

Crossroads Charter Academy

Big Rapids, Michigan

Audited Financial Statements

June 30, 2011

CROSKEY LANNI, PC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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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, 2011, 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, 2011, 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 July 27, 2011 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 21, 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.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

July 27, 2011
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, 2011. Please read it in conjunction with the school's financial statements, which immediately follow this section.

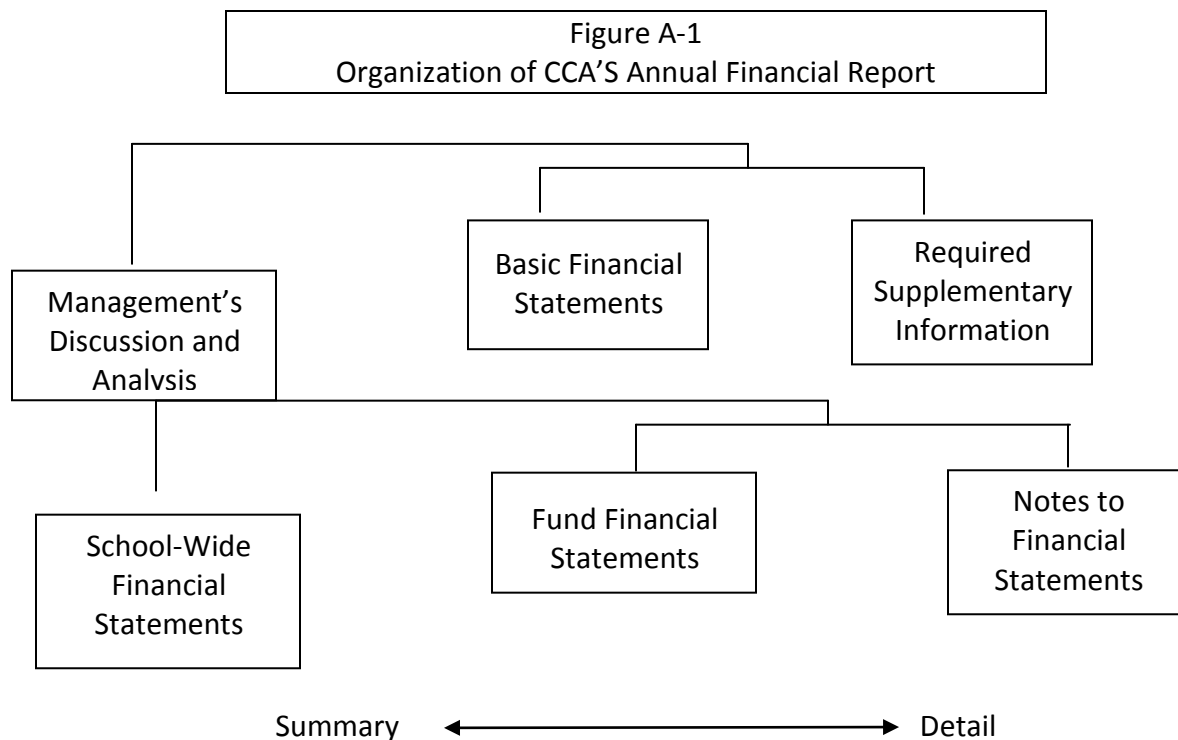
FINANCIAL HIGHLIGHTS

- ❖ The school's financial status remains strong, even though state aid has been drastically reduced due to the economy. CCA's continued enrollment increases has kept our district stable.
- ❖ The total cost of basic and added needs programs was \$2,567,677.
- ❖ General fund revenues were at \$5,221,420 while expenditures were \$4,366,664.
- ❖ Blended enrollment used for state aid purposes was 643.34 compared to 607.56 last year.
- ❖ The school has a general fund balance equity of \$1,898,596 as of June 30, 2011.

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 areas 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.



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 *Statement of activities | *Balance sheet *Statement of revenues expenditures and changes in fund balances | *Statement of fiduciary net assets *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 it’s 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 seven years ago due to the new regulations required by GASB 34.

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 fourth quarters to account for final enrollment counts and changes in assumptions after 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 2011/2012 school year. This is despite the revenue limitations the State of Michigan imposed on schools the past nine years.

- ❖ Enrollment has increased approximately 6% for the 2011/2012 school year.
- ❖ By refinancing school debt with a bond issue several years ago, the school secured a stable mortgage.
- ❖ More classroom spaces will need to be acquired. This will need to be addressed through use of fund balance or increased bonds.
- ❖ Staffs have been very understanding and cooperative in containing costs due to state financial parameters.

APPENDIX A

Table A-3
CCA's Net Assets

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Current and other assets | \$ 2,759,138 | \$ 2,277,049 |
| Capital assets | <u>6,345,407</u> | <u>6,518,550</u> |
| Total assets | <u>9,104,545</u> | <u>8,795,599</u> |
| Long-term debt outstanding | 5,285,000 | 5,390,000 |
| Other liabilities | <u>417,827</u> | <u>462,318</u> |
| Total liabilities | <u>5,702,827</u> | <u>5,852,318</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 1,060,407 | 1,128,550 |
| Unrestricted | <u>2,341,311</u> | <u>1,814,731</u> |
| Total net assets | <u>\$ 3,401,718</u> | <u>\$ 2,943,281</u> |

Table A-4
Changes in CCA's Net Assets

| | <u>2011</u> | <u>2010</u> |
|------------------------------------|-------------------|-------------------|
| Revenues: | | |
| Program revenues: | | |
| Federal and state operating grants | \$ 924,671 | \$ 846,016 |
| General revenues: | | |
| State aid – unrestricted | 4,482,630 | 4,139,749 |
| Miscellaneous | <u>114,298</u> | <u>11,851</u> |
| Total revenues | <u>5,521,599</u> | <u>4,997,616</u> |
| Expenses: | | |
| Instruction | 2,567,677 | 2,434,640 |
| Support services | 2,029,349 | 1,927,955 |
| Interest on long-term debt | 273,493 | 278,119 |
| Unallocated depreciation | <u>192,643</u> | <u>168,333</u> |
| Total expenses | <u>5,063,162</u> | <u>4,809,047</u> |
| Increase (decrease) in net assets | <u>\$ 458,437</u> | <u>\$ 188,569</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011, the school had invested \$7,601,426 in capital assets. (More detailed information about capital assets can be found in Note 5 in the financial statements.)

| | <u>Balance June 30, 2011</u> | <u>Balance June 30, 2010</u> |
|-------------------------------|---|---|
| Land | \$ 220,000 | \$ 220,000 |
| Buildings | 7,121,233 | 7,138,869 |
| Equipment | <u>260,193</u> | <u>239,257</u> |
| Total costs | \$7,601,426 | \$7,598,126 |
| Less accumulated depreciation | <u>(1,256,019)</u> | <u>(1,079,576)</u> |
| Net book value | <u>\$ 6,345,407</u> | <u>\$6,518,550</u> |

Long-Term Debt

At year end the school had debt of \$5,285,000 consisting primarily of construction loans further described in Note 8 to the financial statements.

- ❖ The school paid down \$273,494 and \$105,000 of debt interest and principal respectively.
- ❖ The school had a bond issue that allows 26 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 MOISD school receiving Ed Yes "A's" in all buildings. Both buildings met AYP.
- ❖ Recognized by GVSU in top 25 Charter Schools in the state based on State MEAP scores.
- ❖ Every grade tested made NWEA test RIT goals.
- ❖ 24% of CCA's High School juniors achieved ACT college ready scores, the highest in the ISD.

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, 2011 See Independent Auditor's Report

ASSETS

Current Assets

| | |
|-----------------------------------|----------------|
| Cash and cash equivalents | \$ 1,238,636 |
| Investments | 420,398 |
| Accounts receivable | 107 |
| Due from other governmental units | 997,518 |
| Prepaid expenses | <u>102,479</u> |
| Total current assets | 2,759,138 |

Capital Assets

| | |
|---|----------------------------|
| At cost less accumulated depreciation \$1,256,019 | <u>6,345,407</u> |
| Total assets | <u><u>\$ 9,104,545</u></u> |

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|----------------------------------|----------------|
| Accounts payable | \$ 40,299 |
| Other accrued expenses | 377,528 |
| Long-term debt - current portion | <u>110,000</u> |
| Total current liabilities | 527,827 |

Long-Term Debt - Long-Term Portion

5,175,000

Net Assets

| | |
|---|----------------------------|
| Invested in capital assets, net of related debt | 1,060,407 |
| Unrestricted | <u>2,341,311</u> |
| Total net assets | <u>3,401,718</u> |
| Total liabilities and net assets | <u><u>\$ 9,104,545</u></u> |

See accompanying notes to financial statements



CROSSROADS CHARTER ACADEMY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report

