

Audited Financial Statements

West Michigan Academy of Arts and Academics

Spring Lake, Michigan

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of West Michigan Academy of Arts and Academics

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academics' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Michigan Academy of Arts and Academics, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Michigan Academy of Arts and Academics' basic financial statements. The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and schedules of revenues and expenditures, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020, on our consideration of West Michigan Academy of Arts and Academics' 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 West Michigan Academy of Arts and Academics' 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 the West Michigan Academy of Arts and Academics' internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
November 17, 2020



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Board of Directors
of West Michigan Academy of Arts and Academics**

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 West Michigan Academy of Arts and Academics, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise West Michigan Academy of Arts and Academics' basic financial statements, and have issued our report thereon dated November 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Michigan Academy of Arts and Academics' internal control over financial reporting (internal control) to determine the 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 West Michigan Academy of Arts and Academics' internal control. Accordingly, we do not express an opinion on the effectiveness of West Michigan Academy of Arts and Academics' 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Michigan Academy of Arts and Academics' 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 determination of financial statement amounts. 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.

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

Croskey Lanni, PC

Rochester, Michigan
November 17, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

West Michigan Academy of Arts & Academics (“ACADEMY”) is a Kindergarten through 8 grade Public School Academy located in Spring Lake, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the West Michigan Academy of Arts & Academics administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$ 8,111	\$ 7,871
Enrollment	420.3	441.91
General Fund Balance Increase/(Decrease)	\$ 55,171	\$ 114,791
General Fund Balance as Percent of Unrestricted State Aid Revenue	52%	47%

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 West MI Academy of Arts & Academics Annual Financial Report

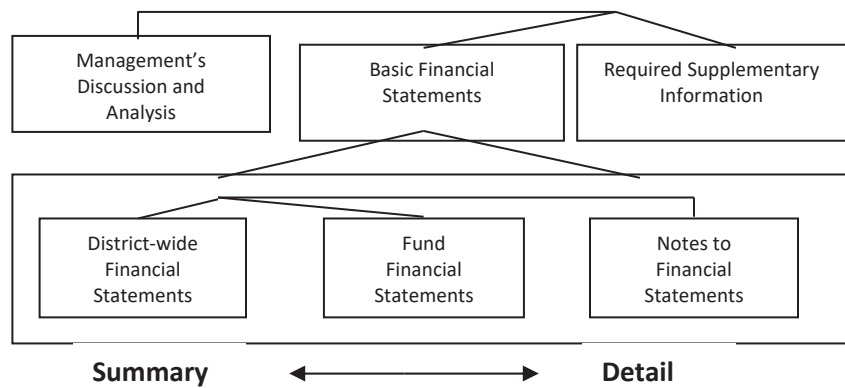


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Table 2 - Financial Results

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$ 1,721,256	\$ 1,691,237
Total General Fund Revenue	\$ 4,030,352	\$ 4,054,101
State Aid Foundation Allowance as percent of Academy Revenues	87%	85%
Total Cost of Instructional Programs	\$ 2,197,540	\$ 2,134,212
Instructional Expenditures as percent of Total Expenditures	56%	54%
Total Cost of Support/Operational Services	\$ 1,464,886	\$ 1,468,661
Support/Operational Services as percent of Total Expenditures	36%	37%
Total Expenditures transferred to Debt Service	\$ 337,907	\$ 336,437
Transfer to Debt Service as percent of Total Expenditures	8%	9%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2020 and 2019:

Table 3 - Net Position Detail

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 2,494,453	\$ 2,474,832
Capital Assets	7,786,754	7,740,854
Less: Accumulated Depreciation	<u>(2,437,011)</u>	<u>(2,227,810)</u>
Capital Assets, Net Book Value	<u>5,349,743</u>	<u>5,513,044</u>
Total Assets and Deferred Outflows	<u>\$ 7,844,196</u>	<u>\$ 7,987,876</u>
Liabilities		
Current Liabilities	\$ 483,854	\$ 506,838
Long-term Liabilities	<u>4,158,416</u>	<u>4,258,731</u>
Total Liabilities and Deferred Inflows	<u>\$ 4,642,270</u>	<u>\$ 4,765,569</u>
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 1,086,327	\$ 1,143,568
Restricted for Debt Service	452,212	446,527
Unrestricted	<u>1,663,387</u>	<u>1,632,212</u>
Total Net Position	<u>\$ 3,201,926</u>	<u>\$ 3,222,307</u>

Results of Operations

For the fiscal year ended June 30, 2020 and 2019, the Academy wide results of operations were:

Table 4 - Change in Net Position

	2020		2019	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 3,331,044	82.53%	\$ 3,474,574	85.55%
Other	97,671	2.42%	42,835	1.05%
Total General Revenue	3,428,715	84.95%	3,517,409	86.60%
Program Revenue:				
Charges for Services	51,476	1.28%	76,767	1.89%
Operating Grants - Federal and State	555,789	13.77%	467,374	11.51%
Total Program Revenue	607,265	15.05%	544,141	13.40%
Total Revenue	4,035,980	100.00%	4,061,550	100.00%
Expenses:				
Instruction and Instructional Services	2,197,540	54.18%	2,134,212	54.15%
Support Services	1,347,389	33.22%	1,283,227	32.56%
Community Services	62,538	1.54%	72,132	1.83%
Unallocated Depreciation	209,201	5.16%	205,934	5.22%
Interest on Long-term Debt	239,693	5.90%	245,947	6.24%
Total Expenses	4,056,361	100.00%	3,941,452	100.00%
Change in Net Position	\$ (20,381)		\$ 120,098	

During the fiscal year ended June 30, 2020, the Academy's net position decreased by \$20,381 as compared to a net increase of \$120,098 in the prior fiscal year. The most significant difference between prior year and current year is the total general fund revenue decreased while total general fund expenditures increased slightly. 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 West Michigan Academy of Arts & Academics foundation allowance was \$8,111.
- Student Enrollment: The Academy's student enrollment for the fall count of 2019-20 was 418 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 0.40FTE or (\$3,148).

- In mid-March, an executive order was issued from the Governor of the State of Michigan which closed all K-12 schools due to the Coronavirus (COVID-19) pandemic. The academy moved to a strictly virtual learning platform put together by the Academy's leadership team. This executive order remained in place for the remainder of the 2019-2020 academic school year.
- As a result of the COVID-19 pandemic and significantly reduced state revenues (primarily sales tax and delay in collecting income tax due to extended filing deadlines), the school aid fund reduced the foundation allowance in August 2020 by \$175 per pupil.
- With the reduction in state aid revenues, the Academy received federal monies in the way of CARES Act funding. These funds are to be used to deliver a continued high quality academic program.

Subsequent to year end June 30, 2020, preliminary student enrollments for 2020-21 indicate that the 2020 fall student enrollment should remain at 2019-20 levels.

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.

Changes were made in the second and fourth quarters to account for changes 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 revenues from General Fund operations exceeded expenditures by \$30,019 for the fiscal year ended June 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Academy's net investment in capital assets decreased by \$163,301 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning Balance 6/30/19	Additions	Disposals	Ending Balance 6/30/20
Building and Improvements	\$ 7,454,842	\$ 45,900	\$ -	\$ 7,500,742
Equipment	158,297	-	-	158,297
Computer	85,150	-	-	85,150
Non-Depreciable Capital Assets (Land)	42,565	-	-	42,565
Less: Accumulated Depreciation	2,227,810	209,201	-	2,437,011
Net Investment in Capital Assets	\$ 5,513,044	\$ (163,301)	\$ -	\$ 5,349,743

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, 2020, the net increase in accumulated depreciation was \$209,201.

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.

Table 6 - Debt, Principal Payments

	Balance 6/30/2019	New Financings	Principal Payments	Balance 6/30/2020
Revenue Bond	\$ 4,470,000	\$ -	\$ 100,000	\$ 4,370,000
Facilities Loan	10,745	-	10,745	-
Total Long-Term Obligations	\$ 4,480,745	\$ -	\$ 110,745	\$ 4,370,000

ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2020-21 Fiscal Year was adopted by the Board of Directors in June 2020. 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 based on perceived interest from the community. Some key factors and estimates used in the 2020-21 budget preparation process include:

- Per pupil state aid foundation allowance of \$7,461
- 410 students enrolled
- Continued improvements to the land and building

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 17350 Hazel Street, Spring Lake, MI 49456.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,418,321
Investments in debt service	452,212
Due from other governmental units	623,072
Prepaid expenses	<u>848</u>
Total current assets	2,494,453

Capital Assets - Net of Accumulated Depreciation

5,349,743

Total assets and deferred outflows

\$ 7,844,196

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 39,007
Unearned revenue	54,108
Other accrued expenses	285,739
Long-term debt - current portion	<u>105,000</u>
Total current liabilities	483,854

Long-Term Debt - Long-Term Portion

4,158,416

Net Position

Net investment in capital assets	1,086,327
Restricted for debt service	452,212
Unrestricted	<u>1,663,387</u>
Total net position	<u>3,201,926</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,844,196</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
Functions		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Government</u>
				<u>Type</u>
				<u>Activities</u>
Instruction				
Basic programs	\$ 1,863,528	\$ -	\$ 6,615	\$ (1,856,913)
Added needs	334,012	-	334,012	-
Support services				
Pupil support services	157,748	-	127,469	(30,279)
Instructional staff support services	104,555	-	77,911	(26,644)
General administration	292,207	-	-	(292,207)
School administration	402,252	-	-	(402,252)
Business support services	33,893	-	-	(33,893)
Operations and maintenance	279,567	-	-	(279,567)
Pupil transportation services	14,454	-	-	(14,454)
Central support services	62,713	-	1,382	(61,331)
Community services	62,538	51,476	8,400	(2,662)
Unallocated depreciation	209,201	-	-	(209,201)
Unallocated interest	239,693	-	-	(239,693)
	<u>\$ 4,056,361</u>	<u>\$ 51,476</u>	<u>\$ 555,789</u>	<u>(3,449,096)</u>
General Purpose Revenues				
State school aid - unrestricted				3,331,044
Earnings on investments				8,732
Miscellaneous revenues				88,939
				<u>3,428,715</u>
Total general purpose revenues				<u>3,428,715</u>
Change in net position				(20,381)
Net position - July 1, 2019				<u>3,222,307</u>
Net position - June 30, 2020				<u>\$ 3,201,926</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS
JUNE 30, 2020

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,418,321	\$ -	\$ 1,418,321
Investments	-	452,212	452,212
Due from other governmental units	623,072	-	623,072
Prepaid expenses	<u>848</u>	<u>-</u>	<u>848</u>
 Total assets	 <u>\$ 2,042,241</u>	 <u>\$ 452,212</u>	 <u>\$ 2,494,453</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 39,007	\$ -	\$ 39,007
Unearned revenue	54,108	-	54,108
Other accrued expenses	<u>227,870</u>	<u>-</u>	<u>227,870</u>
 Total liabilities	 320,985	 -	 320,985

Fund Balance

Nonspendable	848	-	848
Restricted	-	452,212	452,212
Assigned	336,774	-	336,774
Unassigned	<u>1,383,634</u>	<u>-</u>	<u>1,383,634</u>
 Total fund balance	 <u>1,721,256</u>	 <u>452,212</u>	 <u>2,173,468</u>
 Total liabilities and fund balance	 <u>\$ 2,042,241</u>	 <u>\$ 452,212</u>	 <u>\$ 2,494,453</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

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

Total Governmental Fund Balances	\$ 2,173,468
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,786,754 and the accumulated depreciation is \$2,437,011.	5,349,743
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(57,869)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,263,416)</u>
Net Position of Governmental Activities	<u>\$ 3,201,926</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Local sources	\$ 150,134	\$ 5,628	\$ 155,762
State sources	3,514,429	-	3,514,429
Federal sources	160,040	-	160,040
Interdistrict sources	205,749	-	205,749
Total governmental fund revenues	<u>4,030,352</u>	<u>5,628</u>	<u>4,035,980</u>
Expenditures			
Instruction			
Basic program	1,863,528	-	1,863,528
Added needs	334,012	-	334,012
Support services			
Pupil support services	157,748	-	157,748
Instructional staff support services	104,555	-	104,555
General administration	292,207	-	292,207
School administration	402,252	-	402,252
Business support services	32,143	1,750	33,893
Operations and maintenance	279,567	-	279,567
Pupil transportation services	14,454	-	14,454
Central support services	62,713	-	62,713
Community services	62,538	-	62,538
Capital outlay	45,900	-	45,900
Debt principal and interest	10,809	336,100	346,909
Total governmental fund expenditures	<u>3,662,426</u>	<u>337,850</u>	<u>4,000,276</u>
Excess (deficiency) of revenues over expenditures	367,926	(332,222)	35,704
Other Financing Sources (Uses)			
Operating transfers in	-	337,907	337,907
Operating transfers out	(337,907)	-	(337,907)
Total other financing sources (uses)	<u>(337,907)</u>	<u>337,907</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	30,019	5,685	35,704
Fund balance - July 1, 2019	<u>1,691,237</u>	<u>446,527</u>	<u>2,137,764</u>
Fund balance - June 30, 2020	<u>\$ 1,721,256</u>	<u>\$ 452,212</u>	<u>\$ 2,173,468</u>

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$	35,704
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$	45,900	
Depreciation and amortization expense		<u>(209,201)</u>	(163,301)

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

Repayment of loan principal	\$	110,745	
Interest expense		<u>(3,529)</u>	<u>107,216</u>

Change in Net Position of Governmental Activities	\$	<u>(20,381)</u>
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WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

ASSETS

Cash and cash equivalents	<u>\$ 31,128</u>
Total assets	<u><u>\$ 31,128</u></u>

LIABILITIES

Due to student groups	<u>\$ 31,128</u>
Total liabilities	<u><u>\$ 31,128</u></u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

West Michigan Academy of Arts and Academics was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1996, and began operation in July 1996.

In November 2007, the Academy entered into a seven-year contract with Grand Valley State University's Board of Trustees to charter a public school academy. The contract has been subsequently renewed through June 30, 2022. 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 University's 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 Grand Valley State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2020 were approximately \$99,900.

The Academy entered into an agreement with Partner Solutions through June 30, 2022. Under the terms of this agreement, Partner Solutions will provide a variety of back office services including payroll, human resources, budget and accounting services. The Academy is obligated to pay Partner Solutions 3.70 percent of its gross pay for payroll services, with the minimum fee being \$40,000, and \$46,000 for accounting services. The total paid for these services amounted to \$101,430 for the year ended June 30, 2020.

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

Fund Financial Statements

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

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

Governmental Funds

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

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

Special Revenue Fund - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

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

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Government-Wide Financial Statements

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

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

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

Cash and Cash Equivalents

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

Receivables

Receivables at June 30, 2020 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2020 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

Fund Equity

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

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Academy has evaluated the impact this statement will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ended June 30, 2021.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2020 the budget was amended in a legally permissible manner. A comparison of appropriated revenues and expenditures versus actual for the year ended June 30, 2020 is detailed on page 20 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the Academy had the following investments:

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,449,449
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	<u>452,212</u>
Total deposits and investments			<u>\$ 1,901,661</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General Fund			\$ 1,418,321
Cash - Fiduciary Fund			<u>31,128</u>
Subtotal			1,449,449
Investments:			
Investments - Debt Service			<u>452,212</u>
Total deposits and investments			<u>\$ 1,901,661</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Interest Rate Risk

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

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2020, \$1,244,332 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2020.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Fair Value

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

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

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

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 580,005
Federal sources	<u>43,067</u>
Total	<u><u>\$ 623,072</u></u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not subject to depreciation				
Land	\$ 42,565	\$ -	\$ -	\$ 42,565
Capital assets subject to depreciation				
Building	6,018,394	-	-	6,018,394
Improvements	1,436,448	45,900	-	1,482,348
Equipment	158,297	-	-	158,297
Computer	85,150	-	-	85,150
Sub-total	<u>7,740,854</u>	<u>45,900</u>	<u>-</u>	<u>7,786,754</u>
Accumulated depreciation				
Building	1,858,118	150,130	-	2,008,248
Improvements	161,771	48,324	-	210,095
Equipment	131,154	7,307	-	138,461
Computer	76,767	3,440	-	80,207
Sub-total	<u>2,227,810</u>	<u>209,201</u>	<u>-</u>	<u>2,437,011</u>
Total net capital assets	<u>\$ 5,513,044</u>	<u>\$ (163,301)</u>	<u>\$ -</u>	<u>\$ 5,349,743</u>

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

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Purchased services - payroll and benefits	\$ 207,273	\$ 207,273
Oversight and management fee	16,265	16,265
Other expenses	4,332	4,332
Interest expense	57,869	-
Total other accrued expenses	<u>\$ 285,739</u>	<u>\$ 227,870</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2020 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Facilities loan	3.39%	August, 2019	Secured by building. Paid in full by June 30, 2020
Revenue bond	5% Average	April, 2043	Semi-annual interest payments, collateralized by pledge for state aid

Loan Activity

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Facilities loan	\$ 10,745	\$ -	\$ 10,745	\$ -	\$ -
Revenue bond	4,470,000	-	100,000	4,370,000	105,000
	<u>\$ 4,480,745</u>	<u>\$ -</u>	<u>\$ 110,745</u>	4,370,000	<u>\$ 105,000</u>
Less unamortized discount				106,584	
				<u>\$ 4,263,416</u>	

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

	<u>Principal</u>	<u>Interest</u>
2021	\$ 105,000	\$ 226,790
2022	110,000	221,934
2023	115,000	216,846
2024	120,000	211,528
2025	125,000	205,678
2026 - 2030	730,000	930,013
2031 - 2035	940,000	721,800
2036 - 2040	1,220,000	440,475
2041 - 2043	905,000	90,898

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 – INTERFUND TRANSFERS

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

	<u>General</u>	<u>Debt Service</u>
Transfer In	\$ -	\$ 337,907
Transfer Out	337,907	-

As stipulated by the Academy's revenue bond agreement which is described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. The above transactions account for the major activity in the Academy's interfund transfer accounts.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 – CONTINGENCIES

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses, the economy and school. As a precaution to slow the spread of the virus the 2019 – 2020 school year ended in person education early pursuant to the governor of Michigan's executive order on March 13, 2020. There were also resulting budget cuts to state aid that resulted in reduced state funding for the last payment of the year. The Academy is economically dependent upon this state funding for normal and continued operations. The reduced funding will be supplemented two for one with federal program funds during the 2020 – 2021 school year however the existence and continuation of federal resources beyond this coming fiscal year is not currently known. While the situation continues to evolve, and the full impact is yet to be determined, it can be reasonably expected that state funding for schools will be affected due to the economic effects of COVID-19.

SUPPLEMENTARY INFORMATION

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 146,714	\$ 141,396	\$ 150,134	\$ 8,738
State sources	3,755,740	3,349,582	3,514,429	164,847
Federal sources	186,917	218,022	160,040	(57,982)
Interdistrict sources	244,960	199,131	205,749	6,618
Total general fund revenues	4,334,331	3,908,131	4,030,352	122,221
Expenditures				
Instruction				
Basic programs	2,101,388	1,992,277	1,863,528	(128,749)
Added needs	325,399	413,218	334,012	(79,206)
Support services				
Pupil support services	126,536	163,765	157,748	(6,017)
Instructional staff support services	162,832	91,791	104,555	12,764
General administration	275,486	295,282	292,207	(3,075)
School administration	478,285	408,426	402,252	(6,174)
Business support services	39,814	39,814	32,143	(7,671)
Operations and maintenance	448,434	298,862	279,567	(19,295)
Pupil transportation services	17,245	15,820	14,454	(1,366)
Central support services	17,614	101,800	62,713	(39,087)
Community services	66,865	63,465	62,538	(927)
Capital outlay	-	65,670	45,900	(19,770)
Debt principal and interest	-	11,000	10,809	(191)
Total general fund expenditures	4,059,898	3,961,190	3,662,426	(298,764)
Excess (deficiency) of revenues over expenditures	274,433	(53,059)	367,926	420,985
Other Financing Sources (Uses)				
Operating transfers out	(349,512)	(338,512)	(337,907)	605
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(75,079)	(391,571)	30,019	421,590
Fund balance - July 1, 2019	1,691,237	1,691,237	1,691,237	-
Fund balance - June 30, 2020	\$ 1,616,158	\$ 1,299,666	\$ 1,721,256	\$ 421,590

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Local Sources

Authorizer grant	\$ 6,615
Earnings on investments	3,104
Other local revenues	<u>140,415</u>
Total local sources	150,134

State Sources

At risk	132,027
Special education	51,358
State aid	<u>3,331,044</u>
Total state sources	3,514,429

Federal Sources

IDEA	95,080
Title I	41,003
Title II A	9,857
Other program revenue	<u>14,100</u>
Total federal sources	160,040

Interdistrict Sources

	<u>205,749</u>
Total general fund revenues	<u>\$ 4,030,352</u>

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

Basic Programs

Purchased services	\$ 1,694,934
Rentals	15,126
Other purchased services	19,407
Supplies and materials	119,814
Non-depreciable capital assets	11,496
Other expenditures	<u>2,751</u>
Total basic programs	1,863,528

Added Needs

Purchased services	327,106
Supplies and materials	6,836
Non-depreciable capital assets	<u>70</u>
Total added needs	334,012

Pupil Support Services

Guidance services	9,050
Health services	6,188
Psychological services	3,510
Speech pathology and audiology	34,739
Social work services	96,564
Other pupil services	<u>7,697</u>
Total pupil support services	157,748

Instructional Staff Support Services

Purchased services	81,700
Repairs and maintenance	2,007
Supplies and materials	6,532
Non-depreciable capital assets	<u>14,316</u>
Total instructional staff support services	104,555

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2020

General Administration

Purchased services	67,449
Management fees	101,431
University oversight	99,915
Other expenditures	<u>23,412</u>

Total general administration 292,207

School Administration

Purchased services	380,735
Other purchased services	6,500
Supplies and materials	5,851
Non-depreciable capital assets	1,728
Other expenditures	<u>7,438</u>

Total school administration 402,252

Business Support Services

Purchased services	31,054
Other expenditures	<u>1,089</u>

Total business support services 32,143

Operations and Maintenance

Purchased services	90,543
Repairs and maintenance	108,457
Supplies and materials	60,224
Non-depreciable capital assets	<u>20,343</u>

Total operations and maintenance 279,567

Pupil Transportation Services

Repairs and maintenance	43
Rentals	13,720
Supplies and materials	549
Other expenditures	<u>142</u>

Total pupil transportation services 14,454

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Central Support Services

Purchased services	54,888
Repairs and maintenance	2,760
Other purchased services	<u>5,065</u>
Total central support services	62,713

Community Services

Purchased services	61,178
Supplies and materials	997
Other expenditures	<u>363</u>
Total community services	62,538

Capital Outlay

45,900

Debt Principal and Interest

10,809

Total general fund expenditures

\$ 3,662,426