

Audited Financial Statements

West Michigan Academy of Arts and Academics

Spring Lake, Michigan

June 30, 2021

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | i - ii |
| 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 <i>Government Auditing Standards</i> | iii - iv |
| Management's Discussion and Analysis | v - x |
| Basic Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Combined Balance Sheet – All Governmental Funds | 3 |
| Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 6 |
| Notes to Financial Statements | 7 - 19 |
| Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 20 |
| Combined Balance Sheet – Non-Major Funds | 21 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds | 22 |
| Schedule of Revenues – General Fund | 23 |
| Schedule of Expenditures – General Fund | 24 - 26 |



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, 2021, 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, 2021, 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.

Emphasis of a Matter

The financial statements for the year ended June 30, 2021 reflect certain prior period adjustments as described in Note 11 of the financial statements. Our opinion is not modified with respect to this matter.

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 was derived from and relates 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 October 26, 2021, 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 West Michigan Academy of Arts and Academics' internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021



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, 2021, 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 October 26, 2021.

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) as a basis for designing audit 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan
October 26, 2021

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, 2021.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

Table 1 - Basic Financial Information

| | Current Fiscal Year | Prior Fiscal Year |
|---|---------------------|-------------------|
| State Aid Funding Per Pupil | \$ 8,111 | \$ 8,111 |
| Enrollment | 418.29 | 420.3 |
| General Fund Balance Increase/(Decrease) | \$ 5,023 | \$ 55,171 |
| General Fund Balance as Percent of Unrestricted State Aid Revenue | 48% | 52% |

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

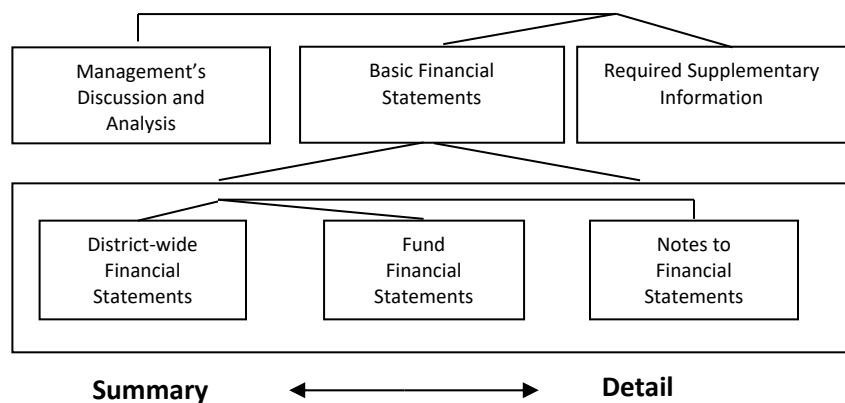


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents 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 | \$ 1,726,279 | \$ 1,721,256 |
| Total General Fund Revenue | \$ 4,517,455 | \$ 4,030,352 |
| State Aid Foundation Allowance as percent of Academy Revenues | 78% | 87% |
| Total Cost of Instructional Programs | \$ 2,476,838 | \$ 2,197,540 |
| Instructional Expenditures as percent of Total Expenditures | 55% | 56% |
| Total Cost of Support/Operational Services | \$ 1,696,770 | \$ 1,464,886 |
| Support/Operational Services as percent of Total Expenditures | 38% | 36% |
| Total Expenditures transferred to Debt Service | \$ 338,824 | \$ 337,907 |
| Transfer to Debt Service as percent of Total Expenditures | 7% | 8% |

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2021 and 2020:

Table 3 - Net Position Detail

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | \$ 2,712,699 | \$ 2,494,453 |
| Capital Assets | 7,990,180 | 7,786,754 |
| Less: Accumulated Depreciation | <u>(2,660,457)</u> | <u>(2,437,011)</u> |
| Capital Assets, Net Book Value | <u>5,329,723</u> | <u>5,349,743</u> |
| Total Assets and Deferred Outflows | <u>\$ 8,042,422</u> | <u>\$ 7,844,196</u> |
| Liabilities | | |
| Current Liabilities | \$ 655,180 | \$ 483,854 |
| Long-term Liabilities | <u>4,053,101</u> | <u>4,158,416</u> |
| Total Liabilities and Deferred Inflows | <u>\$ 4,708,281</u> | <u>\$ 4,642,270</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt (Deficit) | \$ 1,166,622 | \$ 1,086,327 |
| Restricted for Debt Service | 452,840 | 452,212 |
| Unrestricted | <u>1,714,679</u> | <u>1,663,387</u> |
| Total Net Position | <u>\$ 3,334,141</u> | <u>\$ 3,201,926</u> |

Results of Operations

For the fiscal year ended June 30, 2021 and 2020, the Academy wide results of operations were:

