

**Audited Financial Statements**

# **Academy of Warren**

Warren, Michigan

**June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Academy of Warren

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy of Warren, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Academy of Warren's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Academy of Warren, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Academy of Warren and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy of Warren's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy of Warren's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy of Warren's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy of Warren's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Academy of Warren'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 Academy of Warren'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 Academy of Warren's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The Academy of Warren (“ACADEMY”) is a Kindergarten through 8<sup>th</sup> grade Public School Academy located in Warren, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy of Warren administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 9,150	\$ 8,700
Enrollment	796	741
General Fund Balance Increase/(Decrease)	\$ (205,300)	\$ (87,678)
General Fund Balance as Percent of Unrestricted State Aid Revenue	23%	34%

### OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

#### FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The Academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## ACADEMY-WIDE FINANCIAL STATEMENTS:

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Academy Of Warren Annual Financial Report**

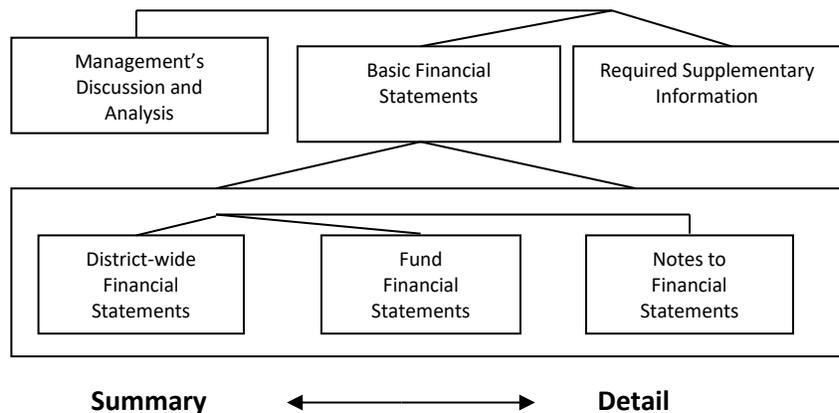


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements**

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,952,028	\$ 2,157,328
Total General Fund Revenue	\$ 10,480,981	\$ 9,637,490
State Aid Foundation Allowance as percent of Academy Revenues	80%	76%
Total Cost of Instructional Programs	\$ 4,943,049	\$ 4,555,171
Instructional Expenditures as percent of Total Expenditures	48%	49%
Total Cost of Support/Operational Services	\$ 4,786,290	\$ 4,056,953
Support/Operational Services as percent of Total Expenditures	46%	44%
Total Expenditures transferred to Debt Service	\$ 671,640	\$ 673,044
Transfer to Debt Service as percent of Total Expenditures	6%	7%

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2023 and 2022:

Table 3 - Net Position Detail

	2023	2022
<b>Assets</b>		
Current Assets	\$ 4,267,810	\$ 5,048,845
Capital Assets	14,935,066	14,119,736
Less: Accumulated Depreciation	(1,992,855)	(1,512,099)
Capital Assets, Net Book Value	12,942,211	12,607,637
Deferred Outflows	51,996	77,994
Total Assets and Deferred Outflows	\$ 17,262,017	\$ 17,734,476
<b>Liabilities</b>		
Current Liabilities	\$ 1,346,458	\$ 1,378,918
Long-term Liabilities	9,281,602	9,467,988
Total Liabilities and Deferred Inflows	\$ 10,628,060	\$ 10,846,906
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 3,474,860	\$ 3,563,425
Restricted for Food Service	145,381	197,254
Restricted for Debt Service	1,051,675	954,809
Unrestricted	1,962,041	2,172,082
Total Net Position	\$ 6,633,957	\$ 6,887,570

## Results of Operations:

For the fiscal year ended June 30, 2023 and 2022, the Academy-wide results of operations were:

Table 4 - Change in Net Position

	2023		2022	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 7,308,251	64.43%	\$ 6,582,185	62.40%
Other	73,077	0.64%	8,767	0.08%
Total General Revenue	7,381,328	65.07%	6,590,952	62.48%
<b>Program Revenue:</b>				
Charges for Services	72,471	0.64%	33,704	0.32%
Operating Grants - Federal and State	3,890,000	34.29%	3,924,430	37.20%
Total Program Revenue	3,962,471	34.93%	3,958,134	37.52%
Total Revenue	11,343,799	100.00%	10,549,086	100.00%
<b>Expenses:</b>				
Instruction and Instructional Services	4,943,049	42.61%	4,655,525	46.15%
Support Services	4,602,776	39.69%	3,817,013	37.83%
Food Service	834,845	7.20%	732,072	7.26%
Community Services	237,624	2.05%	131,609	1.30%
Unallocated Depreciation / Amortization	480,756	4.15%	202,785	2.01%
Interest on Long-term Debt	498,362	4.30%	550,110	5.45%
Total Expenses	11,597,412	100.00%	10,089,114	100.00%
Change in Net Position	<u>\$ (253,613)</u>		<u>\$ 459,972</u>	

During the fiscal year ended June 30, 2023, the Academy's net position decreased by (\$253,613) as compared to a net increase of \$459,972 in the prior fiscal year. The most significant difference between the prior year and current year is that total general fund federal revenue increased but expenses increased to a larger degree. Additional factors affecting the change in net position during the year are discussed below:

### State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Academy of Warren foundation allowance was \$9,150.
- Student Enrollment: The Academy's student enrollment for the fall count of 2022-23 was 795 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.

- Total Section 25 adjustment was 1.44FTE or \$13,176.
- Additional federal funding was available during the 2022-23 fiscal year to supplement programs. This funding is expected to be available again in fiscal year 2023-24.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's expenditures from General Fund operations exceeded revenues by (\$205,300) for the fiscal year ended June 30, 2023.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets

The Academy's net investment in capital assets increased by \$334,574 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning Balance 6/30/22	Additions	Disposals	Ending Balance 6/30/23
Building and improvements	\$ 13,715,252	\$ 815,330	\$ -	\$ 14,530,582
Equipment and furniture	300,140	-	-	300,140
Right to use assets	104,344	-	-	104,344
Less: Accumulated Depreciation / Amortization	1,512,099	480,756	-	1,992,855
Net Investment in Capital Assets	<u>\$ 12,607,637</u>	<u>\$ 334,574</u>	<u>\$ -</u>	<u>\$ 12,942,211</u>

### Depreciation / Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a reduction in net assets in the entity-wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2023, the net increase in accumulated depreciation/amortization was \$480,756.

Depreciation/amortization expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

## Debt, Principal Payments

A summary of long-term debt service activities is as follows.

Table 6 - Debt, Principal Payments

	Balance 6/30/2022	New Financings	Principal Payments	Balance 6/30/2023
Direct Borrowing	\$ 84,988	\$ -	\$ 19,838	\$ 65,150
Revenue Bonds	9,545,000	-	160,000	9,385,000
Total Long-term Obligations	\$ 9,629,988	\$ -	\$ 179,838	\$ 9,450,150

In July of 2020, the Academy issued roughly \$9,000,000 in bonds for the purpose of renovating the entire campus. The renovation was completed during the 21-22 fiscal year.

## ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2023-24 Fiscal Year was adopted by the Board of Directors in June 2023. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates given the limited information available stemming from the pandemic. Some key factors and estimates used in the 2023-24 budget preparation process include:

- An assumption of steady enrollment to continue budgeting conservatively;
- A modest increase in foundation allowance of \$250 per pupil. The actual 23-24 Foundation Allowance is \$9,608 per pupil.
- The fourth year of county funding for the Macomb Millage Enhancement, which is expected to remain in effect for a total of ten years;
- Continued investment in staff retention with budgeted pay increases;
- Utilization of federal funding from the CARES Act (ESSER III) to preserve staff positions and to invest in acquiring and retaining the best staff possible.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

## CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents 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 information, contact the Academy's office at 13943 Eight Mile Road, Warren, MI 48089.

# ACADEMY OF WARREN

## STATEMENT OF NET POSITION JUNE 30, 2023

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$	567,281
Investments in debt service and capital projects		1,251,672
Accounts receivable		22,018
Due from other governmental units		2,266,023
Prepaid expenses		160,816
		<hr/>
Total current assets		4,267,810

#### Capital Assets - Net of Accumulated Depreciation / Amortization

12,942,211

Total assets

17,210,021

#### Deferred Outflows

Deferred amount on debt refunding		51,996
		<hr/>
Total assets and deferred outflows	\$	17,262,017
		<hr/> <hr/>

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$	170,100
Unearned revenue		298,424
Other accrued expenses		692,185
Long-term debt - current portion		185,749
		<hr/>
Total current liabilities		1,346,458

#### Long-Term Debt - Long-Term Portion

9,281,602

#### Net Position

Net investment in capital assets		3,474,860
Restricted		1,197,056
Unrestricted		1,962,041
		<hr/>
Total net position		6,633,957
		<hr/>
Total liabilities, deferred inflows and net position	\$	17,262,017
		<hr/> <hr/>

See accompanying notes to financial statements

## ACADEMY OF WARREN

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 3,502,926	\$ -	\$ 949,148	\$ (2,553,778)
Added needs	1,440,123	-	1,673,438	233,315
Support services				
Pupil support services	345,712	-	225,118	(120,594)
Instructional staff support services	106,234	-	72,087	(34,147)
General administration	1,132,766	-	-	(1,132,766)
School administration	1,030,927	-	-	(1,030,927)
Business support services	25,838	-	-	(25,838)
Operations and maintenance	1,558,339	-	155,312	(1,403,027)
Pupil transportation services	1,238	-	252	(986)
Central support services	217,206	-	48,899	(168,307)
Other support services	55,073	67,515	-	12,442
Athletic activities	129,443	4,956	-	(124,487)
Food services	834,845	-	755,776	(79,069)
Community services	237,624	-	9,970	(227,654)
Unallocated depreciation / amortization	480,756	-	-	(480,756)
Unallocated interest	498,362	-	-	(498,362)
Total primary government	\$ 11,597,412	\$ 72,471	\$ 3,890,000	(7,634,941)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				7,308,251
Miscellaneous revenues				73,077
Total general purpose revenues				7,381,328
Change in net position				(253,613)
Net position - July 1, 2022				6,887,570
Net position - June 30, 2023				\$ 6,633,957

See accompanying notes to financial statements

## ACADEMY OF WARREN

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

#### ASSETS

	General	Debt Service	Capital Projects	Non-Major	Total
Cash and cash equivalents	\$ 530,031	\$ -	\$ -	\$ 37,250	\$ 567,281
Investments	-	1,055,867	195,805	-	1,251,672
Accounts receivable	22,018	-	-	-	22,018
Due from other governmental units	2,266,023	-	-	-	2,266,023
Due from other funds	91,866	-	-	118,185	210,051
Prepaid expenses	160,816	-	-	-	160,816
	<u>\$ 3,070,754</u>	<u>\$ 1,055,867</u>	<u>\$ 195,805</u>	<u>\$ 155,435</u>	<u>\$ 4,477,861</u>
Total assets	<u>\$ 3,070,754</u>	<u>\$ 1,055,867</u>	<u>\$ 195,805</u>	<u>\$ 155,435</u>	<u>\$ 4,477,861</u>

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 170,100	\$ -	\$ -	\$ -	\$ 170,100
Due to other funds	-	4,192	195,805	10,054	210,051
Unearned revenue	298,424	-	-	-	298,424
Other accrued expenses	650,202	-	-	-	650,202
	<u>1,118,726</u>	<u>4,192</u>	<u>195,805</u>	<u>10,054</u>	<u>1,328,777</u>
Total liabilities	<u>1,118,726</u>	<u>4,192</u>	<u>195,805</u>	<u>10,054</u>	<u>1,328,777</u>

##### Fund Balance

Nonspendable	160,816	-	-	-	160,816
Restricted	-	1,051,675	-	145,381	1,197,056
Unassigned	1,791,212	-	-	-	1,791,212
	<u>1,952,028</u>	<u>1,051,675</u>	<u>-</u>	<u>145,381</u>	<u>3,149,084</u>
Total fund balance	<u>1,952,028</u>	<u>1,051,675</u>	<u>-</u>	<u>145,381</u>	<u>3,149,084</u>
	<u>\$ 3,070,754</u>	<u>\$ 1,055,867</u>	<u>\$ 195,805</u>	<u>\$ 155,435</u>	<u>\$ 4,477,861</u>
Total liabilities and fund balance	<u>\$ 3,070,754</u>	<u>\$ 1,055,867</u>	<u>\$ 195,805</u>	<u>\$ 155,435</u>	<u>\$ 4,477,861</u>

See accompanying notes to financial statements

## ACADEMY OF WARREN

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

<b>Total Governmental Fund Balances</b>	\$ 3,149,084
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$14,935,066 and the accumulated depreciation / amortization is \$1,992,855.	12,942,211
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(41,983)
Deferred outflows of resources resulting from debt refunding	51,996
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,467,351)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 6,633,957</u>

See accompanying notes to financial statements

## ACADEMY OF WARREN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-Major</u>	<u>Total</u>
<b>Revenues</b>					
Local sources	\$ 38,506	\$ 32,969	\$ 6,558	\$ 67,515	\$ 145,548
State sources	8,422,547	-	-	10,306	8,432,853
Federal sources	1,618,411	-	-	745,470	2,363,881
Interdistrict sources	401,517	-	-	-	401,517
Total governmental fund revenues	10,480,981	32,969	6,558	823,291	11,343,799
<b>Expenditures</b>					
Instruction					
Basic program	3,502,926	-	-	-	3,502,926
Added needs	1,440,123	-	-	-	1,440,123
Support services					
Pupil support services	345,712	-	-	-	345,712
Instructional staff support services	106,234	-	-	-	106,234
General administration	1,132,766	-	-	-	1,132,766
School administration	1,030,927	-	-	-	1,030,927
Business support services	3,545	20,143	2,150	-	25,838
Operations and maintenance	1,558,339	-	-	-	1,558,339
Pupil transportation services	1,238	-	-	-	1,238
Central support services	217,206	-	-	-	217,206
Other support services	-	-	-	55,073	55,073
Athletic activities	129,443	-	-	-	129,443
Food services	-	-	-	834,845	834,845
Community services	237,624	-	-	-	237,624
Capital outlay	-	-	815,330	-	815,330
Debt principal and interest	23,256	672,600	-	-	695,856
Total governmental fund expenditures	9,729,339	692,743	817,480	889,918	12,129,480
Excess (deficiency) of revenues over expenditures	751,642	(659,774)	(810,922)	(66,627)	(785,681)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	671,640	285,302	-	956,942
Operating transfers out	(956,942)	-	-	-	(956,942)
Total other financing sources (uses)	(956,942)	671,640	285,302	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(205,300)	11,866	(525,620)	(66,627)	(785,681)
Fund balance - July 1, 2022	2,157,328	1,039,809	525,620	212,008	3,934,765
Fund balance - June 30, 2023	<u>\$1,952,028</u>	<u>\$1,051,675</u>	<u>\$ -</u>	<u>\$ 145,381</u>	<u>\$3,149,084</u>

See accompanying notes to financial statements

## ACADEMY OF WARREN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(785,681)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	815,330	
Depreciation and amortization expense		<u>(480,756)</u>	334,574

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	179,838	
Interest expense		<u>17,656</u>	<u>197,494</u>

<b>Change in Net Position of Governmental Activities</b>	\$	<u>(253,613)</u>
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# ACADEMY OF WARREN

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Academy of Warren (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Academy of Warren was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, on July 19, 2004, and began operation in July 2004.

In July 2021, the Academy entered into a five-year contract with Bay Mills Community College's Board of Regents to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The College's Board of Regents is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Bay Mills Community College's Board of Regents three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were \$248,656.

In July 2021, the Academy entered into a five year agreement with CS Partners, “CSP” expiring June 2026. Under the terms of this agreement, CSP provides a variety of management services including the support of the Academy's instructional and operational systems, as well as human resource functions. The Academy is obligated to pay CSP up to ten percent of its state aid. The total paid for these services amounted to \$664,924 for the year ended June 30, 2023.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund (Food Service)** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

**Special Revenue Fund (Student Activities)** - The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any short fall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - the capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid.

## **ACADEMY OF WARREN**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The Academy's existence is dependent upon qualification for such aid.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

#### **Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2023. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

# ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Receivables

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Net Position

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

#### Leases

##### *Leases and Subscription Based IT Arrangements (SBITA)*

The Academy is a lessee for noncancelable leases of equipment. The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

At the commencement of a lease/subscription, the Academy initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Key estimates and judgements related to leases included how the Academy determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

## **ACADEMY OF WARREN**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund and special revenue fund budget. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. Budget detail can be found on page 18 of these financial statements.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

#### **Interest Rate Risk**

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the Academy had no investments.

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2023, the Academy was not exposed to concentrated credit risk.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, \$340,868 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2023.

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

#### Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 1,570,374
Federal sources	<u>695,649</u>
Total	<u>\$ 2,266,023</u>

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Capital assets subject to depreciation / amortization				
Right to use - equipment	\$ 104,344	\$ -	\$ -	\$ 104,344
Buildings and improvements	13,715,252	815,330	-	14,530,582
Equipment and furniture	300,140	-	-	300,140
Sub-total	14,119,736	815,330	-	14,935,066
Accumulated depreciation / amortization				
Right to use - equipment	20,811	20,927	-	41,738
Buildings and improvements	1,270,489	443,270	-	1,713,759
Equipment and furniture	220,799	16,559	-	237,358
Sub-total	1,512,099	480,756	-	1,992,855
Total net capital assets	<u>\$ 12,607,637</u>	<u>\$ 334,574</u>	<u>\$ -</u>	<u>\$ 12,942,211</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

### NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 590,371	\$ 590,371
Oversight fee	47,111	47,111
Other	12,720	12,720
Interest	41,983	-
Total other accrued expenses	<u>\$ 692,185</u>	<u>\$ 650,202</u>

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2023:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - copiers	4.50%	July, 2026	Monthly payment of \$1,938. Secured by Academy equipment.
Revenue bonds	5.50%	May, 2050	Interest paid twice yearly and principal paid once yearly. Collateralized by pledge for state aid.

#### Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Direct borrowing - copiers	\$ 84,988	\$ -	\$ 19,838	\$ 65,150	\$ 20,749
Revenue bonds	9,545,000	-	160,000	9,385,000	165,000
	<u>\$ 9,629,988</u>	<u>\$ -</u>	<u>\$ 179,838</u>	9,450,150	<u>\$ 185,749</u>
Unamortized premium				<u>17,201</u>	
Total long-term debt				<u>\$ 9,467,351</u>	

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 185,749	\$ 531,668
2025	196,702	521,640
2026	207,699	485,770
2027	195,000	475,963
2028	205,000	466,213
2029 - 2033	1,180,000	2,167,315
2034 - 2038	1,510,000	1,836,740
2039 - 2043	1,965,000	1,378,690
2044 - 2048	2,570,000	775,615
2049 - 2050	1,235,000	101,574

## ACADEMY OF WARREN

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 8 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 671,640	\$ 285,302
Transfer Out	956,941	-	-

As stipulated by the Academy's revenue bond agreement, which is described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The Academy also transferred funds to its capital project fund for construction projects.

### NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since its inception.

# SUPPLEMENTARY INFORMATION

## ACADEMY OF WARREN

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 436,056	\$ 35,000	\$ 38,506	\$ 3,506
State sources	7,633,902	8,472,698	8,422,547	(50,151)
Federal sources	1,427,339	2,121,629	1,618,411	(503,218)
Interdistrict sources	-	388,000	401,517	13,517
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund revenues	9,497,297	11,017,327	10,480,981	(536,346)
<b>Expenditures</b>				
Instruction				
Basic programs	3,602,381	3,746,463	3,502,926	(243,537)
Added needs	1,121,617	1,544,707	1,440,123	(104,584)
Support services				
Pupil support services	467,363	432,021	345,712	(86,309)
Instructional staff support services	98,182	136,019	106,234	(29,785)
General administration	1,078,273	1,133,629	1,132,766	(863)
School administration	813,597	1,034,159	1,030,927	(3,232)
Business support services	10,000	3,250	3,545	295
Operations and maintenance	1,528,940	1,604,613	1,558,339	(46,274)
Pupil transportation services	-	-	1,238	1,238
Central support services	157,000	225,727	217,206	(8,521)
Athletic activities	-	131,000	129,443	(1,557)
Community services	269,000	289,795	237,624	(52,171)
Debt principal and interest	-	62,000	23,256	(38,744)
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund expenditures	9,146,353	10,343,383	9,729,339	(614,044)
Excess (deficiency) of revenues over expenditures	350,944	673,944	751,642	77,698
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(673,944)	(1,046,944)	(956,942)	90,002
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(323,000)	(373,000)	(205,300)	167,700
Fund balance - July 1, 2022	2,157,328	2,157,328	2,157,328	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2023	<u>\$ 1,834,328</u>	<u>\$ 1,784,328</u>	<u>\$ 1,952,028</u>	<u>\$ 167,700</u>

## ACADEMY OF WARREN

### COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2023

#### ASSETS

	Special Revenue		Total
	Food Services	Student Activities	
Cash and cash equivalents	\$ -	\$ 37,250	\$ 37,250
Due from other funds	118,185	-	118,185
 Total assets	\$ 118,185	\$ 37,250	\$ 155,435

#### LIABILITIES AND FUND BALANCE

**Liabilities**

Due to other funds	\$ -	\$ 10,054	\$ 10,054
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**Fund Balance**

Restricted	118,185	27,196	145,381
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Total liabilities and fund balance	\$ 118,185	\$ 37,250	\$ 155,435
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## ACADEMY OF WARREN

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue		Total
	Food Services	Student Activities	
<b>Revenues</b>			
Local sources	\$ -	\$ 67,515	\$ 67,515
State sources	10,306	-	10,306
Federal sources	745,470	-	745,470
	755,776	67,515	823,291
Total governmental fund revenues			
<b>Expenditures</b>			
Support services			
Other support services	-	55,073	55,073
Food services	834,845	-	834,845
	834,845	55,073	889,918
Total governmental fund expenditures			
Excess (deficiency) of revenues over expenditures	(79,069)	12,442	(66,627)
Fund balance - July 1, 2022	197,254	14,754	212,008
Fund balance - June 30, 2023	\$ 118,185	\$ 27,196	\$ 145,381

# ACADEMY OF WARREN

## SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

### Local Sources

Student activities	\$ 10,668
Other local revenues	<u>27,838</u>
Total local sources	38,506

### State Sources

At risk	776,561
Special education	118,918
State aid	<u>7,527,068</u>
Total state sources	8,422,547

### Federal Sources

IDEA	87,085
Title I	475,894
Title II	67,228
Title IV	36,806
Other program revenues	<u>951,398</u>
Total federal sources	1,618,411

### Interdistrict Sources

	<u>401,517</u>
Total general fund revenues	<u>\$ 10,480,981</u>

# ACADEMY OF WARREN

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

### Basic Programs

Purchased services	\$ 3,032,395
Rentals	48,277
Other purchased services	161,010
Supplies and materials	229,607
Non-depreciable capital assets	2,537
Other expenditures	29,100
	<hr/>
Total basic programs	3,502,926

### Added Needs

Purchased services	1,440,123
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### Pupil Support Services

Guidance services	159,983
Health services	67,532
Psychological services	16,312
Speech pathology and audiology	52,023
Social work services	49,862
	<hr/>

Total pupil support services 345,712

### Instructional Staff Support Services

Purchased services	106,234
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### General Administration

Purchased services	165,877
Management fees	664,924
University oversight	248,656
Other expenditures	53,309
	<hr/>

Total general administration 1,132,766

### School Administration

Purchased services	909,690
Supplies and materials	27,492
Other expenditures	93,745
	<hr/>

Total school administration 1,030,927

## ACADEMY OF WARREN

### SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2023

#### Business Support Services

Other expenditures	3,545
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#### Operations and Maintenance

Purchased services	986,907
Repairs and maintenance	280,518
Supplies and materials	268,841
Non-depreciable capital assets	22,073

Total operations and maintenance	1,558,339
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#### Pupil Transportation Services

Purchased services	1,238
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#### Central Support Services

Purchased services	109,378
Supplies and materials	107,828

Total central support services	217,206
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#### Athletic Activities

Purchased services	80,429
Supplies and materials	30,274
Other expenditures	18,740

Total athletic activities	129,443
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#### Community Services

Purchased services	147,364
Repairs and maintenance	16,600
Supplies and materials	32,822
Non-depreciable capital assets	40,838

Total community services	237,624
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#### Debt Principal and Interest

	23,256
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Total general fund expenditures	\$ 9,729,339
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# APPENDIX

## Federal Awards Report



**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***

**To the Board of Directors  
of Academy of Warren**

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, each major fund, and the aggregate remaining fund information of Academy of Warren, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Academy of Warren's basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Academy of Warren'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 Academy of Warren's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy of Warren'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Academy of Warren’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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
of Academy of Warren**

**Report on Compliance for Each Major Federal Program  
*Opinion on Each Major Federal Program***

We have audited Academy of Warren's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Academy of Warren's major federal programs for the year ended June 30, 2023. Academy of Warren's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Academy of Warren complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Academy of Warren and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Academy of Warren's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Academy of Warren's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Academy of Warren's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Academy of Warren's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Academy of Warren's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Academy of Warren's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Academy of Warren's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023

# ACADEMY OF WARREN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:</b>										
<b>National School Lunch Program:</b>										
<b>Noncash Assistance (Commodities) -</b>										
National School Lunch Program Commodities 2022-2023	N/A	10.555	\$ 41,993	\$ -	\$ -	\$ -	\$ 4,301	\$ 4,301	\$ -	\$ -
<b>Cash Assistance -</b>										
COVID-19 - Supply Chain Assistance 2022-2023	220910 / 230910	10.555	30,088	-	-	-	30,088	30,088	-	-
National School Lunch Program 2022-2023	221960/ 231960	10.555	485,646	-	-	-	485,646	485,646	-	-
COVID-19 - Seamless Summer Option (SSO) Lunch 2021-2022	221961	10.555	408,926	408,926	46,414	-	46,414	-	-	-
<b>Total National School Lunch Program Cash and Noncash Assistance</b>		10.555	966,653	408,926	46,414	-	566,449	520,035	-	-
<b>National School Breakfast Program:</b>										
National School Breakfast Program 2022-2023	221970/ 231970	10.553	206,073	-	-	-	206,073	206,073	-	-
COVID-19 - Seamless Summer Option (SSO) Breakfast 2021-2022	221971	10.553	201,970	201,970	22,463	-	22,463	-	-	-
<b>Total National School Breakfast Program</b>		10.553	408,043	201,970	22,463	-	228,536	206,073	-	-
<b>Fresh Fruit and Vegetable Program:</b>										
Fresh Fruit and Vegetable Program 2021-2022	220950	10.582	31,179	16,757	8,321	-	8,321	-	-	-
Fresh Fruit and Vegetable Program 2022-2023	230950	10.582	39,650	-	-	-	5,403	18,734	13,331	-
<b>Total Fresh Fruit and Vegetable Program</b>		10.582	70,829	16,757	8,321	-	13,724	18,734	13,331	-
<b>Total Child Nutrition Cluster</b>			1,445,525	627,653	77,198	-	808,709	744,842	13,331	-
<b>Special Education Cluster - U.S. Department of Education - Passed through the Macomb ISD:</b>										
<b>IDEA Special Education – Formula Grants to ISDs:</b>										
IDEA Flowthrough 2122	220450	84.027A	90,694	90,694	10,991	-	10,991	-	-	-
IDEA Flowthrough 2223	230450	84.027A	87,085	-	-	-	60,752	87,085	26,333	-
<b>Total IDEA Flowthrough</b>			177,779	90,694	10,991	-	71,743	87,085	26,333	-
<b>American Rescue Plan Individuals with Disabilities Education Act (ARP-IDEA):</b>										
COVID-19 - ARP-IDEA 2122	221280	84.027X	24,371	24,371	24,371	-	24,371	-	-	-
<b>Total Special Education Cluster</b>			202,150	115,065	35,362	-	96,114	87,085	26,333	-

See accompanying notes to schedule of expenditures of federal awards

# ACADEMY OF WARREN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2023

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Current Year Cash Transferred To Subrecipient
<b>Other Federal Awards:</b>										
<b>U.S Department of Agriculture-</b>										
<b>Passed Through the Michigan Department of Education:</b>										
<b>Pandemic EBT Local Level Costs:</b>										
COVID-19 - Pandemic EBT Local Level Costs 2022	220980	10.649	628	-	-	-	628	628	-	-
<b>U.S. Department of Education -</b>										
<b>Passed Through the Michigan Department of Education:</b>										
<b>Title I, Part A: Improving Basic Programs Operated by LEAS:</b>										
Title I Part A 2122	221530	84.010A	409,785	305,957	146,004	-	146,004	-	-	-
Title I Part A 2223	221530	84.010A	553,703	-	-	-	366,554	475,894	109,340	-
<b>Title I Part A</b>		84.010A	963,488	305,957	146,004	-	512,558	475,894	109,340	-
<b>Title II, Part A: Supporting Effective Instruction:</b>										
Title II Part A 2122	220520	84.367	46,952	27,327	22,827	-	22,827	-	-	-
Title II Part A 2223	230520	84.367	73,062	-	-	-	60,725	67,228	6,503	-
<b>Total Title II Part A</b>		84.367	120,014	27,327	22,827	-	83,552	67,228	6,503	-
<b>Title IV, Part A: Student Support and Academic Enrichment:</b>										
Title IV Part A 2122	220750	84.424A	51,816	33,321	33,181	-	33,181	-	-	-
Title IV Part A 2223	230750	84.424A	48,896	-	-	-	36,451	36,806	355	-
<b>Total Title IV Part A</b>		84.424A	100,712	33,321	33,181	-	69,632	36,806	355	-
<b>Education Stabilization Fund:</b>										
<b>COVID-19 - Supplemental Elementary and Secondary School</b>										
Emergency Relief (ESSER II) 2021	213712	84.425D	1,278,671	1,229,772	601,408	-	650,307	48,899	-	-
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	851,858	-	-	-	397,185	891,218	494,033	-
COVID-19 - ESSER II Discretionary – Section 23b(2c) Before-and-After School 2122	213752	84.425D	25,000	25,000	25,000	-	25,000	-	-	-
<b>Total Education Stabilization Fund</b>		84.425	2,155,529	1,254,772	626,408	-	1,072,492	940,117	494,033	-
<b>U.S Department of Health and Human Services -</b>										
<b>Passed Through the Macomb ISD:</b>										
<b>MDHHS Health Resource Advocate (HRA) Funding:</b>										
COVID-19 - Healthcare Resource Advocates 2022-2023	N/A	93.323	11,281	-	-	-	-	11,281	11,281	-
<b>Total Federal Awards</b>			<b>\$ 4,999,327</b>	<b>\$ 2,364,095</b>	<b>\$ 940,980</b>	<b>\$ -</b>	<b>\$ 2,643,685</b>	<b>\$ 2,363,881</b>	<b>\$ 661,176</b>	<b>\$ -</b>

See accompanying notes to schedule of expenditures of federal awards

## ACADEMY OF WARREN

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUES AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

#### Revenue to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 1,618,411
Special Revenue Fund	<u>745,470</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,363,881</u>

#### Receivables

Receivables from federal sources - As reported on financial statements	\$ 695,649
Timing difference between the Michigan Department of Education payment and Academy receipt per Grant Auditor Report	<u>(34,473)</u>
Federal receivables per the schedule of expenditures of federal awards	<u>\$ 661,176</u>

## **ACADEMY OF WARREN**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023**

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Academy of Warren under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Academy of Warren, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Academy of Warren.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **NOTE 3 – INDIRECT COST RATE**

Academy of Warren has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 - GRANT AUDITOR REPORT**

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# ACADEMY OF WARREN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

### SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

Assistance Listing Number(s)  
84.425

Name of Federal Program or Cluster  
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes  no

### SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE