



Regular Meeting Minutes: September 27, 2016

The regular monthly meeting of Northside Education Inc. dba Atlanta Classical Academy was held on September 27th, 2016 at 6 p.m. at Atlanta Classical Academy, 3260 Northside Drive, N.W., Atlanta, GA 30327, the Chairman being in the chair and Secretary being present.

In attendance: Matthew Kirby, Scott Yates, Cat McAfee, Morgan Hamilton, Dr. Lee Friedman and Mark Carlson, Dr. Moore and Col. Lambert. Dudley Franklin arrived during GSM's presentation.

The board unanimously approved the agenda of this meeting, the minutes from the August 18, 2016 regular meeting, and the minutes from the special meetings on August 22, 23, 24, and 27, 2016.

There were no comments from members of the community.

The board heard presentations from Martha Greenway (Greenway Strategy Management) and from Karen Grosvenor (Brooks McGinnis & Company LLC). Both reports are attached.

The motion is to approve the FY16 audit presented to the board by Brooks McGinnis & Company LLC.

Moved: Matthew Kirby
Second: Scott Yates
Vote: Unanimous approval

The motion is to schedule a series of special working meetings for the purpose of refining the monitoring calendar for the remainder of the year. [Meetings are currently scheduled for October 12th and 20th, both at 6 p.m. at 3260 Northside Drive.]

Moved: Matthew Kirby
Second: Cat McAfee
Vote: Unanimous approval

The motion is to direct the Principal to present at the October regular meeting monitoring reports related to EL #2.b. and below, responding directly to concerns raised in a certain letter from an employee.

Moved: Matthew Kirby
Second: Scott Yates

Vote: Unanimous approval

The motion is to enter executive session in accordance with O.C.G.A. § 50-14-3.b.2, to discuss or deliberate upon the appointment, employment, compensation, hiring, disciplinary action or dismissal, or periodic evaluation or rating of a public officer or employee.

Moved: Matthew Kirby

Second: Morgan Hamilton

Vote: Unanimous approval

Upon the conclusion of the executive session, the meeting adjourned at 8:45 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matthew Kirby". The signature is stylized and cursive.

Mr. Matthew Kirby, Board Chairman



ATLANTA
CLASSICAL ACADEMY

BOARD OF DIRECTORS MEETING
SEPTEMBER 27, 2016



BROOKS, MCGINNIS
& COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Dedicated to Serving the Nonprofit Community for 40 Years

SUMMARY OF AUDIT RESULTS

PRESENTED BY:
KAREN KELLEY GROSVENOR, CPA
PARTNER



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BROOKS, MCGINNIS & COMPANY, LLC

Brooks, McGinnis & Company, LLC has extensive experience and a passion for working with nonprofit organizations that require audit, accounting, tax, and related consulting services. Over 90 percent of the Firm's audit and accounting clients are nonprofit organizations. Accordingly, our professionals are highly qualified to deal with the financial, accounting, auditing, and tax compliance services as well as financial and tax consulting services required by our nonprofit clients.

OVERVIEW OF GOVERNMENTAL ACCOUNTING STANDARDS



BROOKS, MCGINNIS
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GOVERNMENTAL ACCOUNTING STANDARDS

- ◆ Charter schools are required by the Georgia Department of Education to submit financial statements presented in accordance with standards issued by the Governmental Accounting Standards Board (GASB)

GOVERNMENT FINANCIAL STATEMENTS

- ❖ Management's Discussion and Analysis
 - ❖ Provides an overall review of the School's financial activities for the year
- ❖ Government-Wide Statements
 - ❖ Display information about the overall School
 - ❖ Governmental activities are generally financed through intergovernmental revenue and contributions
 - ❖ Business-type activities rely on fees and charges for support
 - ❖ Accrual basis of accounting

GOVERNMENT FINANCIAL STATEMENTS - CONTINUED

- ◆ Fund Financial Statements
 - ◆ Report financial activity for each governmental fund
 - ◆ The School reports only one major governmental fund, the General Fund
 - ◆ Modified accrual basis of accounting
 - ◆ Financing sources include debt issued
 - ◆ Expenditures include principal and interest on long-term debt and capital acquisitions
- ◆ Disclosures
- ◆ Required Supplemental Information

GOVERNMENT-WIDE STATEMENTS

- ◆ Assets are resources the government controls
- ◆ Liabilities are requirements to use resources
- ◆ Deferred Outflows and Inflows of Resources
 - ◆ Represent deferral of recognition of outflows and inflows

PENSION ACCOUNTING

- ❖ TRSGA calculates its net pension liability by calculating the difference between its total pension liability and the market value of the plan assets
- ❖ Proportionate share of the unfunded pension liability is now recorded on each employer's books on a one year lag

PENSION ACCOUNTING - CONTINUED

- ❖ From year to year, various items such as contributions, return on investments, experience, and changes in the proportion of the total liability will change the net pension liability
- ❖ These changes are recorded as pension expense and deferred outflows and inflows of resources and amortized, rather than the entire amount being expensed in one year
 - ❖ Amortized over the remaining service life of plan members

SUMMARY INFORMATION FROM AUDITED FINANCIAL STATEMENTS

ATLANTA CLASSICAL ACADEMY
FOR THE YEAR ENDED
JUNE 30, 2016



BROOKS, MCGINNIS
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INDEPENDENT AUDITOR'S REPORT

- ❖ Unmodified Opinion
 - ❖ In our opinion, the financial statements are presented fairly in all material respects.
- ❖ Management's Responsibility
 - ❖ Preparation and fair presentation of the financial statements in accordance with GAAP
 - ❖ Design, implementation, and maintenance of internal control
- ❖ Auditor's Responsibility
 - ❖ Express an opinion on the financial statements based on our audit

SUMMARY OF THE 2016 STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash	\$	2,131,126
Capital assets		10,141,851
Other assets		5,286
Total assets		<u>12,278,263</u>
Deferred outflows of resources (pension related)		<u>2,836,577</u>
Total assets and deferred outflows of resources	\$	<u><u>15,114,840</u></u>

SUMMARY OF THE 2016 STATEMENT OF NET POSITION - CONTINUED

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities:

Note payable	\$	7,555,000
Proportionate share of collective net pension liability		2,763,005
Other liabilities		659,909
Total liabilities		<u>10,977,914</u>

Deferred inflows of resources (pension related)		<u>257,364</u>
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Net position

Invested in capital assets, net of related liabilities		2,579,432
Unassigned		1,300,130
Total fund balances		<u>3,879,562</u>

Total liabilities, deferred inflows of resources, and net position	\$	<u><u>15,114,840</u></u>
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SUMMARY OF THE 2016 STATEMENT OF ACTIVITIES

Revenues:

Operating grants and contributions	\$ 5,189,960
Capital grants and contributions	2,011,269
Other	101,352
Total revenue, gains and other support	<u>7,302,581</u>

Expenses:

Instruction	2,726,455
School administration	1,470,099
Other supporting services	1,135,226
Total expenses	<u>5,331,780</u>
Change in net position	<u>\$ 1,970,801</u>

SUMMARY OF THE 2016 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

Revenues	\$	7,302,581
Note payable issued		7,555,000
Current expenditures		(4,606,105)
Capital outlay		(9,841,992)
Other		<u>(110,417)</u>
Net change in fund balance		299,067
Fund balance, beginning of year		<u>1,184,855</u>
Fund balance, end of year	\$	<u><u>1,483,922</u></u>

RECOMMENDATIONS



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RECOMMENDATIONS

- ❖ No material weaknesses in internal control
- ❖ Other comments:
 - All accounts payable should be recorded in the proper period. This includes invoices received after year-end which relate to the previous year.
 - Gifts with donor restrictions should be tracked separately in the general ledger to ensure they are spent in accordance with any restrictions.

RECOMMENDATIONS - CONTINUED

❖ Other Comments - Continued

- The School has several clubs for which it advances funds to faculty or staff responsible for the club. We recommend that all expenses be paid directly by the school or reimbursed through expense reports accompanied by the proper documentation.
- Additional segregation of duties is needed.

REQUIRED COMMUNICATIONS



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REQUIRED COMMUNICATIONS

- ❖ No new accounting policies were adopted during the year ended June 30, 2016.
- ❖ No difficulties encountered with management in performing the audit
- ❖ All misstatements were corrected.
- ❖ Material corrections included:
 - ❖ Depreciation expense of \$184,768 was recorded.
 - ❖ Construction in progress and the related construction payable in the amount of \$362,297 were recorded.
 - ❖ Net pension liability of \$2,763,005 was recorded.

REQUIRED COMMUNICATIONS - CONTINUED

- ❖ No disagreements with management
- ❖ Management representations received
- ❖ No management consultations with other independent accountants
- ❖ No material weaknesses in internal control identified

CONTACT INFORMATION ENGAGEMENT TEAM LEADERS

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**BROOKS, McGINNIS
& COMPANY, LLC**

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September 7, 2016

To The Board of Directors of
Northside Education, Inc.
d/b/a Atlanta Classical Academy:

We have audited the financial statements of the governmental activities and the major fund of Northside Education, Inc. d/b/a Atlanta Classical Academy (the School) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspect of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School 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, 2016. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimates of the capital asset lives and methods used to calculate depreciation expense.
- Management's estimates of the allocation percentages used to allocate costs among functional expenses.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The Board of Directors of
Northside Education, Inc.
d/b/a Atlanta Classical Academy
September 7, 2016
Page Two

Significant Audit Findings – Continued

Qualitative Aspect of Accounting Practices – Continued

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of capital assets in Note 5 to the financial statements.
- The disclosure of long-term debt and obligations in Note 6 to the financial statements.
- The disclosure of retirement benefits in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered with Management in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. These misstatements were for manual cash to accrual conversions and reclassifications, in order for the external presentation to be in accordance with accounting principles generally accepted in the United States of America.

- Depreciation expense of \$184,768 was recorded.
- Construction in progress and the related construction payable in the amount of \$362,297 was recorded.
- Entries related to pensions were recorded as follows: net pension liability of \$2,763,005 was recorded; deferred inflows of resources related to pensions of \$257,364 were recorded; and an increase in the deferred outflows of resources related to pensions of \$2,584,535 was recorded.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

The Board of Directors of
Northside Education, Inc.
d/b/a Atlanta Classical Academy
September 7, 2016
Page Three

Significant Audit Findings – Continued

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 7, 2016.

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 School’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

We issued a Report to the Board of Directors and Management date September 7, 2016. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, budgetary comparison information, and schedules of proportionate share of the net pension liability and contributions to Teachers Retirement System of Georgia, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The Board of Directors of
Northside Education, Inc.
d/b/a Atlanta Classical Academy
September 7, 2016
Page Four

Significant Audit Findings – Continued

Other Matters – Continued

We were engaged to report on the schedule of state revenue which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Brooks, McAnnis & Company, LLC

Strategic Planning Overview



ATLANTA
CLASSICAL ACADEMY

Board Meeting
September 27, 2016

About Us

Greenway Strategy Management (GSM) provides analysis and strategic guidance to nonprofit and education organizations to improve outcomes for children and families.

Expertise

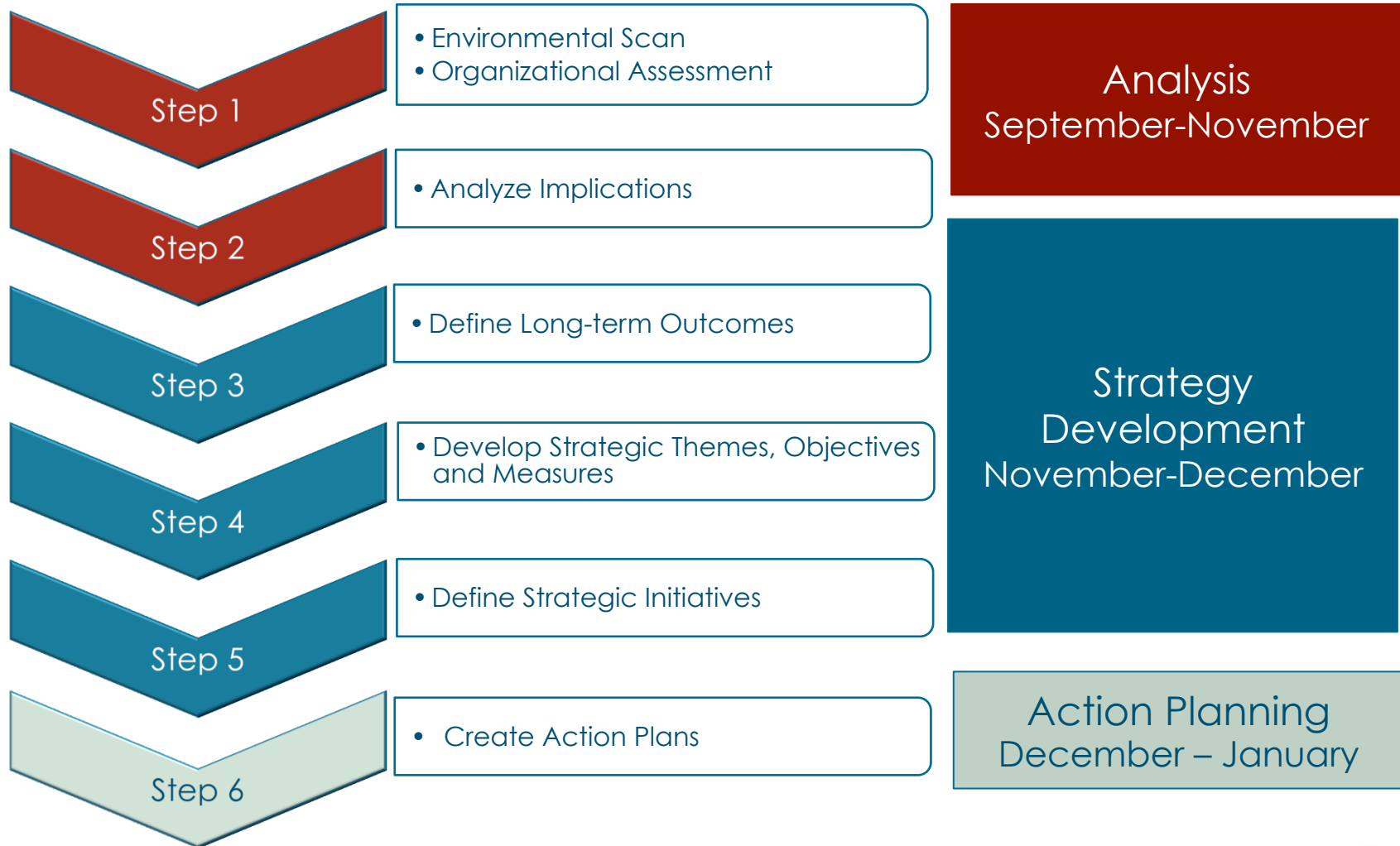
- Strategy design, implementation and monitoring
- Performance improvement
- Research
- Facilitation
- Financial analysis
- Governance
- Resource development

About Us

Sample Client Engagements

Clients	Projects
Community Foundation for Greater Atlanta and Joseph P. Whitehead Foundation	College Access Research and Strategy for Atlanta Public Schools Students - Achieve Atlanta
North Metro Performing Arts Academy	Start-up charter school design, application and governance training
Marietta City Schools	Teacher Leadership and Career Pathways
Odyssey Atlanta (affiliate of The Westminster Schools)	Strategic Plan Development
Palm Beach School District (FL)	Strategic Plan Development
The Schenck School	Strategic Plan Development
Westminster Middle School	Evaluation of a STEAM integration grant

Project Overview



Organizational Assessment and Environmental Scan Research Plan

- Perceptions of
 - Parents Teachers and staff
 - Administrators
 - Community leaders
 - Charter authorizers
 - College admissions officers
- High-performing comparative schools
- Student achievement
- Stakeholder engagement
- Financial stability

Atlanta Classical Academy Strategic Planning Timeline

Phase 1: Project Planning

June - August

Board Training

Confirm stakeholders and research approaches

Phase 2: Analysis

September - November

Organizational Assessment and Environmental Scan

Phase 3: Strategy Development

November - December

Review Findings and Identify Implications

Outcomes, Strategic Themes

Define Strategic Initiatives

Phase 4: Action Planning

January

Create Action Plans

Executive Leadership

2016

2017

Next Steps

- ✓ Confirm research approaches with school leadership
- ✓ Engage stakeholders
 - Board members will be invited to sign up for small group interviews
- ✓ Collect and review data
- ✓ Prepare report of findings
- ✓ Board strategic planning governance training session (November 12, 9:00-2:30)

Questions?

Criteria for Success?

- ❑ The strategic planning process
- ❑ The strategic planning product