

TIMPANOGOS ACADEMY FOUNDATION

Financial Statements

Year Ended June 30, 2021

TIMPANOGOS ACADEMY FOUNDATION

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Year Ended June 30, 2021

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Independent Auditor's Report

Board of Directors
Timpanogos Academy Foundation

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Timpanogos Academy Foundation (the School) as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Timpanogos Academy Foundation as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the *general fund* for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Effective July 1, 2020, the state of Utah required charter schools to change their basis of accounting to follow accounting standards for local governments established by the Government Accounting Standards Board. Our opinions on the basic financial statements are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
October 29, 2021

Management's Discussion and Analysis

This section of the financial report of Timpanogos Academy Foundation (the School) presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2021.

Financial Highlights

- The School's assets exceeded its liabilities at the close of the most recent fiscal year by \$3,243,212 (net position). Of this amount \$1,215,608 (unrestricted net position) may be used to meet the School's ongoing obligations to students, employees, and creditors.
- During the year, expenses were \$232,390 more than the \$3,912,662 generated in revenues for governmental activities.
- The School receives most of its revenue from state and federal funding based on the number of students enrolled during the year. State and federal revenues totaled \$3,898,868 in 2021. Instruction expenses totaled \$3,302,937 in 2021.
- The School received loan forgiveness on its Paycheck Protection Program loan of \$435,500.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The School's basic financial statements comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a consolidated broad overview of the School's finances, in a manner similar to a private-sector business or nonprofit organization.

The *statement of net position* presents information on all the assets, liabilities, with the remainder being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The School's government-wide financial statements are reported as *governmental activities*. The School's basic services are included here, such as instruction, various supporting services. State and federal grants finance most of these activities.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School's accounting demonstrates compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one individual governmental fund (the *general fund*). The School adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement is provided for the *general fund* to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

TIMPANOGOS ACADEMY FOUNDATION

Governmental Activities - Net Position

June 30, 2021

Current and other assets	\$ 1,272,740
Capital assets, net	<u>2,027,604</u>
Total assets	3,300,344
Current and other liabilities	<u>57,132</u>
Total liabilities	57,132
Net position:	
Investment in capital assets	2,027,604
Unrestricted	<u>1,215,608</u>
Total net position	<u><u>\$ 3,243,212</u></u>

As noted earlier, net position may serve over time as a useful indicator of a school’s financial position. In the School’s case, assets exceeded liabilities by \$3,243,212 at the close of the most recent fiscal year.

- A portion of the School’s net position (\$2,027,604) reflects the School’s investment in capital assets (e.g., land, buildings and improvements, and equipment and other, net of accumulated depreciation). The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.
- The remaining net position (\$1,215,608) is unrestricted.

The School's net position increased by \$203,110 during the current year from governmental activities. The following discussion and analysis on governmental activities focuses on this increase.

TIMPANOGOS ACADEMY FOUNDATION
 Governmental Activities - Changes in Net Position
 Year Ended June 30, 2021

Revenues:	
Program revenues:	
Charges for services	\$ 9,311
Operating grants and contributions	2,248,937
General revenues:	
Federal and state revenue not restricted to specific purposes	1,649,931
Earnings on investments	3,883
Miscellaneous	<u>600</u>
Total revenues	3,912,662
 Expenses:	
Instruction	3,302,937
Supporting services	<u>842,115</u>
Total expenses	<u>4,145,052</u>
Change in net position before special items	(232,390)
Special item - PPP loan forgiveness	<u>435,500</u>
Change in net position	203,110
Net position - beginning, as restated	<u>3,040,102</u>
Net position - ending	<u><u>\$ 3,243,212</u></u>

- Revenues totaled \$3,912,662 for the year ended June 30, 2021. Of this amount, \$3,898,868 was from state and federal sources. Also, total expenses were \$4,145,052 during the same period. Of this amount \$3,302,937 was spent on instruction and \$842,115 was spent on supporting services.
- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the School one WPU. Certain students receive a weighting greater than one. The state provides the School with additional funding intended to represent the local taxes assessed by school districts. The value of the WPU increased by 1.8% during the year ended June 30, 2021 (\$3,596 during 2021 as compared to \$3,532 in 2020).
- The School also received loan forgiveness of \$435,500.

