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# Bridge Academy Charter School

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**Report to the Board of the Academy**

**June 30, 2021**

To the Board of the Academy  
Bridge Academy Charter School

We have recently completed our audit of the basic financial statements of Bridge Academy Charter School (the "Academy") as of and for the year ended June 30, 2021. In addition to our audit report, we are providing the following results of the audit and informational items that impact the Academy:

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We are grateful for the opportunity to be of service to Bridge Academy Charter School. We would also like to extend our thanks to the staff at Global Educational Excellence for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

October 27, 2021

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## Results of the Audit

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October 27, 2021

To the Board of the Academy  
Bridge Academy Charter School

We have audited the financial statements of Bridge Academy Charter School (the "Academy") as of and for the year ended June 30, 2021 and have issued our report thereon dated October 27, 2021. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 15, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Academy's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Academy, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 27, 2021 regarding our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 26, 2021.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2021.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

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

***Disagreements with Management***

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

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 27, 2021.

***Management Consultations with Other Independent Accountants***

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

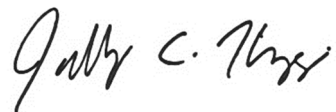
To the Board of the Academy  
Bridge Academy Charter School

October 27, 2021

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

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Jeffrey C. Higgins". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Jeffrey C. Higgins, CPA  
Partner

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## Informational Items

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### **A Year Like No Other**

The past year has been challenging for everyone, particularly those who have continued to keep our schools running throughout this pandemic. While some businesses and employees were able to seamlessly transition to the work-from-home environment, educators and administrators faced a number of hurdles. Bridge Academy has faced a continuously changing environment during the pandemic. New federal grants and targeted state funding have placed new accounting and compliance requirements on the Academy. Planning will become increasingly important to put the Academy in the best position to take advantage of the substantial new, nonrecurring resources provided.

We have worked closely with state and federal decision-makers throughout the pandemic. As Bridge Academy's strategic partner, our goal has been to advocate for academies by meeting with these decision-makers before actions are finalized so that these groups can be well-informed of the implications their actions will have on the Academy, your business office, and your financial statements. New or revised accounting and compliance guidance continues to be released from numerous agencies, and academies are left with the task of deciphering this information to ensure adherence to these new requirements. To that end, as guidance is updated and opportunities are identified, we will continue to work with Bridge Academy and GEE in navigating the complexities and make sure that your team is always aware of the most current information that impacts the Academy. We want to recognize the hard work that everyone at the Academy has put in over the past year. We appreciate all that you have done for the students in your communities, and we want to thank you for the opportunity to work side by side with your team during these difficult times.

### **State Aid Funding**

#### ***Background***

**From 18 Months of Financial Uncertainty to Projected Stability:** Since the winter of 2020, the factors surrounding school funding have been uncertain, difficult to predict, and even more difficult to manage.

- **Pre-pandemic:** Prior to the onset of the pandemic, the State's financial resources were stable, predictable, and suggested a predictable, improving financial picture for Michigan schools.
- **Financial Concerns during the Onset of the Pandemic:** During the spring of 2020, predictions were made that there would be significant negative impacts to the State's School Aid Fund and the potential for substantial proration of state aid for academies due to the grinding halt that the pandemic placed on Michigan's economy. The specific impact was difficult to predict, resulting in two Revenue Estimating Conferences: the normally scheduled one in May 2020 and an additional conference in August 2020. The May conference suggested substantial proration would need to occur (estimated at \$685 per pupil), and many academies adopted a final budget amendment in 2020 to reflect this estimate. By August 2020, the economic impacts of the pandemic were slightly clearer, and the result was a proration of \$175 per pupil for the 2019-2020 fiscal year. While significant, it was much less than what was predicted in May 2020.



- **Federal Resources:** Beginning in March 2020, the federal government initiated financial assistance that directly impacted academies, with the funding being provided in several waves throughout 2020 and 2021. As is the case with most federal resources, unique spending requirements were attached; however, the guidance and stipulations continued to evolve and change. This resulted in significant uncertainty throughout the year in terms of how and when to expend the available funds. Ultimately, the COVID-19 relief funds did provide more flexibility in spending than traditional federal grants.
- **2020-2021 State Funding:** With a more predictable revenue stream into the School Aid Fund, sustainable school funding was put in place. The foundation allowance was held at the 2019-2020 level, no prorations were required, and a \$65 one-time per pupil payment was provided to academies. The State also provided additional funding to those districts that did not receive a minimum threshold of per pupil funding from the new Educational Stabilization Fund federal program.
- **2021-2022 State Funding:** Stability within the School Aid Fund continues to improve, and the fund was predicted to have a surplus for the fiscal year ended 2021 and would have sustainable revenue looking out the next few years. This provided the governor and Legislature an opportunity to increase the State's investment in public education. The most significant outcome from their efforts was improved equity in the foundation allowance funding. All schools will be at the target foundation allowance of \$8,700 per pupil. This means the equity gap between the base foundation and the target foundation has finally been eliminated. In addition, funding progress was made related to recommendations resulting from the School Finance Research Collaborative, which includes increased funding levels for special education; At-Risk; wraparound services, such as nurses and counselors; and Great Start School Readiness (GSRP).
- **Looking Forward:** The most recent Revenue Estimating Conference estimates that the School Aid Fund will remain healthy when projecting out the financial picture over the next few years. Based on the current facts and circumstances, it is expected there will be room for continued foundation allowance funding increases over time, in addition to the ability to invest in specific programming or educational support. However, the key funding lesson from the last 18 months is that predictions are a best estimate based on the current fact and circumstances, and those estimates can be significantly impacted by subsequent events.

#### ***2021 Funding Implications for the Academy***

**2020-2021 Foundation:** Due to pandemic-related funding concerns, foundation allowance levels were maintained at 2019-2020 levels. For the 2020-2021 fiscal year, the public school academy maximum foundation allowance was \$8,111; however, the Academy did receive a one-time per pupil payment of \$65. This was not added to the foundation allowance formula and was not retained for 2021-2022.

**A Unique 2020-2021 Pupil Count:** In order to smooth the impacts of reduced pupil counts during the remote learning period, a temporary one-year change was made to the pupil count method used for the purpose of the foundation allowance formula. For 2020-2021, a super blend was used, combining the pupil counts from the 2019-2020 school year and the 2020-2021 school year. The 2019-2020 count was weighted at 75 percent, and the 2020-2021 count was weighted at 25 percent. This blended pupil count was multiplied by the foundation allowance per pupil to determine the Academy's total foundation allowance funding for the year.

**Coronavirus Relief Fund (CRF):** At the close of the 2019-2020 school year, there was significant confusion regarding availability and use of CRF. In the summer of 2020, approximately \$362 per pupil was provided to academies from the Michigan Department of Education through the summer state aid payments. The total available for Bridge Academy was approximately \$302,000. Even though these funds were received with the final state aid payments for the 2019-2020 school year, since the funding was not approved until July 2020, the funds were required to be deferred at June 30, 2020 and not recognized as revenue until fiscal year 2021. Similar to other federal grants, there were requirements for how the funds can be used, and the Academy would determine usage by applying the guidelines. For the year ended June 30, 2021, Bridge Academy fully expended the award and recognized the related federal revenue.

**Pandemic-related Federal Funding:** Since March 2020, several iterations of federal funding impacting academies have occurred. Two key funding sources include the Education Stabilization Fund (ESF) and the Coronavirus Relief Fund (CRF). Each fund provides resources under multiple programs. The principal programs under ESF are the Elementary and Secondary School Emergency Relief (ESSER) Fund and the Governor's Education Emergency Relief (GEER) Fund. CRF programs include the \$362 per pupil passed through by the MDE in addition to some academies receiving certain funding made available from other nonfederal entities. The common elements to all these revenue sources are that the funds are designed to assist with pandemic relief and the Academy must have a specific plan for use of the funds. In general, reimbursement claims could reach back to costs incurred as early as March 2020. Program end dates vary depending on when funds were provided and will require academies to carefully plan for their use.

**ESSER:** Academies are being awarded ESSER grants in three different waves: ESSER I, ESSER II (further divided between phase 1 and 2), and ESSER III. Bridge Academy's ESSER I award amount was approximately \$485,000. Academies awarded ESSER I funds were able to recognize the revenue during fiscal year 2021 to the extent allowable expenditures were incurred to claim for reimbursement in alignment with the federal requirements. Due to the timing of when award letters were issued to academies for phase 1 of ESSER II, academies were eligible to recognize this revenue during fiscal year 2021 to the extent that a grant award letter was received by June 30, 2021. Many academies did not receive their grant award letter by June 30, 2021, and, therefore, the revenue from phase 1 of ESSER II can be recognized no earlier than fiscal year 2022. Phase 2 of ESSER II and ESSER III awards will be made available during fiscal year 2022.

The allocation of ESSER funds is based on the Title I allocation model. The allocation model uses economically disadvantaged demographics to determine the level of funding to be provided to each academy. As a result, some academies were provided substantial funding from ESSER, while others received substantially less. The Legislature and the governor concluded districts should receive a minimum amount per pupil, and if ESSER did not provide at least that amount per pupil, then funding from the State should provide an equalization payment to bring a district up to the minimum amount. These state funds would follow similar usage requirements as ESSER funds. The floor amount of funding was \$450 per pupil related to ESSER II.

### ***2022 Funding Implications for the Academy***

The May 2021 Revenue Estimating Conference provided an optimistic view of the School Aid Fund's financial picture for 2022, 2023, and 2024. The School Aid Fund is predicted to complete the State's 2021 fiscal year with a fund balance and is expected to continue to generate funding growth from nonfederal sources for the next few years. As a result, amendments to the State Aid Act for the 2022 fiscal year included several additions to the school funding picture. These included the following:

- **2021-2022 Foundation Allowance:** With the goal of improving equity among academies, all academies receive at least a minimum level of funding, which was established as the target foundation allowance. Any academy that was not at the target level in 2021 was increased to the new target foundation of \$8,700 per pupil. For academies already at the target, they received a \$171 per pupil increase from the former target level of \$8,529. Based on these changes, Bridge Academy's foundation allowance per pupil is going to be \$8,700, representing an increase of \$589 from the 2021 funding level.
- **ESSER:** As previously noted, the Academy will receive certain ESSER awards during fiscal year 2022. Similar to the ESSER II floor of \$450 per student, the State also set a funding floor of \$1,093 per student for ESSER III. These funds follow the same restrictions on allowable use as compared to the ESSER III federal funds. The expectation was that this state-funded equalization payment would be received during fiscal year 2022; however, in recent announcements, it has become known that the federal government is now questioning the legality of this payment, putting this anticipated funding source into question.
- **Pupil Membership Blend for 2021-2022:** Pupil count determinations return to the pre-fiscal year 2021 super blend method for 2021-2022. As it is expected students will be returning to the classroom, it was concluded there was little need for a super blend that was in effect during 2020-2021. As defined in the School Aid Act, the Academy is required to complete its calendar year spring and fall counts for 2021. The weighting of those counts continues to be at 90 percent of the fall count and 10 percent of the spring count. The computed pupil count will be used to determine the total foundation allowance paid to the Academy. Since schools will be transitioning to in-class instruction in the fall, it may be difficult to predict what enrollments might be. Clearly the level of student attendance will have a significant impact on total revenue generated from the foundation allowance.

### ***Looking Forward to 2023 and Beyond***

The May 2021 Revenue Estimating Conference provided a look into 2023 and 2024. 2021 has a projected surplus to carry over to 2022, and surpluses are expected for 2023 and 2024. These surpluses are uncharted territory for school funding in Michigan. In the short term, two supplemental funding measures were put in place. Most of the funds provided were related to appropriating federal funds provided to the State for the benefit of school districts. Other elements of the funding measures leveraged state resources, with the principal element being the ESSER equalization payments tied to ESSER II and ESSER III funding. As we have learned from the past, the Revenue Estimating Conferences provide projections based on the best facts in hand. Experience has told us that those facts can change with the potential for both a positive or negative impact on the projections. Factors to monitor as we look into the future include the following:

- The extent of a continuing economic "bounce back" currently experienced by the State
- The impact as federal stimulus provided tails off during the next two years and the extent of state funding to assist in replacing those resources for recurring services
- The success of returning to in-class instruction
- Extent and duration of resources needed to address learning loss resulting from the pandemic

- Short-term and longer-term student enrollment changes resulting from the pandemic
- Personnel shortages and the impact on providing learning-related services
- Potential staffing cost increases
- Cost trends for the retirement system and the extent to which state support is used from the School Aid Fund

The next Revenue Estimating Conference will occur in January 2022. School districts will need to carefully monitor those results and compare projections to the May 2021 conference results. That information will allow academies to better project the longer-term implications for school funding.

#### ***GASB Statement No. 87 - Leases***

This statement is effective for the Academy's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset on the lessee's government-wide financial statements, and a lessor is required to recognize a lease receivable and a deferred inflow of resources on the lessor's government-wide financial statements. Furthermore, there are additional financial statement disclosures required for the lessee and lessor as a result of the standard.

To adopt the standard, the Academy will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard. This review should include all existing lease agreements and other contracts that may have embedded lease arrangements that were not previously considered. Other departments outside of the business office may need to be involved in order to properly identify and locate all agreements subject to the new leasing standard. It is important to begin the process of inventorying lease agreements early on to then determine the financial impact upon adoption.

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to-use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.