

# **BROOKHAVEN INNOVATION ACADEMY**

## **ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

**BROOKHAVEN INNOVATION ACADEMY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**To the Members of the Board  
of Brookhaven Innovation Academy  
Norcross, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of **Brookhaven Innovation Academy** (the "Academy") as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Brookhaven Innovation Academy, as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the General Fund Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual (GAAP Basis) on page 29, the Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia on page 30, and the Schedule of Contributions – Teachers Retirement System of Georgia on page 31, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The Cash on Hand Schedule and the Debt Service Coverage Ratio Schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The Cash on Hand Schedule and the Debt Service Coverage Ratio Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Cash on Hand Schedule and the Debt Service Coverage Ratio Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 1, 2021

**BROOKHAVEN INNOVATION ACADEMY**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021**

	<b>Governmental Activities</b>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,245,006
Restricted cash	1,489,334
Due from other governments	379,141
Security deposit	500
Capital assets (nondepreciable)	3,634,801
Capital assets (depreciable, net of accumulated depreciation)	4,995,434
Total assets	<u>12,744,216</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	<u>2,292,971</u>
Total deferred outflows of resources	<u>2,292,971</u>
<u>LIABILITIES</u>	
Accounts payable	46,198
Accrued expenses	593,211
Bonds payable, due within one year	100,000
Bonds payable, due in more than one year	11,250,000
Net pension liability	4,327,360
Total liabilities	<u>16,316,769</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	<u>30,727</u>
Total deferred inflows of resources	<u>30,727</u>
<u>NET POSITION</u>	
Net investment in capital assets	(2,569,756)
Restricted for debt service	1,339,325
Unrestricted (deficit)	<u>(79,878)</u>
Total net position (deficit)	<u>\$ (1,310,309)</u>

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

**BROOKHAVEN INNOVATION ACADEMY**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Instruction	\$ 3,580,049	\$ 2,001,733	\$ (1,578,316)
Support services:			
School administration	993,741	482,778	(510,963)
Improvement of instructional services	297,165	181,723	(115,442)
Maintenance and operation of plant	429,565	262,689	(166,876)
Pupil services	233,481	142,779	(90,702)
Educational media services	81,365	49,757	(31,608)
Instructional staff training	21,157	12,938	(8,219)
Other support services	33,700	20,608	(13,092)
School nutrition services	36,347	-	(36,347)
Interest on long-term debt	698,900	-	(698,900)
	<u>\$ 6,405,470</u>	<u>\$ 3,155,005</u>	<u>(3,250,465)</u>
General revenues:			
State supplement			3,275,287
Interest income			131
Miscellaneous			<u>184,931</u>
Total general revenues			<u>3,460,349</u>
Change in net position			209,884
Net position (deficit) - beginning of fiscal year			<u>(1,520,193)</u>
Net position (deficit) - end of fiscal year			<u>\$ (1,310,309)</u>

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

**BROOKHAVEN INNOVATION ACADEMY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2021**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 2,245,006
Restricted cash	1,489,334
Due from other governments	379,141
Security deposit	<u>500</u>
Total assets	<u>\$ 4,113,981</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 46,198
Accrued expenditures	<u>243,936</u>
Total liabilities	<u>290,134</u>
<u>FUND BALANCES</u>	
Nonspendable:	
Security deposit	500
Restricted for:	
Debt service	1,339,325
Capital projects	150,009
Unassigned	<u>2,334,013</u>
Total fund balance	<u>3,823,847</u>
Total liabilities and fund balance	<u>\$ 4,113,981</u>

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

**BROOKHAVEN INNOVATION ACADEMY**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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Total fund balance - governmental fund		\$ 3,823,847
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. These assets consist of:		
Historical cost of capital assets	\$ 9,585,299	
Less accumulated depreciation	<u>(955,064)</u>	
Total capital assets, net of accumulated depreciation		8,630,235
The net pension liability is not due and payable in the current period and is therefore not reported in governmental funds, along with related amounts.		
Net pension liability	(4,327,360)	
Deferred outflows of resources - pension items	2,292,971	
Deferred inflows of resources - pension items	<u>(30,727)</u>	(2,065,116)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Long-term liabilities at year-end consist of:		
Bonds payable	(11,350,000)	
Accrued interest payable	<u>(349,275)</u>	<u>(11,699,275)</u>
Net position (deficit) of governmental activities		<u>\$ (1,310,309)</u>

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

**BROOKHAVEN INNOVATION ACADEMY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
<b><u>REVENUES</u></b>	
State funds	\$ 5,602,259
Local funds	184,931
Federal funds	375,841
Interest income	131
Total revenues	<u>6,163,162</u>
<b><u>EXPENDITURES</u></b>	
Current:	
Instruction	2,658,759
Support services:	
School administration	789,468
Improvement of instructional services	297,165
Maintenance and operation of plant	429,565
Pupil services	233,481
Educational media services	81,365
Instructional staff training	21,157
Other support services	33,700
School nutrition services	36,347
Capital outlays	150,589
Debt service:	
Interest	698,550
Total expenditures	<u>5,430,146</u>
Net change in fund balance	733,016
Fund balance - beginning of fiscal year	<u>3,090,831</u>
Fund balance - end of fiscal year	<u><u>\$ 3,823,847</u></u>

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

**BROOKHAVEN INNOVATION ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Total net change in fund balance - governmental fund	\$	733,016
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	150,589	
Depreciation expense	<u>(233,342)</u>	(82,753)

Forgiveness of long-term debt (PPP Loan) does not provide current financial resources and is not reported as revenue in the governmental funds.		452,192
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in interest expense	(350)	
Change in net pension liability and related items	<u>(892,221)</u>	<u>(892,571)</u>

Change in net position of governmental activities	\$	<u><u>209,884</u></u>
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**The accompanying notes are an integral part of these financial statements.**

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 1: DESCRIPTION OF ACADEMY AND REPORTING ENTITY**

**REPORTING ENTITY**

The Brookhaven Innovation Academy (the “Academy”) is a not-for-profit organization organized under the laws of the State of Georgia. The Academy is approved to provide educational services to students from kindergarten to seventh grade. The governing body of the Academy is comprised of a ten member Board of Directors. The Academy operates under a charter with the State Charter School Commission of Georgia (the “Commission”), which is effective until June 30, 2022.

The Academy is located in Norcross, Georgia providing education for over 500 students in grades kindergarten through seventh grade.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Academy. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy does not consider any of its activities to be business-type activities.

***Government-Wide Statements:***

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Academy. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Academy's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Academy related to the administration and support of the Academy's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes (if any), and unrestricted amounts. The net investment in capital assets is calculated by taking the capital assets, net of accumulated depreciation, less any related long-term financing arrangements, and adding back any unspent bond or contract proceeds.

***Fund Financial Statements:***

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Academy reports only one major governmental fund:

- The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy.

**BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide governmental financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Academy uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Academy considers all revenues reported in the governmental funds to be available if they are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured, and other long-term obligations which are recognized when due and payable. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)**

The Academy funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Academy's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the Academy for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (August 1 – May 31) and paid over a twelve month period; for the Academy, this period is August 1 through July 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the Academy over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the Academy recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Grant revenues, state Quality Basic Education (QBE) revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period if availability criteria is met. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**RESTRICTED CASH**

Amounts that have been donated or loaned to the Academy for which the external resource provider has placed stipulations on the use of the funds have been presented on the governmental fund balance sheet as well as the statement of net position as restricted cash. Additionally, the cash received through the bond issuance has restrictions for future debt service needs and capital outlays for the facility improvements.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RECEIVABLES**

Receivables, which include amounts due from other governments, consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the government-wide financial statements, all purchased capital assets are valued at cost. The Academy capitalizes assets in excess of \$1,000 with a useful life of greater than one year. Donated capital assets are recorded at estimated acquisition value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<b><u>Estimated Useful Life</u></b>
Furniture, fixtures and equipment	3 years
Leasehold improvements	5 years
Buildings	30 years

**LONG-TERM LIABILITIES**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period in which they occur.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy does not report deferred inflows under a modified accrual basis of accounting that qualify for reporting in this category.

