

FINANCIAL STATEMENTS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2020

ALLIANCE PREPARATORY SCHOOLS, INC.
TABLE OF CONTENTS
JUNE 30, 2020

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditor's Report		6
Management's Discussion and Analysis		8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	18
Statement of Activities	2	19
Fund Financial Statements:		
<u>Governmental Funds</u>		
Balance Sheet	3	20
Statement of Revenues, Expenditures and Changes in Fund Balances	4	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statements of Activities	5	22
<u>Proprietary Funds</u>		
Statement of Net Position	6	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	7	24
Statement of Cash Flows	8	25
Notes to the Financial Statements		26

Supplementary Information

Mallard Creek STEM Academy

School Resources by Governmental Subfund	1	40
School of Revenues, Expenditures and Changes in Governmental Subfund Balances	2	41
School Net Position by Proprietary Subfund	3	42
School Revenues, Expenditures and Changes in Subfund Net Position	4	43
School Statement of Cash Flows by Proprietary Subfund	5	44

Southwest Charlotte STEM Academy

School Resources by Governmental Subfund	6	45
School of Revenues, Expenditures and Changes in Governmental Subfund Balances	7	46
School Net Position by Proprietary Subfund	8	47
School Revenues, Expenditures and Changes in Subfund Net Position	9	48
School Statement of Cash Flows by Proprietary Subfund	10	49

Budget to Actual Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Mallard Creek STEM Academy - All Fund Types except LLC	11	50
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Southwest Charlotte STEM Academy - All Fund Types except LLC	12	51

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control over Compliance; in Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	55
Schedule of Findings and Questioned Costs	57
Corrective Action Plan	59
Summary Schedule of Prior Year's Audit Findings	60
Schedule of Expenditures of Federal and State Awards - Mallard Creek STEM Academy	61
Schedule of Expenditures of Federal and State Awards - Southwest Charlotte STEM Academy	62

FINANCIAL SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2020



Les Merritt CPA-CFP

Independent Auditor's Report

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alliance Preparatory Schools, Inc., North Carolina, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Alliance Preparatory Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alliance Preparatory Schools, Inc., as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of Alliance Preparatory Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 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 Alliance Preparatory Schools, Inc.'s internal control over financial reporting and compliance.



Leslie Merritt, CPA, PC
Certified Public Accountant
Zebulon, North Carolina

January 27, 2021

Alliance Preparatory Schools, Inc.

Alliance Preparatory Schools, Inc. Management's Discussion and Analysis For the Year Ended June 30, 2020

As management of the Alliance Preparatory Schools, Inc., we provide these financial statements and this narrative overview and analysis of Alliance Preparatory Schools, Inc.'s financial position at June 30, 2020 and its operations for the year then ended. We encourage readers to review the discussion presented here in conjunction with additional information included in the financial statements and notes which follow this section.

Financial Highlights

- The entity Alliance Preparatory Schools, Inc. includes two schools in fiscal year ended at June 30, 2020: Mallard Creek STEM Academy (MCSA) and Southwest Charlotte STEM Academy (SCSA).
- SCSA was a new subsidiary school which did not open until fiscal year 2020. MCSA opened in fiscal year 2016.
- The data in Alliance Preparatory Schools, Inc.'s net position (Figure 2), changes in net position (Figure 3), capital assets (Figure 4), and long-term debt (Figure 5) represents the combined amount from both MCSA and SCSA.
- The assets of the Alliance Preparatory Schools, Inc. exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,217,850 (**net position**) with total business net position of (\$2,281,378) and total government net position of \$3,499,228.
- The organization's total net position increased by \$577,297, primarily due to increases in the government net position about 2M and the decrease of the business-type net position about 1.5M. The total net position change include the effects from both MCSA and SCSA.
- As of the close of the current fiscal year, the Alliance Preparatory Schools, Inc.'s governmental funds reported combined ending fund balances of \$1,558,966, an increase of \$1,072,962 in comparison with the prior year with \$414,734 increase from MCSA and \$658,228 increase from SCSA.
- Enrollment continues to increase at the organization with MCSA's enrollment rising by 147 students this past year, a 19% increase. Student enrollment totaled 920 and 773 in years 2020 and 2019, respectively. SCSA's enrollment for its first fiscal year, 2020, was 427.
- During the current fiscal year, Alliance Preparatory Schools, Inc.'s long-term debt increased by \$22,792,629 to \$46,556,666 as of June 30, 2020. The key factor in this increase was the 2020 revenue bond direct placement in the amount of \$22,835,000.

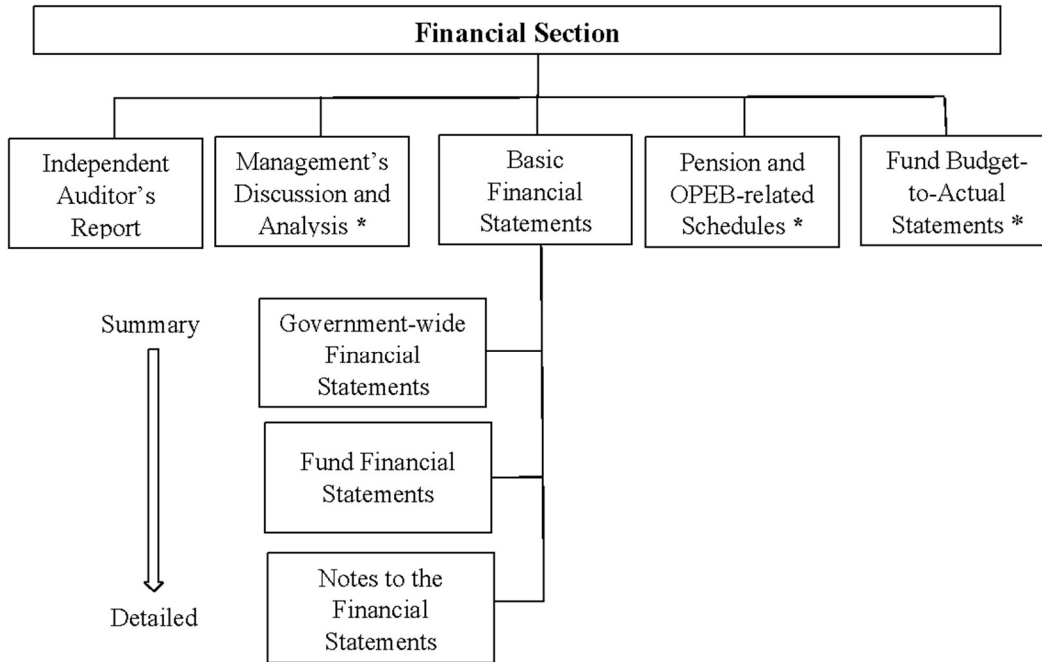
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Alliance Preparatory Schools, Inc.'s basic financial statements. The organization's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of Alliance Preparatory Schools, Inc. through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of Alliance Preparatory Schools, Inc.

Alliance Preparatory Schools, Inc.

Required Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the organization's individual funds. Budgetary information for the organization also can be found in this section of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the organization's net position and how they have changed. Net position is the difference between the organization's total assets plus deferred outflows

Alliance Preparatory Schools, Inc.

of resources minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the organization's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the organization's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the organization charges its students and other customers to provide. Alliance Preparatory Schools, Inc. offers lunch plus before and after school programs.

The condensed government-wide financial statements are provided in Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

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

Proprietary Funds – Alliance Preparatory Schools, Inc. operate proprietary funds which are enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Alliance Preparatory Schools, Inc. uses enterprise funds to account for its school lunch fund and before and after school fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Alliance Preparatory Schools, Inc.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2020, cash and cash equivalents, and other current assets, primarily amounts from restricted cash, accounted for 2.7% and 7.8% of total government-wide assets, respectively. Compared to the prior year, there is an increase of about 2.8M in current assets due to the addition of one more new subsidiary school, SCSA. 2.4M of the 2.8M total current asset increase comes from that new school. There is an increase of 20M in capital assets due to the addition of SCSA as well. Almost all of the 20M increase comes from that new school. Capital assets, net of accumulated depreciation, accounted for 89.5% of total assets. Long-term liabilities represent 99.15% of total liabilities.

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of Alliance Preparatory Schools, Inc. increased by 91% and exceeded liabilities and deferred inflows of resources by \$1,217,850 as of June 30, 2020. As of June 30, 2019, the net position of Alliance Preparatory Schools, Inc. stood at \$640,553. The organization's net position increased by \$577,297 for the fiscal year ended June 30, 2020, compared to a decrease of \$70,353 in 2019. One of the largest portions, (\$3,771,986), reflects the organization's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Alliance Preparatory Schools, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Alliance Preparatory Schools, Inc.'s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the organization's net position in the amount of \$3,427,131 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,562,705 is unrestricted.

A condensed statement of net position which summarized the assets, liabilities, deferred inflows of resources and net position at June 30, 2020 and 2019 is as follows:

Alliance Preparatory Schools, Inc.

Alliance Preparatory Schools, Inc.'s Statement of Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,580,751	\$ 487,989	\$3,431,532	\$1,677,231	\$5,012,283	\$2,165,220
Capital assets, net of depreciation	1,940,262	1,580,089	40,844,418	21,292,047	42,784,680	22,872,136
Total assets	3,521,013	2,068,078	44,275,950	22,969,278	47,796,963	25,037,356
Current liabilities	21,785	1,985	662	23	22,447	2,008
Long-term liabilities	-	648,000	46,556,666	23,746,795	46,556,666	24,394,795
Total liabilities	21,785	649,985	46,557,328	23,746,818	46,579,113	24,396,803
Net Position						
Net Investment in capital assets	1,940,262	932,089	(5,712,248)	(4,454,748)	(3,771,986)	(3,522,659)
Restricted for debt service	-	-	3,427,131	1,665,231	3,427,131	1,665,231
Unrestricted	1,558,966	486,004	3,739	2,011,977	1,562,705	2,497,981
Total Net Position	\$ 3,499,228	\$ 1,418,093	\$(2,281,378)	\$(777,540)	\$1,217,850	\$640,553

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

- The organization adopted an annual budget for all funds. The organization's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The organization applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of its students.
- Funding changes proportionately with any changes in the student enrollment.

Revenues, expenses and the change in net position is summarized in the following condensed statement of activities for the year ended June 30, 2020 and 2019:

Alliance Preparatory Schools, Inc.

**Alliance Preparatory Schools, Inc.
Condensed Statement of Activities
Figure 3**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenue						
Charges for services	\$-	\$-	\$105,605	\$116,337	\$105,605	\$116,337
Operating grants and contributions	360,745	179,049	69,025	76,315	429,770	255,364
County, State, and Federal funds	11,336,712	6,551,492			11,336,712	6,551,492
Donations and other revenues	344,912	330,450	-	2,281	344,912	332,731
Total revenues	12,042,369	7,060,991	174,630	194,933	12,216,999	7,255,924
Expense						
Instructional programs	6,559,969	3,652,318			6,559,969	3,652,318
Athletics, arts, clubs	42,230	22,577			42,230	22,577
Support services	2,125,933	2,407,541			2,125,933	2,407,541
Community service	11,961	25,303			11,961	25,303
Interest on long-term debt	99,975	422,320			99,975	422,320
Southwest Charlotte STEM Academy		-	874,068	-	874,068	-
Alliance Preparatory Schools, Inc. LLC (Mallard Creek STEM Academy)			1,614,827	491,798	1,614,827	491,798
Before and after school			12,551	138,744	12,551	138,744
School lunch service			298,188	165,676	298,188	165,676
Total expenses	8,840,068	6,530,059	2,799,634	796,218	11,639,702	7,326,277
Increase (decrease) in net position	3,202,301	530,932	(2,625,004)	(601,285)	577,297	(70,353)
Special item--disposal of fixed assets						
Transfers	(1,121,166)	180,642	1,121,166	(180,642)	-	-
Increase (decrease) in net position	2,081,135	711,574	(1,503,838)	(781,927)	577,297	(70,353)
Net assets, July 1	1,418,093	706,519	(777,540)	4,387	640,553	710,906
Net assets, June 30	\$3,499,228	\$1,418,093	\$(2,281,378)	\$(777,540)	\$1,217,850	\$640,553

Alliance Preparatory Schools, Inc.

Governmental activities: Governmental activities increased the organization's net position by \$2,081,135, compared to an increase in net position of \$711,574 in the prior year. The increase in revenues of \$4,981,378 and was partially offset by an increase in expenses of \$2,310,009. County, State and Federal funds of \$11,336,712 increased by 73.04% compared to that revenue of prior year and make up 94.14% of total revenues. Instructional service and related expenses of \$6,559,969 account for 74.21% of total expenses and increased by 35.38% compared to that expense in prior year. This reflects both increased program and general revenues offset against increased cost of providing instructional services, interest on long-term debt and some other expenses. As compared to 2019, the change in net position increased by \$1,369,561.

Business-type activities: Business-type activities decreased the organization's net position by \$1,503,838, compared to a decrease in net position of \$781,927 in the prior year, primarily due to the additional expenses in the new opened subsidiary school SCSA and the increased expense from MCSA. The organization lunch fund and before and after school fund generate charges for service revenue of \$105,605 and government contribution of \$69,025 while all operating expenses totaled \$2,799,634.

Key elements of this increase are as follows:

- By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the revenues and expenditures of the organizations and adjust their estimates as needed during the year.
- Alliance Preparatory Schools, Inc. received \$69,025 of federal reimbursement funds in the organization lunch fund this past year, a decrease of 9.6% over prior year.

Financial Analysis of Alliance Preparatory Schools, Inc.'s Funds

As noted earlier, Alliance Preparatory Schools, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of Alliance Preparatory Schools, Inc. At the end of the current fiscal year, the assets in the general fund consisted primarily of cash and cash equivalents which equaled 81.9% of total fund assets. Accounts payable trade accounted for the general fund liabilities. The unassigned fund balance of the General Fund was \$1,551,612, while total fund balance reached \$1,558,966, an increase of \$140,873 or 9.9%. The unassigned fund balance of the general fund was 99.53% of total fund balance. The primary source of general fund revenue was \$12,042,369 in contributions, donations and other revenues. Expenditures includes instructions-related expenditures of \$6,559,969, support service of \$2,125,933, and some other smaller expenses in total of \$154,166, accounted for 74.17%, 24.05% and 1.74% respectively of governmental funds expenditures.

Proprietary Funds. The organization's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Mallard Creek STEM ended the year with a fund balance of (\$1,409,170) and Southwest Charlotte STEM Academy ended the year with a fund balance of (\$872,208) as of June 30, 2020. Other factors concerning the finances of this fund have already been addressed in the discussion of the organization's business-type activities.

Alliance Preparatory Schools, Inc.