| Functions | Expenses | Program Revenues | | Net (Expense) Revenues and Changes in Net Assets |
|--------------------------------------|--------------|-------------------------|-------------------------|---|
| | | Charges for Services | Operating Grants | Government Type Activities |
| | | Expenses | Charges for Services | Operating Grants |
| Elementary school | \$ 1,100,198 | \$ - | \$ 629,315 | \$ (470,883) |
| Middle school | 246,295 | - | - | (246,295) |
| High school | 707,283 | - | - | (707,283) |
| Summer school | 12,540 | - | - | (12,540) |
| Special education | 266,329 | - | - | (266,329) |
| Compensatory education | 235,032 | - | - | (235,032) |
| Pupil support services | 50,086 | - | - | (50,086) |
| Instructional staff support services | 165,550 | - | - | (165,550) |
| General administration | 39,230 | - | - | (39,230) |
| Executive administration | 233,891 | - | - | (233,891) |
| School administration | 230,066 | - | - | (230,066) |
| Business support services | 370,323 | - | - | (370,323) |
| Operations and maintenance | 425,155 | - | - | (425,155) |
| Pupil transportation services | 47,891 | - | - | (47,891) |
| Central support services | 79,113 | - | - | (79,113) |
| Athletic activities | 129,192 | - | - | (129,192) |
| Food services | 249,862 | 64,297 | 231,059 | 45,494 |
| Community services | 8,990 | - | - | (8,990) |
| Unallocated depreciation | 192,643 | - | - | (192,643) |
| Unallocated interest | 273,493 | - | - | (273,493) |
| Total primary government | \$ 5,063,162 | \$ 64,297 | \$ 860,374 | (4,138,491) |
| General Purpose Revenues: | | | | |
| State school aid - unrestricted | | | | 4,482,630 |
| Miscellaneous revenues | | | | 114,298 |
| Total general purpose revenues | | | | 4,596,928 |
| Excess of expenses over revenues | | | | 458,437 |
| Net assets - July 1, 2010 | | | | 2,943,281 |
| Net assets - June 30, 2011 | | | | \$ 3,401,718 |

See accompanying notes to financial statements

CROSSROADS CHARTER ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2011

See Independent Auditor's Report

ASSETS

| | General | School Service | Debt Service |
|-----------------------------------|--------------|-------------------|--------------|
| Cash and cash equivalents | \$ 1,191,164 | \$ 47,472 | \$ - |
| Investments | - | - | 420,398 |
| Accounts receivable | 107 | - | - |
| Due from other governmental units | 997,518 | - | - |
| Prepaid expenses | 102,479 | - | - |
| Total assets | \$ 2,291,268 | \$ 47,472 | \$ 420,398 |

LIABILITIES AND FUND BALANCE

Liabilities

| | | | |
|------------------------|-----------|----------|------|
| Accounts payable | \$ 38,621 | \$ 1,678 | \$ - |
| Other accrued expenses | 354,051 | 300 | - |
| Total liabilities | 392,672 | 1,978 | - |

Fund Balance

| | | | |
|---------------------------------------|--------------|-----------|------------|
| Nonspendable | 102,479 | - | - |
| Restricted | - | 45,494 | 420,398 |
| Unassigned | 1,796,117 | - | - |
| Total fund balance | 1,898,596 | 45,494 | 420,398 |
| Total liabilities and fund balance | \$ 2,291,268 | \$ 47,472 | \$ 420,398 |

See accompanying notes to financial statements

CROSSROADS CHARTER ACADEMY

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

JUNE 30, 2011

See Independent Auditor's Report

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

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$ 2,364,488 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,601,426 and the accumulated depreciation is \$1,256,019. | 6,345,407 |
| 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>(5,285,000)</u> |
| Net Assets of Governmental Activities | <u><u>\$ 3,401,718</u></u> |

See accompanying notes to financial statements

CROSSROADS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

| | <u>General</u> | <u>School Service</u> | <u>Debt Service</u> |
|--|---------------------|-----------------------|---------------------|
| Revenues | | | |
| Local sources | \$ 113,796 | \$ 64,297 | \$ 502 |
| State sources | 4,727,919 | 2,570 | - |
| Federal sources | 379,705 | 228,489 | - |
| Total governmental fund revenues | <u>5,221,420</u> | <u>295,356</u> | <u>502</u> |
| Expenditures | | | |
| Elementary school | 1,100,198 | - | - |
| Middle school | 246,295 | - | - |
| High school | 707,283 | - | - |
| Summer school | 12,540 | - | - |
| Special education | 266,329 | - | - |
| Compensatory education | 235,032 | - | - |
| Pupil support services | 50,086 | - | - |
| Instructional staff support services | 165,550 | - | - |
| General administration | 39,230 | - | - |
| Executive administration | 233,891 | - | - |
| School administration | 230,066 | - | - |
| Business support services | 370,323 | - | - |
| Operations and maintenance | 425,155 | - | - |
| Pupil transportation services | 47,891 | - | - |
| Central support services | 79,113 | - | - |
| Athletic activities | 129,192 | - | - |
| Food services | - | 249,862 | - |
| Community services | 8,990 | - | - |
| Capital outlay | 19,500 | - | - |
| Debt principal and interest | - | - | 378,493 |
| Total governmental fund expenditures | <u>4,366,664</u> | <u>249,862</u> | <u>378,493</u> |
| Excess (deficiency) of revenues over expenditures | 854,756 | 45,494 | (377,991) |
| Other Financing Sources (Uses) | | | |
| Payments from (to) intermediate school district | 4,321 | - | - |
| Operating transfers in | - | - | 377,244 |
| Operating transfers out | (377,244) | - | - |
| Total other financing sources (uses) | <u>(372,923)</u> | <u>-</u> | <u>377,244</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 481,833 | 45,494 | (747) |
| Fund balance - July 1, 2010 | 1,416,763 | - | 421,145 |
| Fund balance - June 30, 2011 | <u>\$ 1,898,596</u> | <u>\$ 45,494</u> | <u>\$ 420,398</u> |

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, 2011
See Independent Auditor's Report

Net Change in Fund Balances - Total Governmental Funds \$ 526,580

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

| | | |
|---------------------------------------|------------------|-----------|
| Capital outlay | \$ 19,500 | |
| Depreciation and amortization expense | <u>(192,643)</u> | (173,143) |

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

| | | |
|-----------------------------|------------|----------------|
| Repayment of loan principal | \$ 105,000 | <u>105,000</u> |
|-----------------------------|------------|----------------|

Change in Net Assets of Governmental Activities \$ 458,437

See accompanying notes to financial statements

CROSSROADS CHARTER ACADEMY

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

JUNE 30, 2011

See Independent Auditor's Report

ASSETS

| | <u>Agency</u> |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 59,005 |
| Total assets | <u>\$ 59,005</u> |

LIABILITIES

| | |
|-----------------------|------------------|
| Due to student groups | \$ 59,005 |
| Total liabilities | <u>\$ 59,005</u> |

See accompanying notes to financial statements

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
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 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, 2011 were \$136,345.

In July 2010, 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 four percent of its state aid revenue during the term of this contract. The total paid for these services amounted to \$183,892 for the year ended June 30, 2011.

The accompanying 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 operational or financial relationships with the public school Academy. Based on application of criteria, the Academy 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 designate all of its funds as major.

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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.

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.

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

Fiduciary Fund - 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.

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

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies – Continued

- 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 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 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 government-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. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Receivables at June 30, 2011 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2011 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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, 2011
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 or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one 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 | 5 – 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 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

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

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, 2011
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 general and school service fund budgets. During the year ended June 30, 2011 the budget was amended in a legally permissible manner. The Academy incurred certain expenditures in excess of the amounts appropriated for the year ended June 30, 2011 as detailed on Page 21 of these financial statements.

NOTE 3 - Deposits and Investments

As of June 30, 2011, the Academy had the following investments:

| <u>Type</u> | <u>S&P Rating</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|--------------------------------------|-----------------------|-------------------|-----------------------|
| Deposits: | | | |
| Demand deposits | | | \$ 1,297,641 |
| Investments: | | | |
| U.S. Treasury and agency obligations | AAAm | Various | <u>420,398</u> |
| Total deposits and investments | | | <u>\$ 1,718,039</u> |

The above amounts are reported in the financial statements as follows:

| | | |
|--------------------------------|--|---------------------|
| Deposits: | | |
| Cash - Academy Wide | | \$ 1,238,636 |
| Cash - Agency Fund | | <u>59,005</u> |
| Subtotal | | 1,297,641 |
| Investments: | | |
| Investments - Debt Service | | <u>420,398</u> |
| Total deposits and investments | | <u>\$ 1,718,039</u> |

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
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, 2011, the Academy's investments were rated AAAM by Standards & 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 pooled investment accounts 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, 2011, \$1,028,948 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2011.

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, 2011
See Independent Auditor's Report

NOTE 4 – Due From Other Governmental Units

Amounts due from other governmental units consist of the following:

| | |
|-----------------|-------------------|
| State sources | \$ 859,890 |
| Federal sources | <u>137,628</u> |
| Total | <u>\$ 997,518</u> |

NOTE 5 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2011</u> |
|-------------------------------|---------------------------------------|---------------------|------------------|--|
| Building | \$ 5,849,915 | \$ - | \$ - | \$ 5,849,915 |
| Equipment | 163,200 | - | 16,200 | 147,000 |
| Improvements | 1,271,318 | - | - | 1,271,318 |
| Land - nondepreciable | 220,000 | - | - | 220,000 |
| Vehicles | <u>93,693</u> | <u>19,500</u> | <u>-</u> | <u>113,193</u> |
| Total cost | 7,598,126 | 19,500 | 16,200 | 7,601,426 |
| Less accumulated depreciation | <u>1,079,576</u> | <u>192,643</u> | <u>16,200</u> | <u>1,256,019</u> |
| Undepreciated cost | <u>\$ 6,518,550</u> | <u>\$ (173,143)</u> | <u>\$ -</u> | <u>\$ 6,345,407</u> |

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

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011
 See Independent Auditor’s Report

NOTE 6 – Notes Payable

Notes payable as of June 30, 2011 can be summarized as follows:

Note Information

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Other</u> |
|-------------|--------------------------|--------------------------|----------------------------------|
| SAAN Note 1 | 2.99% | August, 2010 | Paid in full as of August, 2010. |

Note Activity

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Retirements and Payments</u> | <u>Balance June 30, 2011</u> |
|-------------|---------------------------------|------------------|-------------------------------------|----------------------------------|
| SAAN Note 1 | \$ 75,552 | \$ - | \$ 75,552 | \$ - |

NOTE 7 – Accrued Expenses

Accrued expenses may be summarized as follows:

| | <u>Net Assets</u> | <u>Funds</u> |
|---|-------------------|-------------------|
| Purchased services - payroll and benefits | \$ 329,605 | \$ 329,605 |
| University oversight fee | 24,746 | 24,746 |
| Interest | 23,177 | - |
| Total accrued expenses | <u>\$ 377,528</u> | <u>\$ 354,351</u> |

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 8 - Long-Term Obligations Payable

Long-term obligations as of June 30, 2011 can be summarized as follows:

Loan Information

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Other</u> |
|--------------|--------------------------|--------------------------|---|
| Revenue bond | 5% Average | June, 2035 | Semi-annual interest payments, collateralized by pledge for state aid |

Loan Activity

| | <u>Balance July 1, 2010</u> | <u>Additions</u> | <u>Retirements and Payments</u> | <u>Balance June 30, 2011</u> | <u>Due Within One Year</u> |
|----------------|---------------------------------|------------------|-------------------------------------|----------------------------------|--------------------------------|
| Revenue bond 1 | \$ 5,390,000 | \$ - | \$ 105,000 | \$ 5,285,000 | \$ 110,000 |

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

| | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2012 | \$ 110,000 | \$ 268,638 |
| 2013 | 115,000 | 263,550 |
| 2014 | 125,000 | 258,232 |
| 2015 | 130,000 | 252,450 |
| 2016 | 135,000 | 246,438 |
| 2017 - 2021 | 770,000 | 1,130,362 |
| 2022 - 2026 | 980,000 | 917,062 |
| 2027 - 2031 | 1,265,000 | 638,412 |
| 2032 - 2035 | 1,655,000 | 251,476 |

NOTE 9 – Operating Leases

Lease Information

| | <u>Maturity Date</u> | <u>Approximate Payment</u> | <u>Other</u> |
|------------------|--------------------------|--------------------------------|---------------|
| Office equipment | March, 2013 | \$10,000 yearly | Copier leases |

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

| | |
|------|-----------|
| 2012 | \$ 10,000 |
| 2013 | 7,551 |

CROSSROADS CHARTER ACADEMY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor's Report

NOTE 9 – Operating Leases - Continued

Total equipment lease expense included in the statement of activities for the year ended June 30, 2011 amounted to approximately \$10,000.

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, 2011. 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, 2011 amounted to approximately \$76,400.

NOTE 11 - Interfund Transfers

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

| | <u>General</u> | <u>Debt Service</u> |
|--------------|----------------|---------------------|
| Transfer In | \$ - | \$ 377,244 |
| Transfer Out | 377,244 | - |

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.

NOTE 12 - 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 in any of the past three fiscal years.

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, 2011. 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.



Croskey Lanni, PC

July 27, 2011
Rochester, Michigan

CROSSROADS CHARTER ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

| | General Fund | | |
|--|-----------------|--------------|--------------|
| | Original Budget | Final Budget | Actual |
| Revenues | | | |
| Local sources | \$ 100,750 | \$ 104,650 | \$ 113,796 |
| State sources | 4,367,800 | 4,724,232 | 4,727,919 |
| Federal sources | 249,000 | 389,886 | 379,705 |
| Total governmental fund revenues | 4,717,550 | 5,218,768 | 5,221,420 |
| Expenditures | | | |
| Elementary school | 1,061,860 | 1,113,837 | 1,100,198 |
| Middle school | 211,710 | 252,070 | 246,295 |
| High school | 782,685 | 723,779 | 707,283 |
| Summer school | - | 19,920 | 12,540 |
| Special education | 227,989 | 281,633 | 266,329 |
| Compensatory education | 251,675 | 262,731 | 235,032 |
| Pupil support services | 87,015 | 54,710 | 50,086 |
| Instructional staff support services | 140,706 | 196,210 | 165,550 |
| General administration | 36,400 | 43,400 | 39,230 |
| Executive administration | 285,500 | 282,505 | 233,891 |
| School administration | 213,505 | 239,890 | 230,066 |
| Business support services | 364,490 | 380,459 | 370,323 |
| Operations and maintenance | 420,880 | 466,670 | 425,155 |
| Pupil transportation services | 45,175 | 53,655 | 47,891 |
| Central support services | 40,350 | 83,425 | 79,113 |
| Athletic activities | 113,325 | 133,810 | 129,192 |
| Food services | - | - | - |
| Community services | - | 3,170 | 8,990 |
| Capital outlay | - | 19,500 | 19,500 |
| Total governmental fund expenditures | 4,283,265 | 4,611,374 | 4,366,664 |
| Excess (deficiency) of revenues over expenditures | 434,285 | 607,394 | 854,756 |
| Other Financing Sources (Uses) | | | |
| Payments from (to) intermediate school district | (12,500) | (12,500) | 4,321 |
| Operating transfers in | - | 586,840 | - |
| Operating transfers out | (965,334) | (858,494) | (377,244) |
| Total other financing sources (uses) | (977,834) | (284,154) | (372,923) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | (543,549) | 323,240 | 481,833 |
| Fund balance - July 1, 2010 | 1,416,763 | 1,416,763 | 1,416,763 |
| Fund balance - June 30, 2011 | \$ 873,214 | \$ 1,740,003 | \$ 1,898,596 |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF REVENUES – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

| | General | School Service | Debt Service |
|---|--------------|----------------|--------------|
| Local Sources | | | |
| Earnings on investments | \$ 2,413 | \$ - | \$ 502 |
| School lunch | - | 64,297 | - |
| Student activities | 23,346 | - | - |
| Other local revenues | 88,037 | - | - |
| | 113,796 | 64,297 | 502 |
| Total local sources | | | |
| | 113,796 | 64,297 | 502 |
| State Sources | | | |
| At risk | 129,021 | - | - |
| Great start readiness program | 54,400 | - | - |
| School lunch | - | 2,570 | - |
| Special education | 61,868 | - | - |
| State aid | 4,482,630 | - | - |
| | 4,727,919 | 2,570 | - |
| Total state sources | | | |
| | 4,727,919 | 2,570 | - |
| Federal Sources | | | |
| ARRA stabilization funds | 70,562 | - | - |
| Federal commodities | - | 15,270 | - |
| IDEA and ARRA IDEA | 18,782 | - | - |
| National school lunch | - | 213,219 | - |
| Title I and ARRA Title I | 181,093 | - | - |
| Title II A | 40,715 | - | - |
| Other program revenue | 68,553 | - | - |
| | 379,705 | 228,489 | - |
| Total federal sources | | | |
| | 379,705 | 228,489 | - |
| Total governmental fund revenues | | | |
| | \$ 5,221,420 | \$ 295,356 | \$ 502 |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

| | <u>General</u> | <u>School Service</u> | <u>Debt Service</u> |
|--------------------------------|----------------|---------------------------|-------------------------|
| Elementary School | | | |
| Purchased services | \$ 1,069,224 | \$ - | \$ - |
| Supplies and materials | 30,279 | - | - |
| Other expenditures | 695 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total elementary school | 1,100,198 | - | - |
| Middle School | | | |
| Purchased services | 244,464 | - | - |
| Supplies and materials | 1,198 | - | - |
| Other expenditures | 633 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total middle school | 246,295 | - | - |
| High School | | | |
| Purchased services | 623,139 | - | - |
| Supplies and materials | 38,075 | - | - |
| Non-depreciable capital assets | 1,312 | - | - |
| Other expenditures | 44,757 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total high school | 707,283 | - | - |
| Summer School | | | |
| Purchased services | 11,933 | - | - |
| Supplies and materials | 607 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total summer school | 12,540 | - | - |
| Special Education | | | |
| Purchased services | 264,131 | - | - |
| Supplies and materials | 2,198 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total special education | 266,329 | - | - |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

Compensatory Education

| | | | |
|------------------------------|---------|---|---|
| Purchased services | 224,894 | - | - |
| Supplies and materials | 10,138 | - | - |
| | | | |
| Total compensatory education | 235,032 | - | - |

Pupil Support Services

| | | | |
|------------------------------|--------|---|---|
| Guidance services | 23,730 | - | - |
| Health services | 767 | - | - |
| Other pupil services | 25,589 | - | - |
| | | | |
| Total pupil support services | 50,086 | - | - |

Instructional Staff Support Services

| | | | |
|--|---------|---|---|
| Purchased services | 115,611 | - | - |
| Repairs and maintenance | 160 | - | - |
| Supplies and materials | 27,259 | - | - |
| Non-depreciable capital assets | 22,520 | - | - |
| | | | |
| Total instructional staff support services | 165,550 | - | - |

General Administration

| | | | |
|------------------------------|--------|---|---|
| Purchased services | 37,216 | - | - |
| Other expenditures | 2,014 | - | - |
| | | | |
| Total general administration | 39,230 | - | - |

Executive Administration

| | | | |
|--------------------------------|---------|---|---|
| Purchased services | 95,690 | - | - |
| University oversight | 136,345 | - | - |
| Other expenditures | 1,856 | - | - |
| | | | |
| Total executive administration | 233,891 | - | - |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPENDITURES – ALL GOVERNMENTAL FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2011

See Independent Auditor's Report on Supplemental Information

School Administration

| | | | |
|--------------------------------|---------|---|---|
| Purchased services | 224,946 | - | - |
| Supplies and materials | 1,777 | - | - |
| Non-depreciable capital assets | 257 | - | - |
| Other expenditures | 3,086 | - | - |
| | | | |
| Total school administration | 230,066 | - | - |

Business Support Services

| | | | |
|---------------------------------|---------|---|---|
| Purchased services | 331,463 | - | - |
| Rentals | 27,535 | - | - |
| Supplies and materials | 7,182 | - | - |
| Other expenditures | 4,143 | - | - |
| | | | |
| Total business support services | 370,323 | - | - |

Operations and Maintenance

| | | | |
|----------------------------------|---------|---|---|
| Purchased services | 196,902 | - | - |
| Repairs and maintenance | 63,067 | - | - |
| Rentals | 1,055 | - | - |
| Supplies and materials | 153,665 | - | - |
| Non-depreciable capital assets | 10,271 | - | - |
| Other expenditures | 195 | - | - |
| | | | |
| Total operations and maintenance | 425,155 | - | - |

Pupil Transportation Services

| | | | |
|-------------------------------------|--------|---|---|
| Purchased services | 22,640 | - | - |
| Repairs and maintenance | 14,288 | - | - |
| Rentals | 3,250 | - | - |
| Supplies and materials | 7,713 | - | - |
| | | | |
| Total pupil transportation services | 47,891 | - | - |

Central Support Services

| | | | |
|--------------------------------|--------|---|---|
| Purchased services | 78,963 | - | - |
| Supplies and materials | 150 | - | - |
| | | | |
| Total central support services | 79,113 | - | - |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPEDITURES – ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
See Independent Auditor’s Report on Supplemental Information

Athletic Activities

| | | | |
|--------------------------------|---------|---|---|
| Purchased services | 105,420 | - | - |
| Rentals | 650 | - | - |
| Supplies and materials | 18,126 | - | - |
| Non-depreciable capital assets | 997 | - | - |
| Other expenditures | 3,999 | - | - |
| | | | |
| Total athletic activities | 129,192 | - | - |

Food Services

| | | | |
|--------------------------------|---|---------|---|
| Purchased services | - | 108,661 | - |
| Repairs and maintenance | - | 987 | - |
| Supplies and materials | - | 136,057 | - |
| Non-depreciable capital assets | - | 3,614 | - |
| Other expenditures | - | 543 | - |
| | | | |
| Total food services | - | 249,862 | - |

Community Services

| | | | |
|--------------------------|-------|---|---|
| Purchased services | 811 | - | - |
| Supplies and materials | 610 | - | - |
| Other expenditures | 7,569 | - | - |
| | | | |
| Total community services | 8,990 | - | - |

Capital Outlay

| | | | |
|--|--------|---|---|
| | 19,500 | - | - |
|--|--------|---|---|

Debt Principal and Interest

| | | | |
|--|---|---|---------|
| | - | - | 378,493 |
| | | | |

| | | | |
|--------------------------------------|--------------|------------|------------|
| Total governmental fund expenditures | \$ 4,366,664 | \$ 249,862 | \$ 378,493 |
| | | | |

Appendix

Federal Awards

Supplemental Information

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

| <u>Program Title/Project Number Subrecipient Name</u> | <u>CFDA Number</u> | <u>Approved Awards Amount</u> | <u>(Memo Only) Prior Year Expenditures</u> | <u>Accrued (Deferred) Revenue at July 1, 2010</u> | <u>Adjustments and Transfers</u> | <u>Federal Funds/ Payments In-kind Received</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue at June 30, 2011</u> |
|--|------------------------|---------------------------------------|--|---|--|---|---------------------|--|
| US Department of Agriculture | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | |
| School Lunch Breakfast Program | 10.553 | \$ 71,968 | \$ - | \$ - | \$ - | \$ 71,968 | \$ 71,968 | \$ - |
| National School Lunch Program | 10.555 | 122,161 | - | - | - | 141,251 | 141,251 | - |
| Total National School Lunch Cluster | | 194,129 | - | - | - | 213,219 | 213,219 | - |
| Government Commodities | 10.555 | | | | | | | |
| Entitlement 2010 - 11 | | 13,652 | - | - | - | 13,652 | 13,652 | - |
| Bonus | | 1,618 | - | - | - | 1,618 | 1,618 | - |
| Total Government Commodities | | 15,270 | - | - | - | 15,270 | 15,270 | - |
| Total US Department of Agriculture, Passed through Michigan Department of Education | | 209,399 | - | - | - | 228,489 | 228,489 | - |
| US Department of Education | | | | | | | | |
| Passed through the Mecosta-Osceola ISD | | | | | | | | |
| I.D.E.A. Special Education - 10-11 | 84.027 | 2,474 | - | - | - | 2,474 | 2,474 | - |
| I.D.E.A. ARRA Special Education - 10-11 | 84.391 | 18,798 | - | - | - | 16,308 | 16,308 | - |
| Total US Department of Education Passed through the Mecosta-Osceola ISD | | 21,272 | - | - | - | 18,782 | 18,782 | - |

CROSSROADS CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
FOR THE YEAR ENDED JUNE 30, 2011

| <u>Program Title/Project Number Subrecipient Name</u> | <u>CFDA Number</u> | <u>Approved Awards Amount</u> | <u>(Memo Only) Prior Year Expenditures</u> | <u>Accrued (Deferred) Revenue at July 1, 2010</u> | <u>Adjustments and Transfers</u> | <u>Federal Funds/ Payments In-kind Received</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue at June 30, 2011</u> |
|--|------------------------|---------------------------------------|--|---|--|---|---------------------|--|
| US Department of Education | | | | | | | | |
| Passed through the Michigan Department of Education | | | | | | | | |
| Title I | 84.010 | | | | | | | |
| 091530 0809 | | 168,817 | 10,230 | 10,230 | - | 10,230 | - | - |
| 101530 0910 | | 147,357 | 105,952 | 44,375 | - | 56,307 | 11,932 | - |
| 111520 1011 | | 3,000 | - | - | - | 1,500 | 3,000 | 1,500 |
| 111530 1011 | | 170,884 | - | - | - | 75,236 | 136,767 | 61,531 |
| Title I - ARRA | 84.389 | | | | | | | |
| 101535 0910 | | 68,097 | 38,703 | 15,284 | - | 15,284 | - | - |
| 111535 1011 | | 29,394 | | | | 29,394 | 29,394 | |
| ARRA Stabilization Grant | 84.394 | | | | | | | |
| 102525 0910 | | 161,154 | 161,152 | 88,472 | - | 88,472 | - | - |
| 112525 1011 | | 70,562 | | | | 70,562 | 70,562 | |
| Title IID | 84.318 | | | | | | | |
| 104290 0910 | | 594 | 594 | 594 | - | 594 | - | - |
| Title IID - ARRA | 84.386 | | | | | | | |
| 104295 0910 | | 2,686 | 2,686 | 2,686 | - | 2,686 | - | - |
| Education Jobs Fund | | | | | | | | |
| 112545 1011 | 84.410A | | | | | | | |
| | | 137,539 | - | - | - | 23,763 | 68,553 | 44,790 |
| Improving Teacher Quality | 84.367 | | | | | | | |
| 100520 0910 | | 28,045 | 16,751 | 8,237 | | 8,237 | | |
| 110520 1011 | | 40,715 | - | - | - | 10,908 | 40,715 | 29,807 |
| Total US Department of Education Passed through from the Michigan Department of Education | | <u>1,028,844</u> | <u>336,068</u> | <u>169,878</u> | <u>-</u> | <u>393,173</u> | <u>360,923</u> | <u>137,628</u> |
| Total federal awards | | <u>\$ 1,259,515</u> | <u>\$ 336,068</u> | <u>\$ 169,878</u> | <u>\$ -</u> | <u>\$ 640,444</u> | <u>\$ 608,194</u> | <u>\$ 137,628</u> |

CROSSROADS CHARTER ACADEMY

**RECONCILIATION OF BASIC FINANCIAL STATEMENTS
FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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

| | |
|---------------------|----------------|
| General Fund | \$ 379,705 |
| School Service Fund | <u>228,489</u> |

| | |
|---|--------------------------|
| Federal expenditures per the schedule of expenditures of federal awards | <u><u>\$ 608,194</u></u> |
|---|--------------------------|

CROSSROADS CHARTER ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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 Auditor's Report

Management has utilized 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 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 Academy**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crossroads Academy as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 27, 2011. 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 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 an opinion on the effectiveness of Crossroads Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crossroads 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 and Other Matters

As part of our obtaining reasonable assurance about whether Crossroads 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 these specified parties.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

July 27, 2011
Rochester, Michigan

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Crossroads Academy's compliance with the types of compliance requirements described in *the OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Crossroads Academy's major federal programs for the year ended June 30, 2011. Crossroads Academy's major federal programs are 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 Academy's management. Our responsibility is to express an opinion on Crossroads 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 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 Academy's compliance with those requirements.

In our opinion, Crossroads Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Crossroads Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Crossroads Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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, PC

July 27, 2011
Rochester, Michigan

CROSSROADS CHARTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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 program tested as a major program included: Child Nutrition Cluster (CFDA #'s 10.553 & 10.555).
8. The threshold used to distinguish between Type A and Type B programs is \$300,000.
9. The Academy has 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.

July 27, 2011

To the School Board and Management of
Crossroads Charter Academy

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crossroads Charter Academy for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crossroads Charter Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

Management's estimate of depreciation is based on management's best judgment of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Crossroads Charter Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Crossroads Charter Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, the Board of Directors, and management of Crossroads Charter Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC