Management’s Discussion and Analysis

As management of the STRIDE Academy Charter School No. 4142 (the Academy), St. Cloud, Minnesota, we offer readers of the Academy’s financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2021.

# Financial Highlights

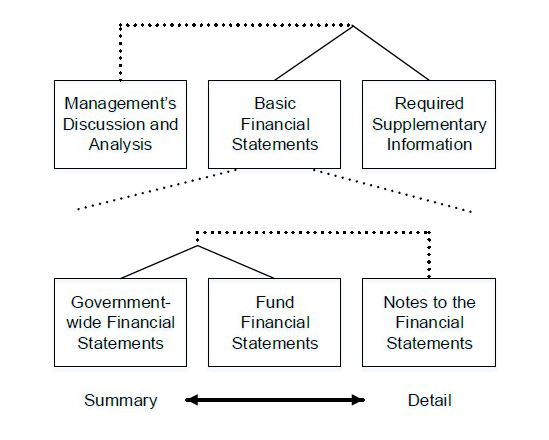
* The liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources of the Academy at the close of the most recent fiscal year by $5,528,981 (*net position*).
* The Academy’s total net position increased by $260,641. This mainly due to the increase in operating grants and contributions during the fiscal year.
* As of the close of the current fiscal year, the Academy’s governmental funds reported combined ending fund balances of $2,926,445, an increase of $287,302 in comparison with the prior year. Of this total amount, $1,130,583 is unassigned and available for spending at the Academy’s discretion, $1,759,642 is restricted for debt service, safe schools and paycheck protection program, and $36,220 is nonspendable for prepaid items.
* At the end of the current fiscal year, unassigned fund balance for the General fund was $1,130,583 or 16.6 percent of total General fund expenditures.

# Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy’s basic financial statements. The Academy’s basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

**Organization of STRIDE Academy Charter School No. 4142’s**

**Annual Financial Report**



The following chart summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements:

**Major Features of the Government-wide and Fund Financial Statements**

|  |  |  |
| --- | --- | --- |
|  |  | **Fund Financial Statements** |
| **Government-wide Statements** | **Governmental Funds** |
| Scope | Entire Academy (except fiduciary funds) | The activities of the Academy that are not fiduciary, such as special education and building maintenance |
| Required financial statements | * Statement of Net Position * Statement of Activities | * Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of deferred outflows/inflows of resources information | All deferred outflows/inflows of resources, regardless of when cash is received or paid | Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable |

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Academy’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Academy’s assets, deferred inflows of resources, liabilities and deferred outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the Academy’s 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 government-wide financial statements display functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, food service, community service, building organization and interest and fiscal charges on long term debt.

The government-wide financial statements start on page 24 of this report.

## Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds*.** *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 Academy’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 by the Academy’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 Academy maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, STRIDE Academy Building Company special revenue fund, and the Food Service special revenue fund, all of which are considered to be major funds.

The Academy adopts an annual appropriated budget for its General fund and Food Service special revenue fund. Budgetary comparison statements and schedules have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 28 of this report.

## Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 35 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 62 of this report.

**Other Information**. The individual fund financial schedule and table start on page 71 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $5,528,981 at the close of the most recent fiscal year.

A portion of the Academy’s net position, ($2,597,824), reflects its net deficit in investment in capital assets (e.g., land, building, building improvements, leasehold improvements and equipment). The Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

**STRIDE Academy Charter School No. 4142’s Net Position**



At the end of the current fiscal year, the Academy reported deficit balances in the net investment in capital assets and unrestricted net position. The deficit can mainly be attributed to the net pension liability for the Academy’s PERA and TRA pension plans.

**Governmental Activities.** Governmental activities increased the Academy’s net position by $260,641. Key elements of this increase are shown in the table below.

**STRIDE Academy Charter School No. 4142’s Changes in Net Position**



The primary reason for the increase was due to an increase in operating grants and contributions of $1,924,572.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



**Financial Analysis of the Government’s Funds**

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds.*** The focus of the Academy’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Academy’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Academy’s governmental funds reported combined ending fund balances of $2,926,445, an increase of $287,302 in comparison with the prior year. Approximately 38.6 percent ($1,130,583) constitutes unassigned fund balance that is available for spending at the Academy’s discretion. The remainder of fund balance ($1,795,862) is not available for new spending because it is either 1) nonspendable ($36,220) or 2) restricted ($1,602,644).

The General fund is the chief operating fund of the Academy. At the end of the current year, unassigned fund balance of the General fund was $1,130,583, while total fund balance was $1,327,771. As a measure of the General fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.6 percent of total General fund expenditures, while total fund balance represents approximately 19.5 percent of that same amount.

The fund balance of the Academy’s General fund increased $660,156 during the current fiscal year. This was mainly due to the loans issued of $693,752.

The Building Company Special Revenue fund has a total fund balance of $1,598,499. The decrease in fund balance during the current year was $372,854, and was mainly the result of revenues from local sources exceeding debt service and other expenditures.

The Food Service Special Revenue fund had a total fund balance of $175. The fund balance was unchanged from the prior year and a transfer of $16,921 was initiated to eliminate the current year deficiency of expenditures over revenues.

### General Fund Budgetary Highlights

During the fiscal year the Academy revised the budget; increasing revenues by $74,225 and increasing expenditures by $483,739.

Total revenue was $116,170 over budget with the largest revenue variance from federal revenue sources, which were $75,365 more than anticipated. This variance can be attributed mainly increased grants from anticipation.

Total expenditures were $9,345 under budget with the largest variance in sites and buildings expenditures, which were $30,417 less than anticipated. This variance can be attributed to a variance in building lease expenses.

**Capital Assets and Debt Administration**

**Capital Assets**. The Academy’s investment in capital assets for its governmental activities as of June 30, 2021, amounts to $12,912,700 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, leasehold improvements and equipment. The total depreciation expense for the year was $475,051. The following is a schedule of capital assets as of June 30, 2021.

**STRIDE Academy Charter School No. 4142’s Capital Assets**

(Net of Depreciation)



Significant capital asset activity during the current year includes installing a shed and replacing sidewalks, sealcoating, and new coolers for the kitchen. Additional information on the Academy’s capital assets can be found in Note 3B on page 44 of this report.

**Noncurrent Liabilities.** At the end of the current fiscal year, the Academy had the following noncurrent liabilities outstanding.

**STRIDE Academy Charter School No. 4142’s Outstanding Debt**



The Academy’s total noncurrent liabilities decreased $275,316. The primary reason for the decrease was the regularly scheduled principal payments offset with the issuance of loans payable.

Additional information on the Academy’s long-term debt can be found in Note 3D starting on page 45 of this report.

**Factors Bearing on the Academy’s Future**

The Academy will strive to meet its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

The Academy continues to work on increasing its enrollment each year.

The Academy continues to be dependent on the State of Minnesota for its revenue entitlements.

### Requests for Information

These financial statements are designed to provide our citizens, authorizer, customers, and creditors with a general overview of the Academy’s finances and to demonstrate the Academy’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact STRIDE Academy Charter School No. 4142, 3241 Oakham Lane, St. Cloud, Minnesota 56303.