Capital Asset and Debt Administration

Capital assets. Alliance Preparatory Schools, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$42,784,680 (net of accumulated depreciation). The total net capital assets being depreciated from MCSA is \$22,585,648 and the total net capital assets being depreciated from SCSA is \$20,199,032. These assets include building improvement, furniture and equipment.

Alliance Preparatory Schools, Inc.'s Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business Type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
Leasehold improvements	\$1,432,359	\$1,495,996	\$36,361,348	\$19,292,047	\$ 37,793,707	\$ 20,788,043
Furniture & office equipment	482,903	59,093	1,185,000	-	1,667,903	59,093
Land	25,000	25,000	3,298,070	2,000,000	3,323,070	2,025,000
Total	<u>\$1,940,262</u>	<u>\$1,580,089</u>	<u>\$40,844,418</u>	<u>\$21,292,047</u>	<u>\$ 42,784,680</u>	<u>\$ 22,872,136</u>

Additional information on the organization's capital assets can be found in note III.A.3. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, Alliance Preparatory Schools, Inc. has total long-term debt of \$46,556,666. The debt consists of \$24,441,250 of 2019 revenue bond direct placement, \$22,835,000 of 2020 revenue bond direct placement, and (\$719,584) of bond discount.

Alliance Preparatory Schools, Inc.'s outstanding debt at June 30, 2020 and 2019 is summarized in the following schedule:

Alliance Preparatory Schools, Inc.

	Governmental Activities		Business Type Activities		Total Activities	
	2020	2019	2020	2019	2020	2019
Notes payable direct borrowing	-	648,000			-	648,000
2019 Revenue Bond Direct Placement	-	-	24,441,250	24,475,000	24,441,250	24,475,000
2020 Revenue Bond Direct Placement	-	-	22,835,000	-	22,835,000	-
Less Bond Discount	-	-	(719,584)	(728,205)	(719,584)	(728,205)
Total	-	648,000	46,556,666	23,746,795	46,556,666	24,394,795

Alliance Preparatory Schools, Inc.'s total debt increased by \$22,161,871 during the past fiscal year due to the decrease of notes payable direct borrowing for \$648,000 and increase of 2020 revenue bond direct placement for \$22,809,871.

Economic Factors

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

- Stability in the area contributed to slightly increased funding to all public schools in the area, including charter schools.
- The lack of available school choice in the area resulted in a successful year 1 opening for the school.
- The modest growth rate (5%) of the tri-county area is anticipated to increase the number of students in the School over the next three years. The School estimates the growth rate in enrollment to continue at a 20-30% increase each year for the

Impact of Coronavirus on Alliance Preparatory Schools, Inc.: During the fiscal year, the state and the nation were affected by the spread of a coronavirus. The organization's response to the coronavirus included closing face to face operations as needed to assist with slowing the spread of the virus. Multiple times throughout the year when it was mandated, or made the most sense, in person operations were limited to only essential personnel. The halt of in person operations is especially difficult on educational settings, but through care, focus, and dedication of the organization operations continued and were adapted as needed to meet the needs of all students and staff.

Through coronavirus legislature and relief packages the organization was able to keep staff employed and taken care of, despite the added expenses and unknowns involved with the response to coronavirus. State Coronavirus Relief Funds were especially useful for the purchase of electronic devices for students and instructional purposes to aid in the transition from in person to remote learning

Alliance Preparatory Schools, Inc.

when necessary. The funding was also quintessential to reopening safely with proper cleaning equipment and personal protective equipment on hand for all personnel.

The GASB “Emergency Toolbox” designed to help quickly identify the authoritative guidance that could be relevant to the current circumstances may be found [here](#). North Carolina Local Government COVID-19 resources may be found [here](#).

Requests for Information

This report is designed to provide an overview of the organization’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board Chair, Alliance Preparatory Schools, Inc., 9142 Browne Rd. Charlotte, NC 28269 Telephone (980) 288-4811.

Alliance Preparatory Schools, Inc.
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,294,256	\$ 4,401	\$ 1,298,657
Restricted cash	-	3,427,131	3,427,131
Due from other governments	279,141	-	279,141
Accounts receivable - trade	-	-	-
Prepaid expenses	7,354	-	7,354
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	-	3,298,070	3,298,070
Other capital assets, net of depreciation	1,940,262	37,546,348	39,486,610
Total capital assets	<u>1,940,262</u>	<u>40,844,418</u>	<u>42,784,680</u>
Total assets	<u>3,521,013</u>	<u>44,275,950</u>	<u>47,796,963</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable - trade	21,785	662	22,447
Short-term note payable	-	-	-
Derivative instrument - interest rate swap	-	-	-
Long-term liabilities:			
Compensated absences	-	-	-
Due within one year	-	371,250	371,250
Due in more than one year	-	46,185,416	46,185,416
Total liabilities	<u>21,785</u>	<u>46,557,328</u>	<u>46,579,113</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,940,262	(5,712,248)	(3,771,986)
Restricted for debt service	-	3,427,131	3,427,131
Unrestricted	1,558,966	3,739	1,562,705
Total net position	<u>\$ 3,499,228</u>	<u>\$ (2,281,378)</u>	<u>\$ 1,217,850</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 6,559,969	\$ -	\$ 360,745	\$ -	\$ (6,199,224)	\$ -	\$ (6,199,224)
Athletics, arts and clubs	42,230	-	-	-	(42,230)	-	(42,230)
Support services	2,125,933	-	-	-	(2,125,933)	-	(2,125,933)
Community services	11,961	-	-	-	(11,961)	-	(11,961)
Interest on debt	99,975	-	-	-	(99,975)	-	(99,975)
Total governmental activities	<u>8,840,068</u>	<u>-</u>	<u>360,745</u>	<u>-</u>	<u>(8,479,323)</u>	<u>-</u>	<u>(8,479,323)</u>
Business-type activities:							
Before and after school fund	12,551	13,003	-	-	-	452	452
School lunch fund	298,188	92,602	69,025	-	-	(136,561)	(136,561)
Mallard Creek STEM Academy LLC	1,614,827	-	-	-	-	(1,614,827)	(1,614,827)
Southwest Charlotte STEM Academy LLC	874,068	-	-	-	-	(874,068)	(874,068)
Total business-type activities	<u>2,799,634</u>	<u>105,605</u>	<u>69,025</u>	<u>-</u>	<u>-</u>	<u>(2,625,004)</u>	<u>(2,625,004)</u>
Total primary government	<u>\$ 11,639,702</u>	<u>\$ 105,605</u>	<u>\$ 429,770</u>	<u>\$ -</u>	<u>(8,479,323)</u>	<u>(2,625,004)</u>	<u>(11,104,327)</u>
General revenues:							
Unrestricted county appropriations					3,664,952	-	3,664,952
Unrestricted State appropriations					7,671,760	-	7,671,760
Unrestricted Federal appropriations					-	-	-
Unrestricted fines and forfeitures					-	-	-
Donations - general					3,000	-	3,000
Miscellaneous, unrestricted					341,912	-	341,912
Transfers					(1,121,166)	1,121,166	-
Total general revenues, special items, and transfers					<u>10,560,458</u>	<u>1,121,166</u>	<u>11,681,624</u>
Change in net position					2,081,135	(1,503,838)	577,297
Net position-beginning, previously reported					1,418,093	(777,540)	640,553
Net position-ending					<u>\$ 3,499,228</u>	<u>\$ (2,281,378)</u>	<u>\$ 1,217,850</u>

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
ASSETS				
Cash and cash equivalents	\$ -	\$ 900,738	\$ 393,518	\$ 1,294,256
Restricted cash	-	-	-	-
Due from other governments	-	-	279,141	279,141
Accounts receivable - other	-	-	-	-
Prepaid items	-	-	7,354	7,354
Security deposits	-	-	-	-
Total assets	-	900,738	680,013	1,580,751
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	-	-	21,785	21,785
Short term note payable	-	-	-	-
Total liabilities	-	-	21,785	21,785
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	-	-	7,354	7,354
Unassigned	-	900,738	650,874	1,551,612
Total fund balances	-	900,738	658,228	1,558,966
Total liabilities, deferred inflows of resources, and funds balances	\$ -	\$ 900,738	\$ 680,013	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,940,262
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	-
Compensated absences	-
Net position of governmental activities	\$ 3,499,228

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
Revenues				
State of North Carolina	\$ -	\$ 5,292,916	\$ 2,378,844	\$ 7,671,760
Local education agencies	-	2,382,933	1,282,019	3,664,952
U.S. Government	-	268,068	92,677	360,745
Fines and forfeitures	-	-	-	-
Contributions and donations	-	3,000	-	3,000
Other	-	317,600	24,312	341,912
Total revenues	-	8,264,517	3,777,852	12,042,369
EXPENDITURES				
Current:				
Instructional programs	-	4,422,180	2,049,764	6,471,944
Athletics, arts and clubs	-	38,116	4,114	42,230
Support services	-	1,082,407	1,033,746	2,116,153
Community services	-	11,961	-	11,961
Capital outlay:	-	457,978	-	457,978
Debt service:	-	-	-	-
Principal	-	648,000	-	648,000
Interest and other charges	-	99,975	-	99,975
Total expenditures	-	6,760,617	3,087,624	9,848,241
Excess (deficiency) of revenues over expenditures	-	1,503,900	690,228	2,194,128
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(95,871)	(32,000)	(127,871)
Transfers to LLC rent	-	(993,295)	-	(993,295)
Total other financing sources (uses)	-	(1,089,166)	(32,000)	(1,121,166)
Net change in fund balance	-	414,734	658,228	1,072,962
Fund balances-beginning	-	486,004	-	486,004
Fund balances-ending	\$ -	\$ 900,738	\$ 658,228	\$ 1,558,966

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	1,072,962
Change in fund balance due to change in reserve for inventory		-

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	360,173
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Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	-

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	648,000
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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.	
Pension expense	-
Compensated absences	-
Rounding adjustment	-

Total changes in net position of governmental activities	\$	<u>2,081,135</u>
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The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds		
	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,541	\$ 1,860	\$ 4,401
Cash - restricted debt service fund	1,665,231	1,761,900	3,427,131
Accounts receivable - trade	-	-	-
Inventories	-	-	-
Total current assets	1,667,772	1,763,760	3,431,532
Noncurrent assets:			
Capital assets:			
Land	2,000,000	1,298,070	3,298,070
Other capital assets, net of depreciation	18,645,386	18,900,962	37,546,348
Total noncurrent assets	20,645,386	20,199,032	40,844,418
Total assets	\$ 22,313,158	\$ 21,962,792	\$ 44,275,950
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ 662	\$ -	\$ 662
Deferred revenue	-	-	-
Total current liabilities	662	-	662
Long-term liabilities:			
Due within one year	371,250	-	371,250
Due in more than one year	23,350,416	22,835,000	46,185,416
Total long-term liabilities	23,721,666	22,835,000	46,556,666
Total liabilities	23,722,328	22,835,000	46,557,328
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET ASSETS			
Net investment in capital assets	(3,076,280)	(2,635,968)	(5,712,248)
Restricted for debt service	1,665,231	1,761,900	3,427,131
Unrestricted	1,879	1,860	3,739
Total net position	\$ (1,409,170)	\$ (872,208)	\$ (2,281,378)

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
OPERATING REVENUES			
Before and after school care	\$ 13,003	\$ -	\$ 13,003
Lunch sales	66,955	25,647	92,602
Dividend and interest income	-	-	-
Total operating revenues	<u>79,958</u>	<u>25,647</u>	<u>105,605</u>
OPERATING EXPENSES			
Salary and related costs	112,167	43,266	155,433
Supplies and materials	4,898	3,315	8,213
Contracted services	264	-	264
Food purchases	137,623	9,206	146,829
Interest expense	959,545	419,813	
Amortization	8,621	-	8,621
Depreciation expense	646,661	454,255	1,100,916
Total operating expenses	<u>1,869,779</u>	<u>929,855</u>	<u>1,420,276</u>
Operating income (loss)	<u>(1,789,821)</u>	<u>(904,208)</u>	<u>(1,314,671)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	69,025	-	69,025
Total nonoperating revenue (expenses)	<u>69,025</u>	<u>-</u>	<u>69,025</u>
Income (loss) before contributions and transfers	(1,720,796)	(904,208)	(2,625,004)
Capital contributions	-	-	-
Transfers (to) from other funds	1,089,166	32,000	1,121,166
Change in net position	<u>(631,630)</u>	<u>(872,208)</u>	<u>(1,503,838)</u>
Total net position - beginning	<u>(777,540)</u>	<u>-</u>	<u>(777,540)</u>
Total net position - ending	<u>\$ (1,409,170)</u>	<u>\$ (872,208)</u>	<u>\$ (2,281,378)</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 79,958	\$ 25,647	\$ 105,605
Cash paid to employees for services	(111,528)	(43,266)	(154,794)
Cash paid for goods and services	(1,102,330)	(432,334)	(1,534,664)
Net cash provided (used) by operating activities	<u>(1,133,900)</u>	<u>(449,953)</u>	<u>(1,583,853)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	69,025	-	69,025
Transfer (to) from other funds	1,089,166	32,000	1,121,166
Net cash provided (used) by noncapital financing activities	<u>1,158,191</u>	<u>32,000</u>	<u>1,190,191</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on bonds	(33,750)	-	(33,750)
Proceeds from bonds	-	22,835,000	22,835,000
Acquisition of capital assets	-	(20,653,287)	(20,653,287)
Net cash (used) by capital and related financing	<u>(33,750)</u>	<u>2,181,713</u>	<u>2,147,963</u>
Net increase (decrease) in cash and cash equivalents	(9,459)	1,763,760	1,754,301
Balances-beginning of the year	1,677,231	-	1,677,231
Balances-end of the year	<u>\$ 1,667,772</u>	<u>\$ 1,763,760</u>	<u>\$ 3,431,532</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (1,789,821)	\$ (904,208)	\$ (2,694,029)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	655,282	454,255	1,109,537
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	639	-	639
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	<u>655,921</u>	<u>454,255</u>	<u>1,110,176</u>
Net cash provided (used) by operating activities	<u>\$ (1,133,900)</u>	<u>\$ (449,953)</u>	<u>\$ (1,583,853)</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc., North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

Alliance is a North Carolina non-profit corporation incorporated in December 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Alliance has been approved to operate two charter schools: Mallard Creek STEM Academy and Southwest Charlotte STEM Academy (collectively, the “Schools”). The Schools are public schools with Mallard Creek STEM Academy serving approximately 900 students and Southwest Charlotte STEM Academy serving approximately 425 students. Each School operates under a separate charter agreement applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) and authorized by the State Board of Education (“SBE”). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on ground set out at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100). The current charters are effective until June 30, 2026 for Mallard Creek and June 30, 2023 for Southwest Charlotte. Charters may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charters will be renewed in the ordinary course of business.

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

B. Basis of Presentation

Alliance’s financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the “SBFCA”). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include audit requirements established by G.S. 115C-47.

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Alliance. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements

distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Alliance reports the following major governmental funds:

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

Special Revenue Funds. Mallard Creek STEM Academy and Southwest Charlotte STEM Academy Funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

County and Other Subfund. The County and Other Subfund includes appropriations from various counties and other support of Alliance's programs.

State Public School Subfund. The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

Federal Grants Subfund. The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

Alliance reports the following major enterprise funds:

Enterprise Funds. Mallard Creek STEM Academy and Southwest Charlotte STEM Academy enterprise funds account for the LLC's owned by Alliance, school food service and childcare activities.

Mallard Creek STEM Academy LLC. The Mallard Creek STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Mallard Creek STEM Academy.

Southwest Charlotte STEM Academy LLC. The Southwest Charlotte STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Southwest Charlotte STEM Academy.

Before and After School Care Fund. The Before and After School Care Fund is used to account for the before and after school activities conducted by the School.

School Lunch Fund. The School Lunch Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

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

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the various Schools at June 30, 2020. All appropriations lapse at year end.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the Alliance are made in a local bank, whose accounts are FDIC insured. Also, the Alliance has established time deposit accounts such as money market accounts.

2. Cash and Cash Equivalents

Alliance pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cash restricted to payments of principal and interest on USDA loans is reported separately in the financial statements.

3. Prepaid Items

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

4. Capital Assets

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

It is the policy of the Alliance to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building and improvements	30
Furniture and office equipment	7

5. Deferred outflows/inflows of resources

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

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

7. Compensated Absences

Alliance pays its employees in June of the current year for any accumulated time that has accrued during the year. Therefore, no accrual for compensated absences has been made.

8. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Alliance’s governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Alliance Preparatory Schools, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

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

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

9. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,940,262 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 2,221,615
Less accumulated depreciation	(281,353)
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	-
Contributions made to the pension plan in current fiscal year	-
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	-
Capital leases payable	-
Bonds payable	-
Compensated absences	-
Net pension liability	-
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	-
Differences between projected and actual earnings on plan investments	-
Total adjustment	<u>\$ 1,940,262</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Schools are funded by the SBE, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Charlotte-Mecklenburg County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Subject to certain limitations, funds allocated by the

SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. [G.S. 115C-218.105(b)] Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2020, the Schools received funding from the Boards of Education for Cabarrus, Charlotte-Mecklenburg and Gaston Counties along with Kannapolis City.

Furthermore, Alliance Preparatory Schools, Inc. and the Schools have received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

2. Reconciliation Between Government-Wide and Fund Statements

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$1,008,173 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 457,978
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(97,805)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the Statement of Activities, only the Statement of Net Assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	648,000
Rounding adjustment	-
Compensated absences	-
Total	<u>\$ 1,008,173</u>

G. Use of Estimates and Assumptions

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

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

Mallard Creek STEM Academy LLC is reporting a deficit in net assets of \$1,411,049 related to the bond proceeds issued. The School is the sole owner of the LLC and plans to absorb the deficit.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2020, Alliance had deposits with banks and savings and loans with a carrying amount of \$1,298,657. The bank balances with the financial institutions totaled \$1,640,749, of which \$500,000 was covered by the FDIC at June 30, 2020. The remaining \$1,140,749 is a credit risk at June 30, 2020. Alliance does not have a deposit policy for custodial credit risk.

2. Restricted cash

Alliance has bond proceeds held in trust in a debt service fund of \$1,665,231 at June 30, 2020.

3. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
<u>Mallard Creek STEM Academy</u>				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Building improvements	\$ 1,613,950	\$ -	\$ -	\$ 1,613,950
Furniture and office equipment	124,687	457,978	-	582,665
Total capital assets being depreciated	<u>1,738,637</u>	<u>457,978</u>	<u>-</u>	<u>2,196,615</u>
Less accumulated depreciation for:				
Building improvements	117,954	63,637	-	181,591
Furniture and office equipment	65,594	34,168	-	99,762
Total accumulated depreciation	<u>183,548</u>	<u>\$ 97,805</u>	<u>\$ -</u>	<u>281,353</u>
Total capital assets being depreciated, net	<u>1,555,089</u>			<u>1,915,262</u>
Governmental activity capital assets, net	<u>\$ 1,580,089</u>			<u>\$ 1,940,262</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 88,025
Supporting services	<u>9,780</u>
	<u>\$ 97,805</u>

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Business-type activities				
<u>Mallard Creek STEM Academy</u>				
<u>Mallard Creek STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Capital assets being depreciated:				
Building improvements	19,399,824	-	-	19,399,824
Furniture and office equipment	-	-	-	-
Total capital assets being depreciated	<u>19,399,824</u>	<u>-</u>	<u>-</u>	<u>19,399,824</u>
Less accumulated depreciation for:				
Building improvements	107,777	646,661	-	754,438
Furniture and office equipment	-	-	-	-
Total accumulated depreciation	<u>107,777</u>	<u>\$ 646,661</u>	<u>\$ -</u>	<u>754,438</u>
Total capital assets being depreciated, net	<u>19,292,047</u>			<u>18,645,386</u>
Business-type activities capital assets, net	<u>\$ 21,292,047</u>			<u>\$ 20,645,386</u>

<u>Southwest Charlotte STEM Academy</u>				
<u>Southwest Charlotte STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ -	\$ 1,298,070	\$ -	\$ 1,298,070
Capital assets being depreciated:				
Buildings and improvements	-	18,170,217	-	18,170,217
Furniture and office equipment	-	1,185,000	-	1,185,000
Total capital assets being depreciated	<u>-</u>	<u>19,355,217</u>	<u>-</u>	<u>19,355,217</u>
Less accumulated depreciation for:				
Buildings and improvements	-	454,255	-	454,255
Furniture and office equipment	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>\$ 454,255</u>	<u>\$ -</u>	<u>454,255</u>
Total capital assets being depreciated, net	<u>-</u>			<u>18,900,962</u>
Business-type activities capital assets, net	<u>\$ -</u>			<u>\$ 20,199,032</u>

B. Liabilities

1. Retirement Plan

Alliance Preparatory Schools, Inc. does not participate in the North Carolina Teacher's and State Employees' Retirement System.

Instead, the School offers a 401(k) Retirement Plan. Under the plan, the School contributes an amount equal to the employees' contributions up to a limit of 3% of the employees' compensation for the calendar year. The employee may make voluntary contributions, pursuant to a salary reduction agreement of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

2. Risk Management

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

The School has obtained a Major Medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

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

The School carries fidelity bond coverage in the amount of \$250,000. The company that does all outsourced accounting carries fidelity bond coverage in the amount of \$500,000.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

3. Long-Term Obligations

a.) Notes Payable

During 2017, Mallard Creek STEM Academy obtained a direct borrowing from a bank carrying an interest rate of 10.2%. During the year ended June 30, 2020 Mallard Creek STEM Academy repaid this loan in full.

b.) Bonds Payable

Series 2019 Bonds – On May 10, 2019, Mallard Creek STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$24,475,000 of tax exempt education revenue bonds (the "Bonds") with final maturity on June 15, 2049. The bonds were issued in two series, Series A (Tax-Exempt) was \$24,220,000 and Series B (Taxable) was \$255,000. The proceeds have been loaned to the Mallard Creek STEM Academy LLC. Such proceeds were used to purchase the school facilities that were previously being leased. The LLC is the obligor under the Series 2019 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2019 bonds.

The Series 2019 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2020 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements.

The 2020 bond issuances involved a total discount of \$728,205. As of June 30, 2020, the unamortized discount was \$719,583 and the carrying amount of the bonds payable on the Statement of Net Position is reduced by this amount.

Future debt maturities are as follows:

	Mallard Creek STEM Academy LLC
Year Ending June 30, 2021	\$ 371,250
Year Ending June 30, 2022	420,000
Year Ending June 30, 2023	440,000
Year Ending June 30, 2024	460,000
Year Ending June 30, 2025	480,000
Years Ending June 30, 2026-2030	2,755,000
Years Ending June 30, 2031-2035	3,480,000
Years Ending June 30, 2036-2040	4,465,000
Years Ending June 30, 2041-2045	5,755,000
Years Ending June 30, 2046-2049	<u>5,815,000</u>
	<u>\$ 24,441,250</u>

Series 2018 Bonds – On October 25, 2018, Southwest Charlotte STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$22,835,000 of tax exempt education revenue bonds (the “Bonds”) with final maturity on May 28, 2053. The bonds were issued in two series, Series A (Tax-Exempt) was \$22,450,000 and Series B (Taxable) was \$385,000. The proceeds have been loaned to the Southwest Charlotte STEM Academy LLC. Such proceeds were used to purchase the school facilities that the School is using. The LLC is the obligor under the Series 2018 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2018 bonds.

The Series 2018 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2020 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements.

Future debt maturities are as follows:

	Southwest Charlotte STEM Academy LLC
Year Ending June 30, 2021	\$ 5,523
Year Ending June 30, 2022	189,816
Year Ending June 30, 2023	214,107
Year Ending June 30, 2024	239,280
Year Ending June 30, 2025	254,518
Years Ending June 30, 2026-2030	1,562,605
Years Ending June 30, 2031-2035	2,197,576
Years Ending June 30, 2036-2040	3,091,919
Years Ending June 30, 2041-2045	4,333,573
Years Ending June 30, 2046-2050	6,102,873
Years Ending June 30, 2051-2053	<u>4,643,210</u>
	<u>\$ 22,835,000</u>

c.) Changes in General Long-Term Obligations

	Balance			Balance		Current
	July 1, 2019	Increases	Decreases	June 30, 2020		Portion
Governmental activities:						
Notes payable direct borrowing	\$ 648,000	\$ -	\$ 648,000	\$ -	\$ -	-
Business-type activities:						
2019 Revenue Bond Direct Placement	\$ 24,475,000	\$ -	\$ 33,750	\$ 24,441,250	\$ 371,250	-
2020 Revenue Bond Direct Placement	-	22,835,000	-	22,835,000	-	-
Less Bond Discount	(728,205)	-	8,621	(719,584)	-	-
Total Business-Type Activities	\$ 23,746,795	\$ 22,835,000	\$ 42,371	\$ 46,556,666	\$ 371,250	-

C. Fund Balance

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

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

Total fund balance	\$1,558,966
Less:	
Reserve for prepaid items	7,354
Remaining Fund Balance	\$1,551,612

IV. Transfers

Mallard Creek STEM Academy's county fund transferred \$106,421 to the Before and After School Fund and transferred (\$10,550) to the School Lunch Fund during the year to help with the operating costs of these funds. The LLC received \$993,295 from Mallard Creek STEM Academy's State fund as rent to repay bond proceeds.

Southwest Charlotte STEM Academy's county fund transferred \$32,000 to the School Food Service Fund during the year to help with the operating costs of this funds.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events – Date of Management’s Review

Alliance has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor’s Report. Alliance has not evaluated subsequent events after that date.

COMBINING STATEMENTS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2020

Alliance Preparatory Schools, Inc.
School Resources by Governmental Subfund
June 30, 2020

	Mallard Creek STEM Academy			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 900,738	\$ -	\$ -	\$ 900,738
Restricted cash	-	-	-	-
Due from other governments	-	-	-	-
Accounts receivable - other	-	-	-	-
Prepaid items	-	-	-	-
Security deposits	-	-	-	-
Total assets	900,738	-	-	900,738
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	-	-	-	-
Short term note payable	-	-	-	-
Total liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	-	-	-	-
Unassigned	900,738	-	-	900,738
Total fund balances	900,738	-	-	900,738
Total liabilities, deferred inflows of resources, and funds balances	\$ 900,738	\$ -	\$ -	\$ 900,738

Alliance Preparatory Schools, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2020

	Mallard Creek STEM Academy			
	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 5,292,916	\$ -	\$ 5,292,916
Local education agencies	2,382,933	-	-	2,382,933
U.S. Government	-	-	268,068	268,068
Fines and forfeitures	-	-	-	-
Contributions and donations	3,000	-	-	3,000
Other	317,600	-	-	317,600
Total revenues	2,703,533	5,292,916	268,068	8,264,517
EXPENDITURES				
Current:				
Instructional programs	1,166,602	2,987,510	268,068	4,422,180
Athletics, arts and clubs	38,116	-	-	38,116
Support services	423,477	658,930	-	1,082,407
Community services	11,961	-	-	11,961
Capital outlay:	457,978	-	-	457,978
Debt service:				
Principal	-	648,000	-	648,000
Interest and other charges	-	99,975	-	99,975
Total expenditures	2,098,134	4,394,415	268,068	6,760,617
Excess (deficiency) of revenues over expenditures	605,399	898,501	-	1,503,900
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(95,871)	-	-	(95,871)
Transfers to LLC rent	(94,794)	(898,501)	-	(993,295)
Total other financing sources (uses)	(190,665)	(898,501)	-	(1,089,166)
Net change in fund balance	414,734	-	-	414,734
Fund balances-beginning	486,004	-	-	486,004
Fund balances-ending	\$ 900,738	\$ -	\$ -	\$ 900,738

Alliance Preparatory Schools, Inc.
School Net Position by Proprietary Subfund
June 30, 2020

	Mallard Creek STEM Academy			
	Enterprise Activities			
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 2,541	\$ 2,541
Cash - restricted debt service fund	1,665,231	-	-	1,665,231
Accounts receivable - trade	-	-	-	-
Inventories	-	-	-	-
Total current assets	1,665,231	-	2,541	1,667,772
Noncurrent assets:				
Capital assets:				
Land	2,000,000	-	-	2,000,000
Other capital assets, net of depreciation	18,645,386	-	-	18,645,386
Total noncurrent assets	20,645,386	-	-	20,645,386
Total assets	\$ 22,310,617	\$ -	\$ 2,541	\$ 22,313,158
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
LIABILITIES				
Current liabilities:				
Accounts payable - trade	\$ -	\$ -	\$ 662	\$ 662
Deferred revenue	-	-	-	-
Total current liabilities	-	-	662	662
Long-term liabilities:				
Due within one year	371,250	-	-	371,250
Due in more than one year	23,350,416	-	-	23,350,416
Total long-term liabilities	23,721,666	-	-	23,721,666
Total liabilities	23,721,666	-	662	23,722,328
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
NET ASSETS				
Net investment in capital assets	(3,076,280)	-	-	(3,076,280)
Restricted for debt service	1,665,231	-	-	1,665,231
Unrestricted	-	-	1,879	1,879
Total net position	\$ (1,411,049)	\$ -	\$ 1,879	\$ (1,409,170)

Alliance Preparatory Schools, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2020

	Mallard Creek STEM Academy			
	Enterprise Activities			Total
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	
OPERATING REVENUES				
Before and after school care	\$ -	\$ -	\$ 13,003	\$ 13,003
Lunch sales	-	66,955	-	66,955
Dividend and interest income	-	-	-	-
Total operating revenues	-	66,955	13,003	79,958
OPERATING EXPENSES				
Salary and related costs	-	99,945	12,222	112,167
Supplies and materials	-	4,888	10	4,898
Contracted services	-	264	-	264
Food purchases	-	137,304	319	137,623
Interest expense	959,545	-	-	959,545
Amortization	8,621	-	-	8,621
Depreciation expense	646,661	-	-	646,661
Total operating expenses	1,614,827	242,401	12,551	1,869,779
Operating income (loss)	(1,614,827)	(175,446)	452	(1,789,821)
NONOPERATING REVENUES (EXPENSES)				
Federal reimbursements	-	69,025	-	69,025
Total nonoperating revenue (expenses)	-	69,025	-	69,025
Income (loss) before contributions and transfers	(1,614,827)	(106,421)	452	(1,720,796)
Capital contributions	-	-	-	-
Transfers (to) from other funds	993,295	106,421	(10,550)	1,089,166
Change in net position	(621,532)	-	(10,098)	(631,630)
Total net position - beginning	(789,517)	-	11,977	(777,540)
Total net position - ending	\$ (1,411,049)	\$ -	\$ 1,879	\$ (1,409,170)

Alliance Preparatory Schools, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2020

	Mallard Creek STEM Academy			
	Enterprise Activities			
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ -	\$ 66,955	\$ 13,003	\$ 79,958
Cash paid to employees for services	-	(99,945)	(11,583)	(111,528)
Cash paid for goods and services	(959,545)	(142,456)	(329)	(1,102,330)
Net cash provided (used) by operating activities	(959,545)	(175,446)	1,091	(1,133,900)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal reimbursements	-	69,025	-	69,025
Transfer (to) from other funds	993,295	106,421	(10,550)	1,089,166
Net cash provided (used) by noncapital financing activities	993,295	175,446	(10,550)	1,158,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on bonds payable	(33,750)	-	-	(33,750)
Bond discount	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash (used) by capital and related financing	(33,750)	-	-	(33,750)
Net increase (decrease) in cash and cash equivalents	-	-	(9,459)	(9,459)
Balances-beginning of the year	1,665,231	-	12,000	1,677,231
Balances-end of the year	\$ 1,665,231	\$ -	\$ 2,541	\$ 1,667,772
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ (1,614,827)	\$ (175,446)	\$ 452	\$ (1,789,821)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	655,282	-	-	655,282
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	639	639
Increase (decrease) in deferred inflows of resources	-	-	-	-
Total adjustments	655,282	-	639	655,921
Net cash provided (used) by operating activities	\$ (959,545)	\$ (175,446)	\$ 1,091	\$ (1,133,900)

Alliance Preparatory Schools, Inc.
School Resources by Governmental Subfund
June 30, 2020

	Southwest Charlotte STEM Academy			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 393,518	\$ -	\$ -	\$ 393,518
Restricted cash	-	-	-	-
Due from other governments	279,141	-	-	279,141
Accounts receivable - other	-	-	-	-
Prepaid items	7,354	-	-	7,354
Security deposits	-	-	-	-
Total assets	680,013	-	-	680,013
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	21,785	-	-	21,785
Short term note payable	-	-	-	-
Total liabilities	21,785	-	-	21,785
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	7,354	-	-	7,354
Unassigned	650,874	-	-	650,874
Total fund balances	658,228	-	-	658,228
Total liabilities, deferred inflows of resources, and funds balances	\$ 680,013	\$ -	\$ -	\$ 680,013

Alliance Preparatory Schools, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2020

Southwest Charlotte STEM Academy

	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 2,378,844	\$ -	\$ 2,378,844
Local education agencies	1,282,019	-	-	1,282,019
U.S. Government	-	-	92,677	92,677
Fines and forfeitures	-	-	-	-
Contributions and donations	-	-	-	-
Other	24,312	-	-	24,312
Total revenues	<u>1,306,331</u>	<u>2,378,844</u>	<u>92,677</u>	<u>3,777,852</u>
EXPENDITURES				
Current:				
Instructional programs	207,870	1,749,217	92,677	2,049,764
Athletics, arts and clubs	4,114	-	-	4,114
Support services	404,119	629,627	-	1,033,746
Community services	-	-	-	-
Capital outlay:	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>616,103</u>	<u>2,378,844</u>	<u>92,677</u>	<u>3,087,624</u>
Excess (deficiency) of revenues over expenditures	<u>690,228</u>	<u>-</u>	<u>-</u>	<u>690,228</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(32,000)	-	-	(32,000)
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>(32,000)</u>
Net change in fund balance	658,228	-	-	658,228
Fund balances-beginning	-	-	-	-
Fund balances-ending	<u>\$ 658,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 658,228</u>

Alliance Preparatory Schools, Inc.
School Net Position by Proprietary Subfund
June 30, 2020

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,860	\$ 1,860
Cash - restricted debt service fund	1,761,900	-	1,761,900
Accounts receivable - trade	-	-	-
Inventories	-	-	-
Total current assets	1,761,900	1,860	1,763,760
Noncurrent assets:			
Capital assets:			
Land	1,298,070	-	1,298,070
Other capital assets, net of depreciation	18,900,962	-	18,900,962
Total noncurrent assets	20,199,032	-	20,199,032
Total assets	\$ 21,960,932	\$ 1,860	\$ 21,962,792
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	22,835,000	-	22,835,000
Total long-term liabilities	22,835,000	-	22,835,000
Total liabilities	22,835,000	-	22,835,000
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET ASSETS			
Net investment in capital assets	(2,635,968)	-	(2,635,968)
Restricted for debt service	1,761,900	-	1,761,900
Unrestricted	-	1,860	1,860
Total net position	\$ (874,068)	\$ 1,860	\$ (872,208)

Alliance Preparatory Schools, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2020

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
OPERATING REVENUES			
Before and after school care	\$ -	\$ -	\$ -
Lunch sales	-	25,647	25,647
Dividend and interest income	-	-	-
Total operating revenues	-	25,647	25,647
OPERATING EXPENSES			
Salary and related costs	-	43,266	43,266
Supplies and materials	-	3,315	3,315
Contracted services	-	-	-
Food purchases	-	9,206	9,206
Bond issuance costs	419,813	-	419,813
Depreciation expense	454,255	-	454,255
Total operating expenses	874,068	55,787	929,855
Operating income (loss)	(874,068)	(30,140)	(904,208)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	-	-	-
Total nonoperating revenue (expenses)	-	-	-
Income (loss) before contributions and transfers	(874,068)	(30,140)	(904,208)
Capital contributions	-	-	-
Transfers (to) from other funds	-	32,000	32,000
Change in net position	(874,068)	1,860	(872,208)
Total net position - beginning	-	-	-
Total net position - ending	\$ (874,068)	\$ 1,860	\$ (872,208)

Alliance Preparatory Schools, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2020

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 25,647	\$ 25,647
Cash paid to employees for services	-	(43,266)	(43,266)
Cash paid for goods and services	(419,813)	(12,521)	(432,334)
Net cash provided (used) by operating activities	(419,813)	(30,140)	(449,953)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	-	-	-
Transfer (to) from other funds	-	32,000	32,000
Net cash provided (used) by noncapital financing activities	-	32,000	32,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from bonds payable	22,835,000	-	22,835,000
Bond discount	-	-	-
Acquisition of capital assets	(20,653,287)	-	(20,653,287)
Net cash (used) by capital and related financing	2,181,713	-	2,181,713
Net increase (decrease) in cash and cash equivalents	1,761,900	1,860	1,763,760
Balances-beginning of the year	-	-	-
Balances-end of the year	\$ 1,761,900	\$ 1,860	\$ 1,763,760
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (874,068)	\$ (30,140)	\$ (904,208)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	454,255	-	454,255
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	454,255	-	454,255
Net cash provided (used) by operating activities	\$ (419,813)	\$ (30,140)	\$ (449,953)

Alliance Preparatory Schools, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Mallard Creek STEM Academy
All Fund Types except LLC
Year Ended June 30, 2020

	2020		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 5,360,930	\$ 5,292,916	\$ (68,014)
Boards of Education	2,681,836	2,382,933	(298,903)
Fines and forfeitures	-	-	-
U.S. Government	150,194	268,068	117,874
Before and after school	120,000	13,003	(106,997)
Lunch sales	-	66,955	66,955
Contributions and donations	-	3,000	3,000
Others	-	317,600	317,600
Total revenues	<u>8,312,960</u>	<u>8,344,475</u>	<u>31,515</u>
Expenditures			
Salaries and bonuses	3,164,798	3,253,501	(88,703)
Benefits	748,319	644,715	103,604
Books and supplies	187,225	136,458	50,767
Technology	40,000	109,906	(69,906)
Non capitalized equipment	740,000	661,293	78,707
Contracted student services	109,922	203,064	(93,142)
Staff development	113,530	106,870	6,660
Administrative services	603,764	645,188	(41,424)
Insurances	32,259	53,185	(20,926)
Rents and debt service	1,505,000	1,482,054	22,946
Facilities	169,221	213,098	(43,877)
Utilities	100,961	89,829	11,132
Transportation and travel	303,000	149,448	153,552
Capital purchases	25,000	-	25,000
Before and after school	154,160	13,145	141,015
Nutrition and food	-	246,308	(246,308)
Other	-	802	(802)
Total expenditures	<u>7,997,159</u>	<u>8,008,864</u>	<u>(11,705)</u>
Other financing sources (uses):			
Federal reimbursements	40,000	69,025	29,025
Proceeds from notes payable	-	-	-
Total other financing sources	<u>40,000</u>	<u>69,025</u>	<u>29,025</u>
Excess of revenues over expenditures	<u>\$ 355,801</u>	<u>\$ 404,636</u>	<u>\$ 48,835</u>

Alliance Preparatory Schools, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Southwest Charlotte STEM Academy
All Fund Types
Year Ended June 30, 2020

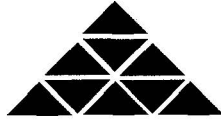
	2020		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 4,434,524	\$ 2,378,844	\$ (2,055,680)
Boards of Education	2,094,975	1,282,019	(812,956)
Fines and forfeitures	-	-	-
U.S.Government	172,793	92,677	(80,116)
Before and after school	120,000	-	(120,000)
Lunch sales	38,320	25,647	(12,673)
Contributions and donations	-	-	-
Others	285,497	24,312	(261,185)
Total revenues	<u>7,146,109</u>	<u>3,803,499</u>	<u>(3,342,610)</u>
Expenditures			
Salaries and bonuses	1,798,400	1,418,716	379,684
Benefits	399,235	291,945	107,290
Books and supplies	156,250	121,465	34,785
Technology	27,000	39,763	(12,763)
Non capitalized equipment	270,000	10,807	259,193
Contracted student services	70,000	41,487	28,513
Staff development	74,790	52,131	22,659
Administrative services	323,609	301,444	22,165
Insurances	23,400	26,507	(3,107)
Rents and debt service	655,000	453,396	201,604
Facilities	75,050	98,173	(23,123)
Utilities	76,500	48,338	28,162
Transportation and travel	229,000	99,799	129,201
Nutrition and food	75,000	108,228	(33,228)
Capital purchases	10,000	39,982	(29,982)
Before and after care	40,038	-	40,038
Contingency	75,000	(8,770)	83,770
Total expenditures	<u>4,378,272</u>	<u>3,143,411</u>	<u>1,234,861</u>
Other financing sources (uses):			
Federal reimbursements	-	-	-
Proceeds from notes payable	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 2,767,837</u>	<u>\$ 660,088</u>	<u>\$ (2,107,749)</u>

COMPLIANCE SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2020



Les Merritt CPA-CFP

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*

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alliance Preparatory Schools, Inc. as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises Alliance Preparatory Schools, Inc.'s basic financial statements and have issued our report thereon dated January 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alliance Preparatory Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control.

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

Our consideration of the internal control 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Leslie Merritt, CPA, PC
Certified Public Accountant
Zebulon, North Carolina

January 27, 2021



Les Merritt CPA-CFP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited Alliance Preparatory Schools, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2020. Alliance Preparatory Schools, Inc.'s major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Alliance Preparatory Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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 over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Leslie Merritt, CPA, PC
Certified Public Accountant
Zebulon, North Carolina

January 27, 2021

ALLIANCE PREPARATORY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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State Awards

Internal control over major State programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major State programs:

Program Name

State Public School Funds (PRC036 - Charter School Funds)

ALLIANCE PREPARATORY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

ALLIANCE PREPARATORY SCHOOLS, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

ALLIANCE PREPARATORY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

This is the School's first year of operation.

ALLIANCE PREPARATORY SCHOOLS, INC.
MALLARD CREEK STEM ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina Department of Public Instruction:			
Improving Teacher Quality	84.367A	PRC 103	\$ 10,500
Title 1 Basic Funding	84.010A	PRC 050	47,065
Student Support and Academic Enrich		PRC 108	10,000
Cares Act K12 Emergency Relief		PRC 163	39,892
Special Education Cluster:			
Idea VI-B Handicapped	84.027-CL	PRC 060	159,858
Idea VI-B Targeted Assistance	84.027-CL	PRC 118	753
Total Special Education Cluster			<u>160,611</u>
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction:			
National School Lunch Program	10.555	PRC 035	<u>69,025</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>337,093</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	17,949
Behavioral Support		PRC 029	918
Charter Schools		PRC 036	5,238,142
Third Grade Reading Teacher Bonus		PRC 046	3,569
Test Results Bonus		PRC 048	4,306
CRF - School Nutrition		PRC 125	13,539
COVID-19 Supplemental Funding		PRC 154	<u>14,493</u>
TOTAL NC STATE CASH ASSISTANCE			<u>5,292,916</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 5,630,009</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.

ALLIANCE PREPARATORY SCHOOLS, INC.
SOUTHWEST CHARLOTTE STEM ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina			
Department of Public Instruction:			
Improving Teacher Quality	84.367A	PRC 103	\$ 4,486
Title 1 Basic Funding	84.010A	PRC 050	17,763
Special Education Cluster:			
Idea VI-B Handicapped	84.027-CL	PRC 060	70,428
Idea VI-B Targeted Assistance	84.027-CL	PRC 118	-
Total Special Education Cluster			<u>70,428</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>92,677</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds		PRC 036	2,371,945
COVID-19 Supplemental Funding		PRC 154	<u>6,899</u>
TOTAL NC STATE CASH ASSISTANCE			<u>2,378,844</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 2,471,521</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.