Governmental Fund Financial Analysis

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. The School's *general fund* completed the year with a fund balance of \$1,215,608, a decrease of \$179,231 compared to the previous year. In addition, the following other changes in fund balances should be noted:

- Expenditures for the *general fund* totaled \$4,091,893. Instruction represents 80% of *general fund* expenditures.
- *General fund* salaries totaled \$2,460,544 while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$924,753 to arrive at 83% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes prepaid items that are not expected to be converted to cash. *Restricted* includes net fund resources that are subject to external constraints due to state or federal laws, or externally-imposed conditions by grantors or creditors. *Committed* balances reflect the self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2021, the *general fund* balance is \$1,215,608 (\$111,716 in nonspendable and \$1,103,892 in unassigned fund balance).

General Fund Budgetary Highlights

During the year, the Board revised the School's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$464,974 in total *general fund* expenditures to reflect anticipated increases in salaries and related benefits. During the year, final budgeted revenues increased by \$620,829 to reflect anticipated increases in state and federal revenues.

Even with these adjustments, actual expenditures were \$34,907 less than final budgeted amounts. Other variances normally result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Debt Administration

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$2,027,604 (net of accumulated depreciation). This includes land, buildings and improvements, land improvements, and equipment and other.

Capital assets at June 30, 2021 are outlined below:

TIMPANOGOS ACADEMY'S Capital Assets
June 30, 2021
(net of accumulated depreciation)

	Governmental activities
Land	\$ 747,168
Buildings and improvements	1,187,656
Land improvements	805
Equipment and other	91,975
Total capital assets	\$ 2,027,604

Refer to Note 4 to the basic financial statements for additional information on the School's capital assets.

Debt Administration

Refer to Note 6 to the basic financial statements for additional information on the School's long-term debt.

Enrollment

The School anticipates student enrollment to remain relatively constant. The following enrollment information is based on the five most recent annual October 1 counts:

Year Ended June 30,	October 1 Enrollment
2022	520
2021	477
2020	508
2019	492
2018	478

Contacting the School's Management

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of Timpanogos Academy Foundation's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School at 55 South 100 East Lindon, Utah 84042.

Basic Financial Statements

TIMPANOGOS ACADEMY FOUNDATION

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets:	
Cash and investments	\$ 1,112,161
Receivables:	
State	9,046
Local	39,817
Prepaid items	111,716
Capital assets:	
Land	747,168
Depreciable buildings and other	1,280,436
Total assets	<u>3,300,344</u>
Liabilities:	
Accounts payable	22,135
Accrued expenses	7,236
Payroll and benefits payable	27,761
Total liabilities	<u>57,132</u>
Net position:	
Investment in capital assets	2,027,604
Unrestricted	1,215,608
Total net position	<u><u>\$ 3,243,212</u></u>

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

TIMPANOGOS ACADEMY FOUNDATION
Statement of Activities
Year Ended June 30, 2021

Activities and Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 3,302,937	\$ 9,311	\$ 1,989,824	\$ (1,303,802)
Supporting services:				
Instructional staff	627	-	649	22
School administration	330,555	-	51,998	(278,557)
Central	261,051	-	58,556	(202,495)
Operation and maintenance of facilities	249,882	-	147,910	(101,972)
	<u>\$ 4,145,052</u>	<u>\$ 9,311</u>	<u>\$ 2,248,937</u>	<u>(1,886,804)</u>
General revenues:				
Federal and state revenue not restricted to specific purposes				1,649,931
Earnings on investments				3,883
Other				600
Total general revenues				<u>1,654,414</u>
Change in net position before special items				(232,390)
Special item - PPP loan forgiveness				<u>435,500</u>
Change in net position				203,110
Net position - beginning, as restated				<u>3,040,102</u>
Net position - ending				<u>\$ 3,243,212</u>

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

TIMPANOGOS ACADEMY FOUNDATION
Balance Sheet – Governmental Fund
June 30, 2021

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 1,112,161
Receivables:	
State	9,046
Local	39,817
Prepaid items	<u>111,716</u>
Total assets	<u><u>\$ 1,272,740</u></u>
Liabilities:	
Accounts payable	\$ 22,135
Accrued liabilities	7,236
Payroll and benefits payable	<u>27,761</u>
Total liabilities	57,132
Fund balances:	
Nonspendable prepaid items	111,716
Unassigned	<u>1,103,892</u>
Total fund balances	<u>1,215,608</u>
Total liabilities and fund balances	<u><u>\$ 1,272,740</u></u>

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

TIMPANOGOS ACADEMY FOUNDATION
Reconciliation of the Balance Sheet of the Governmental Fund to the
Statement of Net Position

June 30, 2021

Total fund balances for the governmental fund \$ 1,215,608

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Capital assets are reported, net of accumulated depreciation and amortization, in the statement of net position. 2,027,604

Total net position of governmental activities \$ 3,243,212

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

TIMPANOGOS ACADEMY FOUNDATION
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Fund
Year Ended June 30, 2021

	<u>General Fund</u>
Revenues:	
Local:	
Earnings on investments	\$ 3,883
Student activities	9,311
Other	600
State	3,764,596
Federal	<u>134,272</u>
Total revenues	3,912,662
 Expenditures:	
Current:	
Instruction	3,278,997
Supporting services:	
Instructional staff	627
School administration	311,965
Central	261,051
Operation and maintenance of facilities	<u>239,253</u>
Total expenditures	<u>4,091,893</u>
Deficiency of revenues under expenditures / Net change in fund balances	(179,231)
 Fund balances - beginning	<u>1,394,839</u>
Fund balances - ending	<u><u>\$ 1,215,608</u></u>

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

TIMPANOGOS ACADEMY FOUNDATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances for the governmental fund \$ (179,231)

The change in net position for governmental activities in the statement of activities is different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 61,011	
Depreciation expense	<u>(114,170)</u>	(53,159)

Debt proceeds provide current financial resources to governmental funds; issuing debt increases long-term liabilities in the statement of activities. Repayment of debt is an expenditure in the governmental fund; the repayment of debt reduces long-term liabilities in the statement of net position.

	<u>435,500</u>
Change in net position of governmental activities	<u><u>\$ 203,110</u></u>

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

TIMPANOGOS ACADEMY FOUNDATION
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local:				
Earnings on investments	\$ -	\$ -	\$ 3,883	\$ 3,883
Student activities	-	-	9,311	9,311
Other	21,525	13,808	600	(13,208)
State	3,635,090	3,755,275	3,764,596	9,321
Federal	61,380	569,741	134,272	(435,469)
Total revenues	<u>3,717,995</u>	<u>4,338,824</u>	<u>3,912,662</u>	<u>(426,162)</u>
Expenditures:				
Current:				
Instruction	2,904,924	3,315,947	3,278,997	36,950
Supporting services:				
Instructional staff	692	627	627	-
School administration	296,805	320,236	311,965	8,271
Central	230,666	260,017	261,051	(1,034)
Operation and maintenance of facilities	224,739	229,972	239,253	(9,281)
Student transportation	4,000	1	-	1
Total expenditures	<u>3,661,826</u>	<u>4,126,800</u>	<u>4,091,893</u>	<u>34,907</u>
Excess (deficiency) of revenues over (under) expenditures / Net change in fund balances	56,169	212,024	(179,231)	(391,255)
Fund balances - beginning	<u>-</u>	<u>1,394,839</u>	<u>1,394,839</u>	<u>-</u>
Fund balances - ending	<u>\$ 56,169</u>	<u>\$ 1,606,863</u>	<u>\$ 1,215,608</u>	<u>\$ (391,255)</u>

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

TIMPANOGOS ACADEMY FOUNDATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Timpanogos Academy Foundation (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's more significant accounting policies are described below.

Reporting Entity

Timpanogos Academy Foundation (the School) was incorporated in the state of Utah on April 6, 2001, as a nonprofit organization involved in public education. The School operates a public charter school in Lindon, Utah. The School serves students from kindergarten through grade six.

Government-Wide and Fund Financial Statements

The *government-wide financial statements* (the statement of net position and the statement of activities) display financial activities of the School. These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instruction, school administration, operation and maintenance of facilities, and food services) are ratably included in the direct expenses of the appropriate functions. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include a) fees and charges paid by students and other recipients of goods or services offered by a given function, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a function. Revenues that are not classified as program revenues are presented as general revenues.

The School reports the *general fund*, the School's primary operating fund, as a major governmental fund. The *general fund* accounts for all financial resources of the School.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School receives value without directly giving equal value in exchange, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TIMPANOGOS ACADEMY FOUNDATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

Governmental fund financial statements 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 thirty days after year end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when the School receives cash.

Budgetary Data

The School submits a Board-approved annual budget to the Office of the Utah State Auditor in accordance with state requirements. The Board may amend the annual budget prior to year-end. The budget has been prepared on the modified accrual basis of accounting. Revenues are budgeted by source and program. Expenditures are budgeted by function and object.

Expenditure-driven grants are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements are met; unspent grant amounts are carried forward and included in the succeeding fiscal year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Prepaid Items

The School made payments for goods and services that will be consumed or utilized in a future period.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and equipment and buses, are reported in the government-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, equipment and buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Buildings and improvements and equipment and buses are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

<u>Asset Class</u>	<u>Depreciable Lives (Years)</u>
Land improvements	10
Buildings and improvements	10 to 30
Equipment and other	5 to 10

TIMPANOGOS ACADEMY FOUNDATION
NOTES TO THE BASIC FINANCIAL STATEMENTS

Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: investment in capital assets (capital assets, net of accumulated depreciation), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the School is bound to honor them. The School classifies all fund balances as unassigned.

Net Position/Fund Balance Flow Assumption

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

Net Position – It is the School’s policy to consider restricted net position to have been depleted before unrestricted net position.

Fund Balance – It is the School’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2 – DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2021, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 542,980
Carrying amount of investments	<u>569,181</u>
Total	<u>\$ 1,112,161</u>

The School complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling depository and investing transactions. School funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the School to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, first-tier commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The School considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

TIMPANOGOS ACADEMY FOUNDATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

Deposits

The School's carrying amount of bank deposits at June 30, 2021 is \$542,980. The bank balance is \$632,643, of which \$250,000 is covered by federal depository insurance.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The School does not have a formal deposit policy for custodial credit risk other than to comply with the Act. At June 30, 2021, the uninsured amount of its bank deposits was uncollateralized nor is it required by state law.

Investment in Certificates of Deposit

The School has invested \$569,181 in a one-year certificates of deposit at a financial institution with interest rates ranging from 1.65% to 2.39%. The certificates mature between June 2022 and September 2022.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School manages exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, and fixed-rate securities from 270 days to 15 months. In addition, variable-rate securities may not have a remaining term to final maturity exceeding three years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first-tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the total portfolio with a single issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School's policy for managing this risk is to comply with the Act and related rules.

NOTE 3 – FAIR VALUE MEASUREMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School has the following recurring fair value measurements as of June 30, 2021:

- Certificates of deposit of \$569,181 is valued at the reported fair value (Level 2).

TIMPANOGOS ACADEMY FOUNDATION
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 747,168	\$ -	\$ -	\$ 747,168
Capital assets being depreciated and amortized:				
Buildings and improvements	2,685,096	-	(2,879)	2,682,217
Land improvements	3,450	-	-	3,450
Equipment and other	<u>224,469</u>	<u>61,011</u>	<u>-</u>	<u>285,480</u>
Total capital assets being depreciated	2,913,015	61,011	(2,879)	2,971,147
Accumulated depreciation for:				
Buildings and improvements	(1,406,097)	(91,343)	2,879	(1,494,561)
Land improvements	(2,300)	(345)	-	(2,645)
Equipment and other	<u>(171,023)</u>	<u>(22,482)</u>	<u>-</u>	<u>(193,505)</u>
Total accumulated depreciation	<u>(1,579,420)</u>	<u>(114,170)</u>	<u>2,879</u>	<u>(1,690,711)</u>
Total capital assets being depreciated, net	<u>1,333,595</u>	<u>(53,159)</u>	<u>-</u>	<u>1,280,436</u>
Total capital assets, net	<u>\$ 2,080,763</u>	<u>\$ (53,159)</u>	<u>\$ -</u>	<u>\$ 2,027,604</u>

For the year ended June 30, 2021, depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 101,040
Supporting services:	
School administration	5,709
Central	3,996
Operation and maintenance of facilities	<u>3,425</u>
Total depreciation expense, governmental activities	<u>\$ 114,170</u>

NOTE 5 – RETIREMENT PLANS

Defined Contribution Plan

The School participates in a deferred compensation retirement plan – under Internal Revenue Code Section 401(k) – that covers all full-time employees. School matching contributions to the plan were \$103,791 for the year ended June 30, 2021. Plan assets are held by a third-party administrator.

TIMPANOGOS ACADEMY FOUNDATION
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES

Paycheck Protection Program Loan

During 2020, the School received loan proceeds of \$435,500 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes (including payroll, benefits, rent and utilities) and maintains its payroll levels. During the year ended June 30, 2021, the School received forgiveness of \$435,500 for the loan and any accrued interest.

NOTE 7 – RISK MANAGEMENT

The School maintains insurance coverage for general, personal injury, errors and omissions, and malpractice liability up to \$1,000,000 per occurrence through policies administered by The Hanover Insurance Group. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. There were no settlements in excess of the insurance coverage in any of the past three years.

The Employers Preferred Insurance Company covers all School employees for workers compensation. The Employers Preferred Insurance Company provides unemployment insurance. There were no settlements in excess of the insurance coverage in any of the past three years.

NOTE 8 – LITIGATION AND COMPLIANCE

At certain times, claims or lawsuits are pending in which the School is involved. School counsel and insurance carriers estimate that the potential obligations resulting from such claims or litigation would not materially affect the School's financial statements.

All fund balances are positive at June 30, 2021.

The School receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund*. Based on prior experience, administration believes such disallowance, if any, would be insignificant.

OTHER REPORTS



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
Timpanogos Academy Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the general fund of Timpanogos Academy Foundation (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Equire & Company, PC

Orem, Utah
October 29, 2021



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Directors
Timpanogos Academy Foundation

Report on Compliance

We have audited Timpanogos Academy Foundation's (the School) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2021:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Minimum School Program – Unrestricted Programs
- Minimum School Program – Restricted Programs: Special Education and Teacher and Student Success Act
- School Fees

Management's Responsibility

Compliance with the state compliance requirements referred to above is the responsibility of the School's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the School'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 the applicable state compliance requirement referred to above. Our audit does not provide a legal determination of the School's compliance with those requirements.

Opinion on Compliance

In our opinion, Timpanogos Academy Foundation complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit, we considered the School's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with those applicable state compliance requirements, 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 state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire + Company, PC

Orem, Utah
October 29, 2021