        | <u>\$ -</u>      |



**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                  | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|----------------------------------|----------------|-------------------------|---------------------------|
| <b>Local Sources</b>             |                |                         |                           |
| Donations                        | \$ 200         | \$ -                    | \$ -                      |
| Gate receipts                    | -              | -                       | 12,207                    |
| Interest                         | 3,054          | 19                      | -                         |
| Lunch program                    | -              | -                       | 60,283                    |
| M.O.I.S.D funding                | 42,872         |                         |                           |
| Rent                             | 3,665          | -                       | -                         |
| Shirt sales                      | 741            | -                       | -                         |
| Student activity fees            | 958            | -                       | 3,513                     |
| Miscellaneous                    | 3,233          | -                       | -                         |
|                                  | <hr/>          | <hr/>                   | <hr/>                     |
| Total local sources              | 54,723         | 19                      | 76,003                    |
| <b>State Sources</b>             |                |                         |                           |
| At risk                          | 107,233        | -                       | -                         |
| Great start readiness program    | 37,400         | -                       | -                         |
| School lunch                     | -              | -                       | 3,726                     |
| Special education                | 50,089         | -                       | -                         |
| State aid                        | 4,139,749      | -                       | -                         |
|                                  | <hr/>          | <hr/>                   | <hr/>                     |
| Total state sources              | 4,334,471      | -                       | 3,726                     |
| <b>Federal Sources</b>           |                |                         |                           |
| Food commodities                 | -              | -                       | 9,289                     |
| Bonus food commodities           | -              | -                       | 2,817                     |
| IDEA and ARRA special education  | 9,652          | -                       | -                         |
| Lunch                            | -              | -                       | 159,579                   |
| Medicaid                         | 5,003          | -                       | -                         |
| Teacher quality improvement      | -              | -                       | -                         |
| Title and ARRA I                 | 154,885        | -                       | -                         |
| Title II A                       | 23,015         | -                       | -                         |
| Title and ARRA II D              | 3,280          | -                       | -                         |
| ARRA stabilization funds         | 161,154        | -                       | -                         |
|                                  | <hr/>          | <hr/>                   | <hr/>                     |
| Total federal sources            | 356,989        | -                       | 171,685                   |
|                                  | <hr/>          | <hr/>                   | <hr/>                     |
| Total governmental fund revenues | \$ 4,746,183   | \$ 19                   | \$ 251,414                |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                    | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|------------------------------------|----------------|-------------------------|---------------------------|
| <b>Elementary School</b>           |                |                         |                           |
| Purchased services - salaries      | \$ 734,359     | \$ -                    | \$ -                      |
| Purchased services - benefits      | 191,291        | -                       | -                         |
| Purchased services - payroll taxes | 64,226         | -                       | -                         |
| Capital outlay - nondepreciable    | 2,762          | -                       | -                         |
| Dues and memberships               | 650            | -                       | -                         |
| Teaching supplies and materials    | 23,454         | -                       | -                         |
| Textbooks                          | 14,720         | -                       | -                         |
| Total elementary school            | 1,031,462      | -                       | -                         |
| <b>Middle School</b>               |                |                         |                           |
| Purchased services - salaries      | 147,660        | -                       | -                         |
| Purchased services - benefits      | 42,859         | -                       | -                         |
| Purchased services - payroll taxes | 14,207         | -                       | -                         |
| Teaching supplies and materials    | 11,023         | -                       | -                         |
| Total middle school                | 215,749        | -                       | -                         |
| <b>High School</b>                 |                |                         |                           |
| Purchased services - salaries      | 496,779        | -                       | -                         |
| Purchased services - benefits      | 142,486        | -                       | -                         |
| Purchased services - payroll taxes | 52,938         | -                       | -                         |
| Capital outlay - nondepreciable    | 6,915          | -                       | -                         |
| School programs                    | 37,723         | -                       | -                         |
| Teaching supplies and materials    | 13,683         | -                       | -                         |
| Textbooks                          | 7,720          | -                       | -                         |
| Total high school                  | 758,244        | -                       | -                         |
| <b>Special Education</b>           |                |                         |                           |
| Purchased services - salaries      | 115,055        | -                       | -                         |
| Purchased services - benefits      | 41,189         | -                       | -                         |
| Purchased services - payroll taxes | 9,862          | -                       | -                         |
| Capital outlay - nondepreciable    | 2,474          | -                       | -                         |
| Subcontracted services             | 37,400         | -                       | -                         |
| Teaching supplies and materials    | 1,642          | -                       | -                         |
| Workshops / Conferences            | 762            | -                       | -                         |
| Total special education            | 208,384        | -                       | -                         |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                     | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|-------------------------------------|----------------|-------------------------|---------------------------|
| <b>Compensatory Education</b>       |                |                         |                           |
| Purchased services - salaries       | 187,446        | -                       | -                         |
| Purchased services - benefits       | 5,990          | -                       | -                         |
| Purchased services - payroll taxes  | 17,511         | -                       | -                         |
| Teaching supplies and materials     | 9,854          | -                       | -                         |
|                                     | <hr/>          | <hr/>                   | <hr/>                     |
| Total compensatory education        | 220,801        | -                       | -                         |
| <b>Guidance Services</b>            |                |                         |                           |
| Purchased services - salaries       | 58,475         | -                       | -                         |
| Purchased services - benefits       | 2,519          | -                       | -                         |
| Purchased services - payroll taxes  | 4,916          | -                       | -                         |
| Teaching supplies and materials     | 155            | -                       | -                         |
| Testing                             | 607            | -                       | -                         |
|                                     | <hr/>          | <hr/>                   | <hr/>                     |
| Total guidance services             | 66,672         | -                       | -                         |
| <b>Other Pupil Support Services</b> |                |                         |                           |
| Purchased services - salaries       | 20,467         | -                       | -                         |
| Purchased services - benefits       | 467            | -                       | -                         |
| Purchased services - payroll taxes  | 1,987          | -                       | -                         |
| Supplies and materials              | 225            | -                       | -                         |
|                                     | <hr/>          | <hr/>                   | <hr/>                     |
| Total other pupil support services  | 23,146         | -                       | -                         |
| <b>Improvement of Instruction</b>   |                |                         |                           |
| Purchased services - salaries       | 51,147         | -                       | -                         |
| Purchased services - benefits       | 1,721          | -                       | -                         |
| Purchased services - payroll taxes  | 4,327          | -                       | -                         |
| Teaching supplies and materials     | 5,230          | -                       | -                         |
| Workshops and conferences           | 16,313         | -                       | -                         |
|                                     | <hr/>          | <hr/>                   | <hr/>                     |
| Total improvement of instruction    | 78,738         | -                       | -                         |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                    | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|------------------------------------|----------------|-------------------------|---------------------------|
| <b>Educational Media Services</b>  |                |                         |                           |
| Purchased services - salaries      | 24,233         | -                       | -                         |
| Purchased services - benefits      | 7,088          | -                       | -                         |
| Purchased services - payroll taxes | 1,977          | -                       | -                         |
| Online media                       | 4,005          | -                       | -                         |
| Media supplies and subscriptions   | 4,305          | -                       | -                         |
| Total educational media services   | 41,608         | -                       | -                         |
| <b>Computer Assisted Programs</b>  |                |                         |                           |
| Capital outlay - nondepreciable    | 13,277         | -                       | -                         |
| Supplies and materials             | 12,157         | -                       | -                         |
| Total computer assisted programs   | 25,434         | -                       | -                         |
| <b>General Administration</b>      |                |                         |                           |
| Advertising                        | 12,296         | -                       | -                         |
| Printing and other                 | 1,084          | -                       | -                         |
| Professional fees                  | 19,219         | -                       | -                         |
| Total general administration       | 32,599         | -                       | -                         |
| <b>Executive Administration</b>    |                |                         |                           |
| Purchased services - salaries      | 120,435        | -                       | -                         |
| Purchased services - benefits      | 28,412         | -                       | -                         |
| Purchased services - payroll taxes | 9,611          | -                       | -                         |
| GVSU oversight                     | 128,898        | -                       | -                         |
| Supplies and materials             | 368            | -                       | -                         |
| Workshops and conferences          | 514            | -                       | -                         |
| Miscellaneous                      | 849            | -                       | -                         |
| Total executive administration     | 289,087        | -                       | -                         |

## CROSSROADS CHARTER ACADEMY

### SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                    | General | Debt<br>Service | School<br>Service |
|------------------------------------|---------|-----------------|-------------------|
| <b>Building Administration</b>     |         |                 |                   |
| Purchased services - salaries      | 153,853 | -               | -                 |
| Purchased services - benefits      | 25,964  | -               | -                 |
| Purchased services - payroll taxes | 12,687  | -               | -                 |
| Capital outlay - nondepreciable    | 1,845   | -               | -                 |
| Supplies and materials             | 2,703   | -               | -                 |
| Miscellaneous                      | 1,940   | -               | -                 |
|                                    | 198,992 | -               | -                 |
| <b>Business Support Services</b>   |         |                 |                   |
| Purchased services - salaries      | 86,229  | -               | -                 |
| Purchased services - benefits      | 17,740  | -               | -                 |
| Purchased services - payroll taxes | 6,895   | -               | -                 |
| Dues and fees                      | 2,830   | -               | -                 |
| Equipment rental                   | 24,067  | -               | -                 |
| Insurance                          | 2,691   | -               | -                 |
| Interest                           | 6,907   | -               | -                 |
| Management fee                     | 177,733 | -               | -                 |
| Office supplies and materials      | 4,331   | -               | -                 |
| Outside services                   | 12,547  | -               | -                 |
| Postage                            | 7,339   | -               | -                 |
| Software fees                      | 4,232   | -               | -                 |
| Telephone                          | 12,226  | -               | -                 |
|                                    | 365,767 | -               | -                 |
| <b>Lunch Program</b>               |         |                 |                   |
| Purchased services - salaries      | -       | -               | 56,900            |
| Purchased services - benefits      | -       | -               | 12,819            |
| Purchased services - payroll taxes | -       | -               | 7,276             |
| Capital outlay - non-depreciable   | -       | -               | 4,028             |
| Food cost                          | -       | -               | 110,762           |
| Supplies and materials             | -       | -               | 3,203             |
| Workshops and conferences          | -       | -               | 375               |
|                                    | -       | -               | 195,363           |
| Total lunch program                | -       | -               | 195,363           |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued

FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                      | <u>General</u> | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|--------------------------------------|----------------|-------------------------|---------------------------|
| <b>Athletic Program</b>              |                |                         |                           |
| Purchased services - salaries        | -              | -                       | 71,081                    |
| Purchased services - payroll taxes   | -              | -                       | 6,883                     |
| Purchased services - benefits        | -              | -                       | 1,585                     |
| Outside services                     | -              | -                       | 17,490                    |
| Supplies and materials               | -              | -                       | 13,427                    |
| Tournament fees                      | -              | -                       | 4,044                     |
| Workshops and conferences            | -              | -                       | 1,761                     |
| Miscellaneous                        | -              | -                       | 700                       |
|                                      | <hr/>          | <hr/>                   | <hr/>                     |
| Total athletic program               | -              | -                       | 116,971                   |
| <b>Operation and Maintenance</b>     |                |                         |                           |
| Purchased services - salaries        | 120,633        | -                       | -                         |
| Purchased services - benefits        | 13,459         | -                       | -                         |
| Purchased services - payroll taxes   | 14,165         | -                       | -                         |
| Capital outlay - non-depreciable     | 3,096          | -                       | -                         |
| Insurance                            | 21,429         | -                       | -                         |
| Rentals                              | 3,483          | -                       | -                         |
| Repair and maintenance               | 42,635         | -                       | -                         |
| Supplies and materials               | 29,404         | -                       | -                         |
| Utilities                            | 146,727        | -                       | -                         |
|                                      | <hr/>          | <hr/>                   | <hr/>                     |
| Total operation and maintenance      | 395,031        | -                       | -                         |
| <b>Pupil Transportation Services</b> |                |                         |                           |
| Purchased services - salaries        | 7,482          | -                       | -                         |
| Purchased services - benefits        | 135            | -                       | -                         |
| Purchased services - payroll taxes   | 753            | -                       | -                         |
| Insurance                            | 2,318          | -                       | -                         |
| Maintenance and other                | 25,714         | -                       | -                         |
|                                      | <hr/>          | <hr/>                   | <hr/>                     |
| Total pupil transportation services  | 36,402         | -                       | -                         |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUNDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

See Independent Auditor's Report on Supplemental Information

|                                      | <u>General</u>      | <u>Debt<br/>Service</u> | <u>School<br/>Service</u> |
|--------------------------------------|---------------------|-------------------------|---------------------------|
| <b>Central Support Services</b>      |                     |                         |                           |
| Outside services                     | 37,618              | -                       | -                         |
| Supplies and materials               | 639                 | -                       | -                         |
| Workshops and conferences            | 3,180               | -                       | -                         |
| Software fees                        | 8,534               | -                       | -                         |
|                                      | <hr/>               | <hr/>                   | <hr/>                     |
| Total central support services       | 49,971              | -                       | -                         |
| <b>Community Activities</b>          |                     |                         |                           |
| Purchased services - salaries        | 740                 | -                       | -                         |
| Purchased services - benefits        | 23                  | -                       | -                         |
| Purchased services - payroll taxes   | 57                  | -                       | -                         |
| Outside services                     | 450                 | -                       | -                         |
| Supplies and materials               | 1,097               | -                       | -                         |
| Miscellaneous                        | 9,807               | -                       | -                         |
|                                      | <hr/>               | <hr/>                   | <hr/>                     |
| Total community activities           | 12,174              | -                       | -                         |
| <b>Debt Principal and Interest</b>   | <hr/>               | 378,119                 | <hr/>                     |
|                                      | -                   |                         | -                         |
| Total governmental fund expenditures | <u>\$ 4,050,261</u> | <u>\$ 378,119</u>       | <u>\$ 312,334</u>         |

# **Appendix**

**Federal Awards**

**Supplemental Information**

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

| <b>Program Title/Project<br/>Number Subrecipient Name</b>                                      | <b>CFDA<br/>Number</b> | <b>Approved<br/>Awards<br/>Amount</b> | <b>(Memo Only)<br/>Prior Year<br/>Expenditures</b> | <b>Accrued<br/>(Deferred)<br/>Revenue at<br/>July 1, 2009</b> | <b>Adjustments<br/>and<br/>Transfers</b> | <b>Federal Funds/<br/>Payments<br/>In-kind<br/>Received</b> | <b>Expenditures</b> | <b>Accrued<br/>(Deferred)<br/>Revenue at<br/>June 30, 2010</b> |
|--|------------------------|---------------------------------------|--|---|--|---|---------------------|--|
| <b>US Department of Agriculture</b>  |                        |                                       |  |   |  |   |                     |  |
| <b>Passed through Michigan Department of Education:</b>  |                        |                                       |  |   |  |   |                     |  |
| <b>Child Nutrition Cluster</b>   |                        |                                       |  |   |  |   |                     |  |
| School Lunch Breakfast Program   | 10.553                 | \$ 38,148                             | \$ -   | \$ -  | \$ -                                     | \$ 38,148   | \$ 38,148           | \$ -   |
| National School Lunch Program  | 10.555                 | 121,431                               | -  | -   | -  | 121,431   | 121,431             | -  |
| Total National School Lunch Cluster  |                        | 159,579                               | -  | -   | -  | 159,579   | 159,579             | -  |
| <b>Government Commodities</b>  |                        |                                       |  |   |  |   |                     |  |
| Entitlement 2009-10  | 10.555                 | 9,289                                 | -  | -   | -  | 9,289   | 9,289               | -  |
| Bonus  |                        | 2,817                                 | -  | -   | -  | 2,817   | 2,817               | -  |
| Total Government Commodities   |                        | 12,106                                | -  | -   | -  | 12,106  | 12,106              | -  |
| <b>Total US Department of Agriculture,<br/>Passed through Michigan Department of Education</b> |                        | 171,685                               | -  | -   | -  | 171,685   | 171,685             | -  |
| <b>US Department of Education</b>  |                        |                                       |  |   |  |   |                     |  |
| <b>Passed through the Mecosta-Osceola ISD</b>  |                        |                                       |  |   |  |   |                     |  |
| Medicaid Administrative Outreach - 09 10   | 84.027                 | 5,003                                 | -  | -   | -  | 4,586   | 5,003               | 417  |
| I.D.E.A. ARRA Special Education - 09 10  | 84.391                 | 9,652                                 | -  | -   | -  | 9,652   | 9,652               | -  |
| <b>Total US Department of Education<br/>Passed through the Mecosta-Osceola ISD</b>             |                        | 14,655                                | -  | -   | -  | 14,238  | 14,655              | 417  |

**CROSSROADS CHARTER ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
FOR THE YEAR ENDED JUNE 30, 2010

| Program Title/Project<br>Number Subrecipient Name               | CFDA<br>Number | Approved<br>Awards<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>July 1, 2009 | Adjustments<br>and<br>Transfers | Federal Funds/<br>Payments<br>In-kind<br>Received | Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>June 30, 2010 |
|---|----------------|------------------------------|---|---|---------------------------------|---|--------------|--|
| <b>US Department of Education</b>                               |                |                              |   |   |                                 |   |              |  |
| <b>Passed through the Michigan Department of Education</b>      |                |                              |   |   |                                 |   |              |  |
| <b>Title I</b>  | 84.010         |                              |   |   |                                 |   |              |  |
| 091530 0809   |                | 168,817                      | 158,587                                   | 63,840  | -                               | 63,840  | 10,230       | 10,230   |
| 101530 0910   |                | 147,357                      | -   | -   | -                               | 61,577  | 105,952      | 44,375   |
| <b>Title I - ARRA</b>   | 84.389         |                              |   |   |                                 |   |              |  |
| 101535 0910   |                | 68,097                       | -   | -   | -                               | 23,419  | 38,703       | 15,284   |
| <b>ARRA Stabilization Grant</b>                                 | 84.394         |                              |   |   |                                 |   |              |  |
| 092525 0809   |                | 213,710                      | -   | 213,710   | -                               | 213,710   | -            | -  |
| 102525 0910   |                | 161,154                      | -   | -   | -                               | 72,680  | 161,152      | 88,472   |
| <b>Title IID</b>  | 84.318         |                              |   |   |                                 |   |              |  |
| 104290 0910   |                | 594                          | -   | -   | -                               | -   | 594          | 594  |
| <b>Title IID - ARRA</b>   | 84.386         |                              |   |   |                                 |   |              |  |
| 104295 0910   |                | 2,686                        | -   | -   | -                               | -   | 2,686        | 2,686  |
| <b>Improving Teacher Quality</b>                                | 84.367         |                              |   |   |                                 |   |              |  |
| 090520 0809   |                | 32,858                       | -   | 22,560  | -                               | 28,826  | 6,266        | -  |
| 100520 0910   |                | 28,045                       | -   | -   | -                               | 8,514   | 16,751       | 8,237  |
| <b>Total US Department of Education</b>                         |                |                              |   |   |                                 |   |              |  |
| <b>Passed through from the Michigan Department of Education</b> |                | 823,318                      | -   | 300,110   | -                               | 472,566   | 342,334      | 169,878  |
| <br>Total federal awards  |                | \$ 1,009,658                 | \$ 158,587                                | \$ 300,110  | \$ -                            | \$ 658,489  | \$ 528,674   | \$ 170,295   |

**CROSSROADS CHARTER ACADEMY**

**RECONCILIATION OF BASIC FINANCIAL STATEMENTS  
FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

Revenue from federal sources - As reported on financial statements  
(includes all funds):

|                     |                |
|---------------------|----------------|
| General Fund        | \$ 356,989     |
| School Service Fund | <u>171,685</u> |

|   |                          |
|---|--------------------------|
| Federal expenditures per the schedule of expenditures of federal awards | <u><u>\$ 528,674</u></u> |
|---|--------------------------|

**CROSSROADS CHARTER ACADEMY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NOTE 1 - Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Crossroads Charter Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

**NOTE 3 - Grant Section Auditor's Report**

Management has utilized Form R-7120 and the Grant Auditor's Report, in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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  
of Crossroads Charter Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crossroads Charter Academy as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 18, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Crossroads Charter Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Crossroads Charter Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crossroads Charter Academy's internal control over financial reporting.

*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 controls 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance**

As part of our obtaining reasonable assurance about whether Crossroads Charter Academy'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*.

This report is intended solely for the use of management, the board of directors, the Michigan Department of Education, federal awarding agencies, pass-through entities, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.



Croskey, Lanni & Company, P.C.

August 18, 2010  
Rochester, Michigan



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
of Crossroads Charter Academy**

**Compliance**

We have audited the compliance of Crossroads Charter Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. Crossroads Charter Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Crossroads Charter Academy's management. Our responsibility is to express an opinion on Crossroads Charter Academy's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about Crossroads Charter Academy'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. Our audit does not provide a legal determination of Crossroads Charter Academy's compliance with those requirements.

In our opinion, Crossroads Charter Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of Crossroads Charter Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Crossroads Charter Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Crossroads Charter Academy's internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal 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 federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Croskey, Lanni & Company, P.C.

August 18, 2010  
Rochester, Michigan

**CROSSROADS CHARTER ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

A. Summary of the auditor's results:

1. The auditor's report expresses an unqualified opinion on the Academy's financial statements.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Crossroads Charter Academy, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in the internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for Crossroads Charter Academy expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings which were required to be reported.
7. The programs tested as a major program included: Title 1 (84.010), Title I ARRA (84.389) and ARRA Stabilization (84.394).
8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has not met all of the conditions required for qualification as a low-risk auditee.

B. There are no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

C. There are no findings and questioned costs for Federal awards.