The Academy also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Academy's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in the Academy's proportionate share of the net pension liability and the difference between the Academy's actual contributions towards the pension plan and the Academy's proportionate share of contributions are also reported as deferred outflows of resources or deferred inflows of resources and are amortized over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the Academy to the pension plan before year end but subsequent to the measurement date of the Academy's net pension liability are reported as deferred outflows of resources. These contributions will be recognized as a reduction of the net pension liability in the next fiscal year.

**COMPENSATED ABSENCES**

It is the Academy's policy to permit employees to earn paid time off benefits. The unused paid time off does not vest with the employees and therefore, no liability is reported associated with the unused paid time off.

**PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND EQUITY**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** - The Academy recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Academy and is fiscally advantageous for the Academy. The policy adopted establishes guidance concerning the desired level of fiscal year end fund balance to be maintained by the Academy and the management of fund balance levels and is applicable only to the General Fund of the Academy.

Fund balance is a measurement of available financial resources defined as the difference between total assets/deferred outflows and total liabilities/deferred inflows in each fund.

The Governmental Accounting Standards Board (GASB) Statement No. 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

***Non spendable*** – Fund balance reported as “non spendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

***Restricted*** – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

***Committed*** – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board through a formal resolution voted on by the Board. Actions to constrain resources should occur prior to the end of the Academy’s fiscal year, though the exact amount may be determined subsequently.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND EQUITY (Continued)**

***Assigned*** – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

***Unassigned*** – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The Academy applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available. If restricted resources are not available, the Academy’s policy is to use committed first, then assigned funds, and lastly the unassigned.

**USE OF 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 reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Academy annually adopts a budget for use of its allocated state and federal funds as outlined in the Georgia Department of Education defined allotment for the fiscal year. The budget will be prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. When the Academy tentatively adopts the budget, the budget will be advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board of Directors, the budget will be revised as necessary and adopted as the upcoming (or current) fiscal year budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2021:

Support services:	
Pupil services	\$ 11,563
Other support services	1,361

These expenditures in excess of appropriations were funded by greater than anticipated revenues in other functions.

**NOTE 4: DEPOSITS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)**

**COLLATERALIZATION OF DEPOSITS (Continued)**

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2021, all of the Academy's bank balances were insured and/or collateralized as defined by GASB and required by state statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the state of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the state of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the state of Georgia,
- (5) Bonds of any public authority created by the laws of the state of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the state of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States Government, which are fully guaranteed by the United States Government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)**

**INVESTMENTS**

**Credit Risk.** State statutes authorize the Academy to invest in U.S. Government obligations; U.S. Government agency obligations; obligations of the State of Georgia; obligations of counties; municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; repurchase agreements when collateralized by the U.S. Government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Operating funds of the Academy are currently maintained in public funds money market accounts with financial institutions.

**Interest rate risk.** The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2021, the investments held by the Academy were not rated.

The Academy reports the money market funds as restricted cash for financial reporting purposes.

**Fair Value Measurement.** The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Academy's investments are held in Wilmington US Money Market funds with a total fair value of \$1,489,334 that are all rated Level 1. The Wilmington US Money Market classified in Level 1 of the fair value hierarchy is valued using prices quoted in active markets for that investment.

**NOTE 5: RECEIVABLES**

Intergovernmental receivables consist of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed. The Georgia Department of Education is the main government agency that grants are due from as of June 30, 2021.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the fiscal year:

	Balances June 30, 2020	Additions	Deletions	Transfers	Balances June 30, 2021
<b>Governmental Activities</b>					
Capital Assets not being depreciated:					
Land	\$ 3,565,182	\$ -	\$ -	\$ -	\$ 3,565,182
CIP	11,494	69,620	-	(11,495)	69,619
Total assets not depreciated	<u>3,576,676</u>	<u>69,620</u>	<u>-</u>	<u>(11,495)</u>	<u>3,634,801</u>
Capital Assets, being depreciated:					
Buildings	5,307,334	12,952	-	-	5,320,286
Furniture, fixtures and equipment	550,700	68,017	-	11,495	630,212
Total assets depreciated	<u>5,858,034</u>	<u>80,969</u>	<u>-</u>	<u>11,495</u>	<u>5,950,498</u>
Less accumulated depreciation for:					
Buildings	(254,349)	(177,127)	-	-	(431,476)
Furniture, fixtures and equipment	(467,373)	(56,215)	-	-	(523,588)
Total accumulated depreciation	<u>(721,722)</u>	<u>(233,342)</u>	<u>-</u>	<u>-</u>	<u>(955,064)</u>
Governmental activities capital assets, net	<u>\$ 8,712,988</u>	<u>\$ (82,753)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,630,235</u>
Depreciation expense was charged to governmental functions as follows:					
Instruction	<u>\$ 233,342</u>				

**NOTE 7: RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Academy has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Academy has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Academy's insurance coverage in the past two fiscal years.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 8: LONG-TERM DEBT**

The changes in long-term debt during the fiscal year ended June 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>activities:</b>					
Revenue bonds	\$ 11,350,000	\$ -	\$ -	\$ 11,350,000	\$ 100,000
Note payable - federal loan	452,192	-	452,192	-	-
Net pension liability	<u>3,415,705</u>	<u>1,651,538</u>	<u>739,883</u>	<u>4,327,360</u>	<u>-</u>
Governmental activities					
Long-term liabilities	<u>\$ 15,217,897</u>	<u>\$ 1,651,538</u>	<u>\$ 1,192,075</u>	<u>\$ 15,677,360</u>	<u>\$ 100,000</u>

**Direct Borrowings – Notes Payable**

On April 20, 2020 the Academy received a loan in the principal amount of \$452,192 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The program was implemented by the Small Business Administration with the support from the Department of the Treasury to provide the resources required by small businesses to maintain their payroll, hire back employees who may have been laid off because of COVID-19, and cover applicable overhead. On November 2, 2020, under provisions of the program, the \$452,192 loan balance, including accrued interest of \$2,336, was forgiven by the Small Business Administration.

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**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 8: LONG-TERM DEBT (CONTINUED)**

**Direct Placement – Revenue Bonds**

In June 2019, the Downtown Development Authority of the City of Norcross on behalf of the Academy issued revenue bonds consisting of Series 2019A bonds in the principal amount of \$9,595,000 and Taxable Series 2019B bonds in the principal amount of \$1,755,000 for a total bond issuance of \$11,350,000 for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, equipment, and relocation expenses, of certain educational and/or recreational facilities, equipment and/or infrastructure for the Academy, including the acquisition of real property and certain renovations to the existing 48,000 square foot school building and a separate approximate 4,000 square foot gymnasium, (ii) financing or refinancing certain costs of renovations to educational facilities and land located the existing campus, and certain additional costs, (iii) funding a debt service fund , (iv) funding capitalized interest, working capital and operating reserves, and (v) paying certain costs associated with issuing the Series 2019 Bonds. The 2019A bonds were issued at an interest rate of 6% and the 2019B bonds were issued at an interest rate of 7%. Payments of principal and interest are due annually. The first interest-only payment began on January 1, 2020 and the first principal and interest payment is due July 1, 2021, until the bonds mature on July 1, 2029.

The bonds carry two covenant requirements for which failure to comply would result in default, and cause the bonds to be callable and due within one year. This would also give the lender the right to foreclose on and sell the Academy's facilities constructed with the bond proceeds. The two requirements are as follows:

- If the Academy fails to maintain the required cash on hand for three consecutive testing dates or is less than 30 days cash on hand at any one testing date; and
- If the Academy fails to maintain a debt service coverage ratio of at least 1.00, beginning for the twelve-month period ending on June 30, 2021.

At June 30, 2021, management believes that the Academy is in compliance with its debt covenants.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 8: LONG-TERM DEBT (CONTINUED)**

**Direct Placement – Revenue Bonds (Continued)**

The annual debt service requirements to maturity on the Academy's bonds outstanding at June 30, 2021, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 100,000	\$ 695,050	\$ 795,050
2023	160,000	685,950	845,950
2024	175,000	674,225	849,225
2025	185,000	661,625	846,625
2026	200,000	575,700	775,700
2026-2030	10,530,000	2,224,075	12,754,075
<b>Total</b>	<b>\$ 11,350,000</b>	<b>\$ 5,516,625</b>	<b>\$ 16,866,625</b>

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**GRANT CONTINGENCIES**

Amounts received or receivable principally from the federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Academy believes that such disallowances, if any, will be immaterial to its overall financial position.

**NOTE 10: RETIREMENT PLANS**

**GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

**Plan description.** All teachers of the Academy as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 10: RETIREMENT PLANS (CONTINUED)**

**GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS) (Continued)**

***Benefits provided.*** TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

***Contributions.*** Per Title 47 of the *O.C.G.A.*, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2021. The Academy's contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual Academy payroll. Academy contributions to TRS were \$473,555 for the year ended June 30, 2021.

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2021, the Academy reported a liability for its proportionate share of the net pension liability in the amount of \$4,327,360. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The Academy's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2020. At June 30, 2020, the Academy's proportion was 0.017864%, which was an increase of 0.001979% from its proportion measured as of June 30, 2019.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10: RETIREMENT PLANS (CONTINUED)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

For the year ended June 30, 2021, the Academy recognized pension expense of \$1,365,776. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 104,225	\$ -
Differences between expected and actual experience	188,458	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	1,081,010	30,727
Changes of assumption	445,723	-
Academy contributions subsequent to the measurement date	473,555	-
Total	<u>\$ 2,292,971</u>	<u>\$ 30,727</u>

Academy contributions subsequent to the measurement date of \$473,555 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30:</b>	
2022	\$ 774,466
2023	527,680
2024	331,815
2025	154,728
2026	-
Total	<u>\$ 1,788,689</u>

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 10: RETIREMENT PLANS (CONTINUED)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

***Actuarial Assumptions.*** The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00-8.75%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Postretirement benefit increases	1.50%, semi-annually

Postretirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Postretirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the long-term assumed rate of return on assets (discount rate) which was changed from 7.50% to 7.25%, and the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**NOTE 10: RETIREMENT PLANS (CONTINUED)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.10)%
Domestic large equities	51.00%	8.90%
Domestic small equities	1.50%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Total	<u>100.00%</u>	

\* Rates shown are net of the 2.50% assumed rate of inflation

**Discount rate.** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and state of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BROOKHAVEN INNOVATION ACADEMY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**NOTE 10: RETIREMENT PLANS (CONTINUED)**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

***Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate.*** The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current discount rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Academy's proportionate share of the net pension liability	\$ 6,862,160	\$ 4,327,360	\$ 2,249,551

***Pension plan fiduciary net position.*** Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publicly available at [www.trsga.com/publications](http://www.trsga.com/publications).

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**BROOKHAVEN INNOVATION ACADEMY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (GAAP BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>BUDGETED</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>WITH FINAL BUDGET</b>
<b><u>REVENUES</u></b>				
State funds	\$ 5,282,124	\$ 5,586,668	\$ 5,602,259	\$ 15,591
Local funds	103,696	143,354	184,931	41,577
Federal funds	122,000	447,300	375,841	(71,459)
Interest income	-	66	131	65
Total revenues	5,507,820	6,177,388	6,163,162	(14,226)
<b><u>EXPENDITURES</u></b>				
Current				
Instruction	2,691,902	2,720,943	2,658,759	62,184
Support services:				
Pupil services	148,477	221,918	233,481	(11,563)
Improvement of instructional services	329,218	316,009	297,165	18,844
S/B Instructional Staff Training	36,700	34,311	21,157	13,154
Educational Media Services	88,789	84,110	81,365	2,745
School administration	800,123	925,858	789,468	136,390
Maintenance and operation of plant	357,894	456,859	429,565	27,294
Student transportation	5,500	1,064	-	1,064
Other support services	42,000	32,339	33,700	(1,361)
School nutrition services	64,000	44,000	36,347	7,653
Capital outlays	80,000	158,550	150,589	7,961
Debt service:				
Interest	698,550	698,550	698,550	-
Total expenditures	5,343,153	5,694,511	5,430,146	264,365
Net change in fund balances	164,667	482,877	733,016	250,139
Fund balance - beginning	3,090,831	3,090,831	3,090,831	-
Fund balance - ending	\$ 3,255,498	\$ 3,573,708	\$ 3,823,847	\$ 250,139

**BROOKHAVEN INNOVATION ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018
Academy's proportion of the net pension liability	0.017864%	0.015885%	0.016176%	0.010940%
Academy's proportionate share of the net pension liability	\$ 4,327,360	\$ 3,415,705	3,002,612	\$ 2,033,233
Academy's covered payroll	\$ 2,387,133	\$ 1,961,584	1,965,300	\$ 1,366,517
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	181.28%	174.13%	152.78%	148.79%
Plan fiduciary net position as a percentage of the total pension liability	77.01%	78.56%	80.27%	79.33%

Note: The Academy did not have covered employees prior to July 1, 2016. Therefore, the fiscal year ended June 30, 2018 is the first year the Academy reports a proportionate share of the net pension liability.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BROOKHAVEN INNOVATION ACADEMY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 473,555	\$ 504,640	\$ 409,971	\$ 330,367	\$ 195,002
Contributions in relation to the contractually required contributions	<u>473,555</u>	<u>504,640</u>	<u>409,971</u>	<u>330,367</u>	<u>195,002</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 2,484,549	\$ 2,387,133	\$ 1,961,584	\$ 1,965,300	\$ 1,366,517
Contributions as a percentage of covered-employee payroll	19.06%	21.14%	20.90%	16.81%	14.27%

Note: The Academy's first year of operations was the fiscal year ended June 30, 2017.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BROOKHAVEN INNOVATION ACADEMY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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***Changes of assumptions:** In 2019 and later, the expectation of retired life mortality was changed to the Pub-2010 Teachers Headcount Weighed Below Median Healthy Retiree mortality table from the R-2000 Mortality Tables. In 2019, the rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.*

*Effective with the June 30, 2018 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.50% to 7.25%, and the assumed annual rate of inflation was changed from 2.75% to 2.50%.*

*On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).*

*In 2010 and later, the expectation of retired life mortality was changed to the RP 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.*

## **SUPPLEMENTARY INFORMATION**

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**BROOKHAVEN INNOVATION ACADEMY**  
**SUPPLEMENTARY INFORMATION**  
**CASH ON HAND SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Cash on hand at 6/30/2021	\$ 2,245,006
Total unrestricted cash	<u>\$ 2,245,006</u>
Annual Total Expenses (based on rolling four quarters)	6,405,470
Less Depreciation	<u>(233,342)</u>
Less NPL pension entries	<u>(892,221)</u>
Total Expenses Less NonCash Items	<u>\$ 5,279,907</u>
Average Days Expenses (based on 365 day year)	14,465
Days of Cash Available	<u>155.20</u>
Required per Loan Agreement	<u>60</u>

**BROOKHAVEN INNOVATION ACADEMY**  
**SUPPLEMENTARY INFORMATION**  
**DEBT SERVICE COVERAGE RATIO SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Net Income	\$ 209,884
Interest Expense	698,900
NPL pension Entries	892,221
Depreciation	233,342
Adjusted Net Income	<u>2,034,347</u>
Total Annualized Income (a)	<u>\$ 2,034,347</u>
Interest Payments	\$ 698,900
Total Debt Service (b)	<u>698,900</u>
Debt Service Coverage Ratio (a/b)	<u>2.91</u>
Required per Loan Agreement	<u>1.00</u>

## COMPLIANCE SECTION

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**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***

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**To the Members of the Board  
of Brookhaven Innovation Academy  
Norcross, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Brookhaven Innovation Academy (the "Academy") as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 1, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 1, 2021

**BROOKHAVEN INNOVATION ACADEMY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report issued on whether the financial statements  
audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ yes    X no

Significant deficiencies identified?

\_\_\_ yes    X no

Noncompliance material to financial statements noted?

\_\_\_ yes    X no

**Federal Awards**

There was not an audit of major federal award programs as of June 30, 2021 due to the total amount of federal awards expended being less than \$750,000.

**BROOKHAVEN INNOVATION ACADEMY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION II  
FINANCIAL STATEMENTS FINDINGS AND RESPOSNES**

None reported.