Table 4 - Change in Net Position

| | 2021 | | 2020 | |
|--|-------------------|----------------|--------------------|----------------|
| | Amount | % of Total | Amount | % of Total |
| General Revenue: | | | | |
| State of Michigan Aid - All Sources | \$ 3,410,117 | 72.75% | \$ 3,331,044 | 82.53% |
| Other | 51,285 | 1.09% | 97,671 | 2.42% |
| Total General Revenue | 3,461,402 | 73.84% | 3,428,715 | 84.95% |
| Program Revenue: | | | | |
| Charges for Services | 4,783 | 0.09% | 51,476 | 1.28% |
| Operating Grants - Federal and State | 1,221,326 | 26.06% | 555,789 | 13.77% |
| Total Program Revenue | 1,226,109 | 26.16% | 607,265 | 15.05% |
| Total Revenue | 4,687,511 | 100.00% | 4,035,980 | 100.00% |
| Expenses: | | | | |
| Instruction and Instructional Services | 2,476,838 | 54.00% | 2,197,540 | 54.18% |
| Support Services | 1,651,195 | 36.00% | 1,347,389 | 33.22% |
| Community Services | - | 0.00% | 62,538 | 1.54% |
| Unallocated Depreciation | 223,446 | 4.88% | 209,201 | 5.16% |
| Interest on Long-term Debt | 234,945 | 5.12% | 239,693 | 5.90% |
| Total Expenses | 4,586,424 | 100.00% | 4,056,361 | 100.00% |
| Change in Net Position | \$ 101,087 | | \$ (20,381) | |

During the fiscal year ended June 30, 2021, the Academy's net position increased by \$5,023 as compared to a net increase of \$30,019 in the prior fiscal year. This was only a slight difference between prior year and current year while revenue and expenses both increased.

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, the same as the prior year.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-21 was 405 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 0.89FTE or \$7,219.

- The Academy continues to receive federal monies in the way of ESSER Act funding. These funds are to be used to deliver a continued high quality academic program and response to COVID-19. Additional federal funding is available during the 2021-22 and 2022-23 fiscal years.

Subsequent to year end June 30, 2021, preliminary student enrollments for 2021-22 indicate that the 2021 fall student enrollment will be above the 2020-21 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 \$5,023 for the fiscal year ended June 30, 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Academy's net investment in capital assets decreased by \$20,020 during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

| | Beginning | | | Ending |
|---------------------------------------|------------------------|--------------------|------------------|------------------------|
| | Balance 6/30/20 | Additions | Disposals | Balance 6/30/21 |
| Building and Improvements | \$ 7,500,742 | \$ 150,605 | \$ - | \$ 7,651,347 |
| Equipment | 158,297 | 52,821 | - | 211,118 |
| Computer | 85,150 | - | - | 85,150 |
| Non-Depreciable Capital Assets (Land) | 42,565 | - | - | 42,565 |
| Less: Accumulated Depreciation | 2,437,011 | 223,446 | - | 2,660,457 |
| | | | | |
| Net Investment in Capital Assets | <u>\$ 5,349,743</u> | <u>\$ (20,020)</u> | <u>\$ -</u> | <u>\$ 5,329,723</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, 2021, the net increase in accumulated depreciation was \$223,446.

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 6/30/2020 | New Financings | Principal Payments | Balance 6/30/2021 |
|--------------|------------------------------|---------------------------|-------------------------------|------------------------------|
| Revenue Bond | \$ 4,370,000 | \$ - | \$ 105,000 | \$ 4,265,000 |

ECONOMIC FACTORS BEARING ON THE ACADEMY’S FUTURE

The Preliminary Budget for the 2021-22 Fiscal Year was adopted by the Board of Directors in June 2021. 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 2021-22 budget preparation process include:

- Per pupil state aid foundation allowance of \$8,211
- 425 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, 2021

ASSETS AND DEFERRED OUTFLOWS

Current Assets

| | |
|-----------------------------------|---------------|
| Cash and cash equivalents | \$ 1,245,724 |
| Investments in debt service | 452,840 |
| Due from other governmental units | 982,603 |
| Prepaid expenses | <u>31,532</u> |
| Total current assets | 2,712,699 |

Capital Assets - Net of Accumulated Depreciation

5,329,723

Total assets and deferred outflows

\$ 8,042,422

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

| | |
|----------------------------------|----------------|
| Accounts payable | \$ 56,608 |
| Unearned revenue | 122,812 |
| Other accrued expenses | 365,760 |
| Long-term debt - current portion | <u>110,000</u> |
| Total current liabilities | 655,180 |

Long-Term Debt - Long-Term Portion

4,053,101

Net Position

| | |
|--|---------------------|
| Net investment in capital assets | 1,166,622 |
| Restricted for student activities and debt / food services | 497,895 |
| Unrestricted | <u>1,669,624</u> |
| Total net position | <u>3,334,141</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 8,042,422</u> |

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

| | | Program Revenues | | Net (Expense) Revenues and Changes in Net Position |
|--------------------------------------|--------------|-------------------------|---------------------|---|
| | Expenses | Charges for Services | Operating Grants | Government Type Activities |
| Functions | | | | |
| Instruction | | | | |
| Basic programs | \$ 2,062,344 | \$ - | \$ 362,829 | \$ (1,699,515) |
| Added needs | 414,494 | - | 414,494 | - |
| Support services | | | | |
| Pupil support services | 115,581 | - | 115,581 | - |
| Instructional staff support services | 162,983 | - | 1,240 | (161,743) |
| General administration | 304,148 | - | - | (304,148) |
| School administration | 438,775 | - | 61,721 | (377,054) |
| Business support services | 34,216 | - | - | (34,216) |
| Operations and maintenance | 347,984 | - | 36,514 | (311,470) |
| Central support services | 91,407 | - | 63,847 | (27,560) |
| Other student activities | 5,761 | 4,783 | - | (978) |
| Food services | 150,340 | - | 165,100 | 14,760 |
| