

Academy of Warren

Financial Statements

June 30, 2022



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Academy of Warren
Members of the Board of Directors and Administration
June 30, 2022

Members of the Board of Directors

John Mulligan	President
Tamika Lindsey	Vice President
Jacqueline Bray	Treasurer
Madonna Draughn	Secretary
Howard Hughey	Member



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Independent Auditors' Report

Management and the Board of Directors
Academy of Warren
Warren, MI

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, 2022, and the related notes to the financial statements, which collectively comprise the Academy of Warren's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 the Academy of Warren, as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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 the 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.

Auditors' 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 auditors' 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 the 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 the 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, identified 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.

Other 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 other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 other supplementary information, as identified in the table of contents, 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 other supplementary information, as identified in the table of contents, is 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 27, 2022 on our consideration of the 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 the 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.

Yeo & Yeo, P.C.

Flint, MI
October 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Academy of Warren (“ACADEMY”) is a Kindergarten through 8th 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, 2022.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$8,700	\$8,111
Enrollment	741	639
General Fund Balance Increase/(Decrease)	(\$87,678)	\$401,431
General Fund Balance as percent of Unrestricted State Aid Revenue	33.5%	35.4%
Instructional Expenditures as percent of Total Expenditures	52.9%	53.7%

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

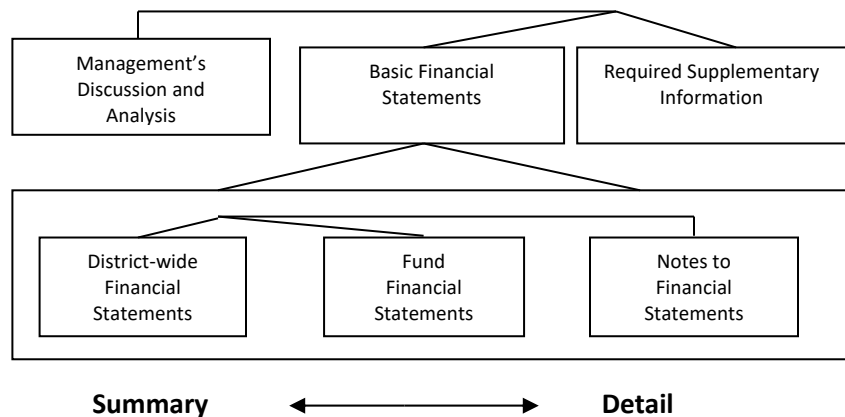


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

	Academy-wide statements	Fund Financial Statements
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
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 resources 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 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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$2,157,328	\$2,245,006
Total General Fund Revenue	\$9,637,490	\$8,065,085
State Aid Foundation Allowance as percent of Academy Revenues	76.4%	78.6%
Total Cost of Instructional Programs	\$4,555,171	\$3,527,733
Instructional Expenditures as percent of Total Expenditures	52.9%	53.7%
Total Cost of Support/Operational Services	\$4,056,953	\$3,040,863
Support/Operational Services as percent of Total Expenditures	47.1%	46.3%
Total Expenditures transferred to Debt Service	\$673,044	\$570,058
Transfer to Debt Service as percent of Total Expenditures	7.8%	8.8%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 5,048,845	\$ 8,842,143
Capital Assets	14,119,736	9,104,650
Less: Accumulated Depreciation	(1,512,099)	(1,309,314)
Capital Assets, Net Book Value	<u>12,607,637</u>	<u>7,795,336</u>
Deferred Outflows	<u>77,994</u>	<u>103,991</u>
Total Assets and Deferred Outflows	<u>\$ 17,734,476</u>	<u>\$ 16,741,470</u>
Liabilities		
Current Liabilities	\$ 1,378,918	\$ 750,397
Long-term Liabilities	<u>9,467,988</u>	<u>9,563,475</u>
Total Liabilities and Deferred Inflows	<u>\$ 10,846,906</u>	<u>\$ 10,313,872</u>
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 3,563,425	\$ 3,180,092
Restricted for Food Service	197,254	-
Restricted for Debt Service	954,809	4,909,240
Unrestricted	<u>2,172,082</u>	<u>(1,661,734)</u>
Total Net Position	<u>\$ 6,887,570</u>	<u>\$ 6,427,598</u>

Results of Operations:

For the fiscal year ended June 30, 2022 and 2021, the Academy wide results of operations were:

	2022		2021	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 6,582,185	62.40%	\$ 5,654,880	65.73%
Other	8,767	0.08%	451	0.01%
Total General Revenue	6,590,952	62.48%	5,655,331	65.73%
Program Revenue:				
Charges for Services	33,704	0.32%	11,949	0.14%
Operating Grants - Federal and State	3,924,430	37.20%	2,936,294	34.13%
Total Program Revenue	3,958,134	37.52%	2,948,243	34.27%
Total Revenue	10,549,086	100.00%	8,603,574	100.00%
Expenses:				
Instruction and Instructional Services	4,655,525	46.14%	3,544,274	44.93%
Support Services	4,019,798	39.84%	3,062,204	38.82%
Food Service	732,072	7.26%	497,415	6.31%
Community Services	131,609	1.30%	2,059	0.03%
Interest on Long-term Debt	550,110	5.45%	783,201	9.93%
Total Expenses	10,089,114	100.00%	7,889,153	100.00%
Change in Net Position	\$ 459,972		\$ 714,421	

During the fiscal year ended June 30, 2022, the Academy's net position increased by \$459,972 as compared to a net increase of \$714,421 in the prior fiscal year. The most significant difference between the prior year and current year is that total general fund federal revenue increased and 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 \$8,700.
- Student Enrollment: The Academy's student enrollment for the fall count of 2021-22 was 751 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 6.45FTE or \$56,115.
- The Academy continues to receive federal monies in the way of ESSER funding. These funds are to be used to deliver a continued high quality academic program and a continued response to Covid-19.
- Additional federal funding was available during the 2021-22 fiscal years to supplement before/after school care. Federal dollars can be applied for to provide students/families with items necessary for remote connectivity and learning. This funding is expected to be available again in fiscal year 2022-23.

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 \$87,678 for the fiscal year ended June 30, 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Academy's net investment in capital assets increased by \$4,707,957 during the fiscal year. This can be summarized as follows:

	<u>Beginning Balance 6/30/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 6/30/22</u>
Depreciable Capital Assets	\$ 5,761,635	\$ 8,358,101	\$ -	\$ 14,119,736
Less: Accumulated Depreciation	1,309,314	202,785	-	1,512,099
Construction in Progress (not depreciated)	<u>3,447,359</u>	<u>-</u>	<u>(3,447,359)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 7,899,680</u>	<u>\$ 8,155,316</u>	<u>\$ 3,447,359</u>	<u>\$ 12,607,637</u>

Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation 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, 2022, the net increase in accumulated depreciation and amortization expenses was \$202,785.

Depreciation 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 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.

	Balance 6/30/2021	New Financings	Principal Payments	Balance 6/30/2022
General Obligation Bonds	\$ 9,695,000	\$ -	\$ 150,000	\$ 9,545,000
Premium on Bonds	18,475	-	637	17,838
Lease liability	104,344	-	19,356	84,988
Total Long-term Obligations	<u>\$ 9,817,819</u>	<u>\$ -</u>	<u>\$ 169,993</u>	<u>\$ 9,647,826</u>

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 2022-23 Fiscal Year was adopted by the Board of Directors in June 2022. 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 2022-23 budget preparation process include:

- A modest increase in enrollment to continue budgeting conservatively;
- A modest increase in foundation allowance of only \$250 per pupil. The actual 22-23 Foundation Allowance is \$9,150 per pupil.
- The third 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.

BASIC FINANCIAL STATEMENTS

Academy of Warren
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 996,740
Due from other governmental units	2,277,683
Investments	1,689,918
Prepaid items	84,504
Right to use assets - net of amortization	83,533
Capital assets - net of accumulated depreciation	12,524,104
Total assets	17,656,482
Deferred Outflows of Resources	
Deferred amount on debt refunding	77,994
Total assets and deferred outflows of resources	17,734,476
Liabilities	
Accounts payable	317,915
Accrued expenditures	757,762
Unearned revenue	123,403
Long-term liabilities	
Due within one year	179,838
Due in more than one year	9,467,988
Total liabilities	10,846,906
Net Position	
Net investment in capital assets	3,563,425
Restricted for	
Food service	197,254
Debt service	954,809
Unrestricted	2,172,082
Total net position	\$ 6,887,570

See Accompanying Notes to the Financial Statements

Academy of Warren
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs			
Governmental activities			
Instruction	\$ 4,655,525	\$ -	\$ 2,589,938
Supporting services	4,019,798	33,704	457,048
Food services	732,072	-	877,444
Community services	131,609	-	-
Interest on long-term debt	550,110		(131,609)
Total governmental activities	\$ 10,089,114	\$	\$ (6,130,980)
	General revenues		(550,110)
	State aid - unrestricted		6,582,185
	Interest and investment earnings		448
	Other -	3,924,430	8,319
	33,704		
	Total general revenues		6,590,952
	Change in net position		459,972
	Net position - beginning		6,427,598
	Net position - ending		\$ 6,887,570

See Accompanying Notes to the Financial Statements

**Academy of Warren
Governmental Funds
Balance Sheet
June 30, 2022**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 980,717	\$ -	\$ -	\$ 16,023	\$ 996,740
Due from other funds	1,269	-	-	197,254	198,523
Due from other governmental units	2,277,683	-	-	-	2,277,683
Investments	-	645,917	1,044,001	-	1,689,918
Prepaid items	84,504	-	-	-	-
Total assets	<u>\$ 3,344,173</u>	<u>\$ -</u>	<u>\$ 1,044,001</u>	<u>\$ 197,277</u>	<u>\$ 3,344,173</u>
Liabilities					
Accounts payable	\$ 317,915	\$ -	\$ -	\$ -	\$ 317,915
Due to other funds	72,765	120,297	4,192	1,269	198,523
Accrued expenditures	672,762	-	-	84,504	672,762
Unearned revenue	123,403	-	-	-	123,403
Total liabilities	<u>1,186,845</u>	<u>120,297</u>	<u>4,192</u>	<u>1,269</u>	<u>1,186,845</u>
Fund Balances					
Non-spendable					
Prepaid items	84,504	-	-	-	84,504
Restricted for				123,403	
Debt service	-	-	1,039,809	1,312,603	1,039,809
Capital projects	-	525,620	-	-	525,620
Food service	120,297	4,192	1,269	197,254	197,254
Committed for student activities	-	-	-	14,754	14,754
Assigned for excess budgeted expenditures	323,000	-	-	-	323,000
Unassigned	1,749,824	-	-	-	1,749,824
Total fund balances	<u>2,157,328</u>	<u>525,620</u>	<u>1,039,809</u>	<u>1,312,603</u>	<u>2,157,328</u>
Total liabilities and fund balances	<u>\$ 3,344,173</u>	<u>\$ 525,620</u>	<u>\$ 1,039,809</u>	<u>\$ 1,312,603</u>	<u>\$ 3,344,173</u>

1,749,824

See Accompanying Notes to the Financial Statements

	1,039,809	-	3,934,765
525,620	4 - 3	1,044,001	5,247,368
645,917		213,277	

Academy of Warren
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	\$	3,934,765
Total net position for governmental activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Right to use assets - not of amortization		83,533
Capital assets - net of accumulated depreciation		12,524,104
Deferred outflows (inflows) of resources		
Deferred outflows of resources resulting from debt refunding		77,994
Certain liabilities are not due and payable in the current period and are not reported in the funds		
Accrued interest		(85,000)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities		
Bonds payable		(9,562,838)
Lease liability		<u>(84,988)</u>
Net position of governmental activities	\$	<u>6,887,570</u>

**Academy of Warren
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 8,319	\$ 273	\$ 175	\$ 33,704	\$ 42,471
State sources	7,361,196	-	-	11,606	7,372,802
Federal sources	1,911,242	-	-	865,838	2,777,080
Interdistrict sources	356,733				
Total revenues	9,637,490	273	175	911,148	10,549,086
Expenditures					
Current				356,733	
Education		-	-		
Instruction	4,555,171	-	-	-	4,555,171
Supporting services	3,902,088	-	-	31,060	3,933,148
Food services	-	-	-	716,290	716,290
Community services	131,609	-	-	-	131,609
Facilities acquisition	-	4,910,743	-	-	4,910,743
Debt service					
Principal	19,356	-	150,000	-	169,356
Interest and other expenditures	3,900				
Total expenditures	8,612,124	4,910,743	670,850	747,350	14,941,067
Excess (deficiency) of revenues over expenditures	1,025,366	(4,910,470) ^{520,850}	(670,675)	163,798 ^{524,750}	(4,391,981)

See Accompanying Notes to the Financial Statements

**Academy of Warren
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022**

	General Fund	Capital Project Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 441,850	\$ 673,044	\$ -	\$ 1,114,894
Transfers out	(1,113,044)				
Total other financing sources (uses)	(1,113,044)	441,850	671,194		
Net change in fund balances	(87,678)	(4,468,620)	519	163,798	(1,114,894)
Fund balances - beginning	2,245,006	(1,850)			
Fund balances - ending	\$ 2,157,328	\$ -	\$ -	\$ -	\$ -
				8,326,746	
	4,994,240	1,039,290			
		1,039,809	48,210	3,934,765	
	525,620		212,008		

See Accompanying Notes to the Financial Statements

Academy of Warren
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Total governmental funds \$ (4,391,981)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Depreciation and amortization expense	(202,785)
Capital outlay	4,910,742

Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Repayments of long-term debt	169,356
Amortization of bond discount	<u>(25,360)</u>

Change in net position of governmental activities **\$ 459,972**

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Academy of Warren conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter 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 has entered into a contract with Bay Mills Community College (Bay Mills) to charter a public school academy through June 30, 2026. 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 Bay Mills Board of Trustees 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 Bay Mills 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2022 to Bay Mills was \$234,485.

The Academy is governed by an appointed Board of Directors. 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 financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Capital Project Fund – The Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Debt Service Fund – Debt Service Fund is used to record interest and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the Academy reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Funds include the Food Service Fund and Student Activity Fund. Operating deficits generated by these activities are generally covered by transfers from the General Fund.

Assets, Liabilities and Net Position or Fund Balance

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	10-50 years
Equipment and furniture	5-15 years

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. The Board of directors has granted the Chief Administrative Officer the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the Academy's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application understandable, reliable, relevant, consistent in practice. More and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal yearend, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

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. An Academy is not considered in violation of the law

Academy of Warren
Notes to the Financial Statements
June 30, 2022

if reasonable procedures are in use by the Academy to detect violations.

The Chief Administrative Officer is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Business	\$ 2,000	\$ 2,052	\$ 52
Food Service Fund	692,978	716,290	23,312

Note 3 - Deposits and Investments

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 996,740
Investments in securities, mutual funds, and similar vehicles	<u>1,689,918</u>
Total	<u>\$ 2,686,658</u>

As of year end, the Academy had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
First American Government Obligation	<u>\$ 1,689,918</u>	24 days	Aaa-mf	Moody's

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

As of June 30, 2022, the Academy has the following recurring fair value measurements:

Amounts invested in First American Government Obligation of approximately \$ 1.7 million are valued at current market prices (Level 1).

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

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. The Academy does not have a deposit policy for custodial credit risk. As of yearend, \$789,830 of the Academy’s bank balance of \$1,039,830 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 3,447,359	\$	\$ 3,447,359	\$
Assets being depreciated				
Buildings and additions	5,357,151	8,358,101	-	13,715,252
Equipment and furniture	300,140	-	-	300,140
Right to use assets - equipment	104,344			104,344
Total assets being depreciated	<u>5,761,635</u>	<u>8,358,101</u>	<u>-</u>	<u>14,119,736</u>
Less accumulated depreciation for				
Buildings and additions	1,105,822	164,667	-	1,270,489
Equipment and furniture	203,492	17,307	-	220,799
Right to use assets - equipment	-	20,811		20,811
Total accumulated depreciation	<u>1,309,314</u>	<u>- 202,785</u>	<u></u>	<u>1,512,099</u>
Net assets being depreciated	<u>4,452,321</u>	<u>8,155,316</u>	<u></u>	<u>12,607,637</u>
Net capital assets	<u>\$ 7,899,680</u>	<u>\$ 8,155,316</u>	<u>\$ 3,447,359</u>	<u>\$ 12,607,637</u>
Total right to use leased assets		-		
Right to use assets, net of amortization	\$ 104,344	\$ (20,811)	\$ -	\$ 83,533
Capital assets				
Assets not being depreciated	3,447,359	-	3,447,359	-
Other capital assets, net of depreciation	<u>4,347,977</u>	<u>8,176,127</u>	<u></u>	<u>12,524,104</u>
Total Capital assets	<u>\$ 7,899,680</u>	<u>\$ 8,155,316</u>	<u>\$ 3,447,359</u>	<u>\$ 12,607,637</u>

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Depreciation and amortization expense was charged to activities of the Academy as follows:

Governmental activities	
Instruction	\$ 100,354
Supporting services	86,650
Food services	<u>15,781</u>
 Total governmental activities	 <u>\$ 202,785</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,269
Nonmajor Governmental Funds	Capital Projects Fund	120,297
Nonmajor Governmental Funds	Debt Service Fund	4,192
Nonmajor Governmental Funds	General Fund	<u>72,765</u>
		 <u>\$ 198,523</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Debt Service Fund	Total
Transfers in			
Debt Service Fund	\$ 673,044	\$ -	\$ 673,044
Capital Project Fund	<u>440,000</u>	<u>1,850</u>	<u>441,850</u>
	 <u>\$ 1,113,044</u>	 <u>\$ 1,850</u>	 <u>\$ 1,114,894</u>

Transfers to the Debt Service fund were made to cover the cost of debt service. Transfers to the Capital Project Fund were made to cover the costs of purchases of equipment and building upgrades that exceeded the original debt raised.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Note 6 - Lease Liability

During the 2021 fiscal year, the Academy entered into a 5-year lease agreement as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$104,344 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$84,988. The Academy is required to make annual principal and interest payments of \$23,256. The lease has an interest rate of 4.5%. The value of the right to-use asset as of the end of the current fiscal year was \$104,344 and had accumulated amortization of \$20,811.

Total future minimum lease payments for the leases are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>
2023	\$ 19,838	\$ 3,419
2024	20,749	2,507
2025	21,702	1,554
2026	<u>22,699</u>	<u>557</u>
Total	<u>\$ 84,988</u>	<u>\$ 8,037</u>

Note 7 - Long-Term Debt

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge of future revenues of the Academy.

Long-term obligation activity is summarized as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds					
General obligation bonds	\$ 9,695,000	\$ -	\$ 150,000	\$ 9,545,000	\$ 160,000
Unamortized premium	<u>18,475</u>		<u>637</u>	<u>17,838</u>	
Total Bonds	<u>9,713,475</u>		<u>150,637</u>	<u>9,562,838</u>	<u>160,000</u>
Other liabilities					
Leases	<u>104,344</u>		<u>19,356</u>	<u>84,988</u>	<u>19,838</u>
Total	<u>\$ 9,817,819</u>	<u>\$ -</u>	<u>\$ 169,993</u>	<u>\$ 9,647,826</u>	<u>\$ 179,838</u>

Revenue bonds payable at year end, consist of the following:

Revenue bonds due in annual installments of between \$150,000 and \$635,000 through May 1, 2050, interest is due every year at a rate of 5.50%	\$ 9,195,000
Revenue bonds due in annual installments of between \$25,000 and \$165,000 through May 1, 2025, interest is due every year at a rate of 5.50%	<u>350,000</u>
Total general obligation bonded debt	<u>\$ 9,545,000</u>

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 160,000	\$ 512,600	\$ 672,600
2024	165,000	503,800	668,800
2025	175,000	494,725	669,725
2026	185,000	485,850	670,850
2027	195,000	476,600	671,600
2028 - 2032	1,125,000	2,226,750	3,351,750
2033 - 2037	1,435,000	1,914,750	3,349,750
2038 - 2042	1,865,000	1,484,450	3,349,450
2043 - 2047	2,435,000	912,725	3,347,725
2048 - 2050	<u>1,805,000</u>	<u>202,125</u>	<u>2,007,125</u>
Total	<u>\$ 9,545,000</u>	<u>\$ 9,214,375</u>	<u>\$ 18,759,375</u>

The revenue bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,039,809 to pay this debt. Future debt and interest will be payable from future earnings of general fund.

Interest expenditures for fiscal year 2022, in the General Fund and Debt Service Fund were \$3,900 and \$520,850, respectively.

The bonded debt agreement contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2022, the Academy was in compliance with the covenants.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$77,994. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2025.

Note 8 - 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 general liability and property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2022.

Note 10 - Management Company

The Academy operates under an Education Services Agreement with CS Partners, LLC (CSP) and CSP Management Inc. doing business as Partner Solutions (PS). Under the terms of this agreement, CSP provides a variety of services including management of operational areas, academic program support and compliance. The Academy is obligated to pay CSP ten percent of applicable revenues. Additionally, PS provides staffing for teachers, administrators and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing PS for all costs incurred for providing staffing. The total fee for these management services amounted to approximately \$594,664 for the year ended June 30, 2022. The Academy also has \$539,984 accrued as of June 30, 2022 for July and August contracted employees which are paid as invoices are rendered.

Academy of Warren
Notes to the Financial Statements
June 30, 2022

Note 11 - Change in Accounting Principle

As indicated in Note 1, The Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the Academy's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The 2021 financial statements include a prior period adjustment for the lease liability. This adjustment had no effect on the beginning net position of the governmental activities since the right of use assets equal the amount of the lease liability. The implementation had the following effect on net position as reported June 30, 2021:

	<u>Governmental Activities</u>
Net position at June 30, 2021	\$ 6,887,570
Adjustments:	
Net book value - leased asset	104,344
Lease liability	<u>(104,344)</u>
Net position at June 30, 2021	<u>\$ 6,887,570</u>

REQUIRED SUPPLEMENTARY INFORMATION

Academy of Warren
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 190,000	\$ 7,000	\$ 8,319	\$ 1,319
State sources	7,091,536	7,370,218	7,361,196	(9,022)
Federal sources	1,124,907	1,927,289	1,911,242	(16,047)
Interdistrict sources	344,700	357,794		
Total revenues	<u>8,751,143</u>	<u>9,662,301</u>	<u>9,637,490</u>	<u>(24,811)</u>
Expenditures				
Instruction				
Basic programs	3,024,156	3,463,148	3,385,623	(77,525)
Added needs	1,272,244	1,256,948	1,169,548 (1,061)	(87,400)
Supporting services				
Pupil	378,739	384,470	363,325	(21,145)
Instructional staff	63,293	99,272	69,290	(29,982)
General administration	974,190	1,050,270	1,047,020	(3,250)
School administration	669,163	819,011	818,020	(991)
Business	25,000	2,000	2,052	52
Operations and maintenance	1,417,155	1,469,115	1,302,466	(166,649)
Central	212,000	387,633	299,915	(87,718)
Community services	205,000	157,300	131,609	(25,691)
Debt service				
Principal	20,000	20,000	19,356	(644)
Interest and fiscal charges	4,000			
Total expenditures	<u>8,264,940</u>	<u>9,113,167</u>	<u>8,612,124</u>	<u>(501,043)</u>
Excess of revenues over expenditures	<u>486,203</u>	<u>549,134</u>	<u>1,025,366</u>	<u>476,232</u>

Academy of Warren
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers out	\$ (659,203)	\$ _____	\$ _____	\$ _____
Net change in fund balance	(173,000)	(626,500)	(87,678)	538,822
Fund balance - beginning	<u>2,245,006</u>	<u>2,245,006</u>	<u>2,245,006</u>	<u>_____</u>
Fund balance - ending	<u>2,072,006</u>	<u>(1,113,044)</u>	<u>_____</u>	<u>_____</u>
			62,590	
	1,618,506	2,157,328	-	538,822

OTHER SUPPLEMENTARY INFORMATION

**Academy of Warren
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activity Fund	
Assets			
Cash	\$ -	\$ 16,023	\$ 16,023
Due from other funds	197,254		197,254
Total assets	\$ 197,254	\$ 16,023	\$ 213,277
Liabilities			
Due to other funds	\$ -	\$ 1,269	\$ 1,269
Fund Balance			
Restricted for	-		
Food service	197,254	-	197,254
Committed for student activities	-	14,754	14,754
Total fund balances	197,254	14,754	212,008
Total liabilities and fund balance	\$ 197,254	\$ 16,023	\$ 213,277

Academy of Warren
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Student</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Activity Fund</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues			
Local sources	\$ -	\$ 33,704	\$ 33,704
State sources	11,606	-	11,606
Federal sources	<u>865,838</u>		
Total revenues	<u>877,444</u>	<u>33,704</u>	<u>911,148</u>
Expenditures			
Current		865,838	
Education			
Student activities	-	31,060	31,060
Food services	<u>716,290</u>		
Total expenditures	<u>716,290</u>	<u>31,060</u>	<u>747,350</u>
Excess of revenues over expenditures	161,154	2,644	163,798
		<u>716,290</u>	
Fund balances - beginning	<u>36,100</u>	<u>12,110</u>	<u>48,210</u>
Fund balances - ending	<u>\$ 197,254</u>	<u>\$</u>	<u>\$</u>

14,754

212,008

Academy of Warren

Single Audit Report

June 30, 2022



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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*

Independent Auditors' Report

Management and the Board of Directors
Academy of Warren
Warren, Michigan

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, 2022, and the related notes to the financial statements, which comprise Academy of Warren's basic financial statements, and have issued our report thereon dated October 27, 2022.

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.

Yeo & Yeo, P.C.

Flint, Michigan
October 27, 2022



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
Academy of Warren
Warren, Michigan

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, 2022. Academy of Warren's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Academy of Warren complied, in all material respects, with the 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, 2022.

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 (GAAS); 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 Auditors' 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.

Responsibility 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 agreements applicable to Academy of Warren's federal programs.

Auditors' Responsibility 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 GAAS, *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 GAAS, *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 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 Auditors' 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise Academy of Warren's basic financial statements. We issued our report thereon dated October 27, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 27, 2022

**Academy of Warren
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Grant Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
U.S. Department of Agriculture								
Passed through the Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
Entitlement commodities	10.555	21-22	\$ 75,753	\$ -	\$ -	\$ 75,753	\$ 75,753	\$ -
Cash assistance								
COVID-19 - Seamless Summer Option (SSO) - Breakfast	10.553	211971	14,460	-	-	14,460	14,460	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast	10.553	221971	201,970	-	-	179,507	201,970	22,463
				-	-	193,967	216,430	22,463
COVID-19 - Seamless Summer Option (SSO)	10.555	211961	27,463	-	-	27,463	27,463	-
COVID-19 - Emergency Operations - SNP Meals	10.555	211965	57,272	-	-	57,272	57,272	-
COVID-19 - Supply Chain Assistance	10.555	220910	17,825	-	-	17,825	17,825	-
COVID-19 - Seamless Summer Option (SSO)	10.555	221961	408,926	-	-	362,512	408,926	46,414
				-	-	465,072	511,486	46,414
COVID-19 - Extended SFSP	10.559	210904	41,990	-	-	41,990	41,990	-
Total cash assistance				-	-	701,029	769,906	68,877
Total Nutrition Cluster				-	-	776,782	845,659	68,877
Passed through the Michigan Department of Education								
Fresh Fruit and Vegetable Program	10.582	210950	18,420	-	-	2,808	2,808	-
Fresh Fruit and Vegetable Program	10.582	220950	31,179	-	-	8,436	16,757	8,321
				-	-	11,244	19,565	8,321
Passed through the Michigan Department of Education								
COVID-19 - Pandemic EBT Local Level Costs	10.649	210980	614	-	-	-	614	-
Total U.S. Department of Agriculture				-	-	788,640	865,838	77,198
Federal Communications Commission								
Universal Service Administrative Company (USAC)				-	614	-	-	-
COVID19 - Emergency Connectivity Funds	32.009	N/a	174,800	-	-	174,800	174,800	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Academy of Warren
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Grant Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2021	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue June 30, 2022
U.S. Department of Education								
Title I Cluster								
Passed through the Michigan Department of Education								
Title I, Part A - Grants to Local Educational Agencies	84.010	211530	\$ 429,217	\$ 429,217	\$ 163,405	\$ 163,405	\$ -	\$ -
Title I, Part A - Grants to Local Educational Agencies	84.010	221530	409,785	-	-	159,953	305,957	146,004
				<u>429,217</u>	<u>163,405</u>	<u>323,358</u>	<u>305,957</u>	<u>146,004</u>
Special Education Cluster								
Passed through Macomb County Intermediate School District								
Special Education - Grants to States	84.027	210450	91,628	91,628	18,448	18,448	-	-
Special Education - Grants to States	84.027	220450	90,694	-	-	79,703	90,694	10,991
COVID-19 - Special Education - Grants to States -ARP	84.027X	221280	24,371	-	-	-	24,371	24,371
				<u>91,628</u>	<u>18,448</u>	<u>98,151</u>	<u>115,065</u>	<u>35,362</u>
Passed through the Michigan Department of Education								
Title II, Part A - Supporting Effective Instruction State Grants	84.367	210520	52,266	52,266	4,538	4,538	-	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367	220520	46,952	-	-	4,500	27,327	22,827
				<u>52,266</u>	<u>4,538</u>	<u>9,038</u>	<u>27,327</u>	<u>22,827</u>
Passed through the Michigan Department of Education								
Title IV, Part A - Student Support & Academic Enrichment	84.424	210750	63,082	42,323	24,756	24,756	-	-
Title IV, Part A - Student Support & Academic Enrichment	84.424	220750	51,816	-	-	-	33,321	33,181
				<u>42,323</u>	<u>24,756</u>	<u>24,896</u>	<u>33,321</u>	<u>33,181</u>
Passed through the Michigan Department of Education								
Education Stabilization Funds								
COVID-19 ESSER Education Equity I	84.425D	203720	54,565	54,565	8,989	8,983	-	-
COVID-19 ESSER Formula II	84.425D	213712	1,278,671	-	-	628,364	1,229,772	601,408
COVID-19 ESSER Formula II - 23b(2c)	84.425D	213752	25,000	-	-	-	25,000	25,000
				<u>54,565</u>	<u>8,983</u>	<u>637,347</u>	<u>1,254,772</u>	<u>626,408</u>
Total U.S. Department of Education				<u>669,999</u>	<u>220,130</u>	<u>1,092,790</u>	<u>1,736,442</u>	<u>863,782</u>
Total Federal expenses				<u>\$ 669,999</u>	<u>\$ 220,130</u>	<u>\$ 2,056,230</u>	<u>\$ 2,777,080</u>	<u>\$ 940,980</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Academy of Warren
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Academy of Warren under programs of the federal government for the year ended June 30, 2022. 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 or changes in fund balances of Academy of Warren.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where 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.

Indirect Cost Rate

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

Note 3 - Reconciliation to the Financial Statements

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

Note 4 - Subrecipients

The Academy did not transfer any federal funds to subrecipients during the fiscal year.

Note 5 - Michigan Department of Education Disclosures

Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the SEFA.

The amounts reported on the Recipient Entitlement Balance Report (PAL Report) agree with the SEFA for USDA donated food commodities.

Academy of Warren
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes _____ X None reported

Noncompliance material to financial statements noted?

_____ Yes Yes _____ X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes _____ X None reported

Type of auditors' report issued on compliance for major programs:

_____ Yes _____ Unmodified

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

_____ X No
 _____ Yes

Academy of Warren
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Identification of major programs:

Assistance Listing Numbers

10.553 / 10.555 / 10.559
84.425D

Name of Federal Program

Nutrition Cluster
Education Stabilization Fund

Dollar threshold used to distinguish
between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

 X Yes No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Costs

No matters were noted.

Academy of Warren
Summary Schedule of Prior Audit Findings
June 30, 2022

Section IV -Prior Audit Findings

There were no audit findings for the year ended June 30, 2021.



October 27, 2022

Management and the Board of Directors
Academy of Warren
Warren, Michigan

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Academy of Warren as of and for the year ended June 30, 2022. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the Academy during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.
Flint, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated February 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in the footnotes of the financial statements. The Organization has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.
- Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.

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

Disclosures in the financial statements are neutral, consistent, and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Use of management company

Additional Information

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data backups are a good safeguard; but if your entire network is compromised, restoring a backup saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.
- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2022, the Academy adopted GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' 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*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Academy of Warren as of and for the year ended June 30, 2022, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

However, during our audit we became aware of a matter for management's consideration. This letter does not affect our report dated October 27, 2022, on the financial statements of Academy of Warren.

Food Service Budget Overage

The Academy incurred a material budget overage in the Food Service Fund during the year. In addition, revenues were also in excess of anticipated amounts. The net variance from budget was not material to the Food Service Fund as a whole. It was determined that the Academy made the appropriate attempts to spend down excess net cash resources to prevent a further increase in fund balance, however, we would suggest that management closely monitors and appropriately amends the budget with board approval to prevent this type of overage to exist in the future.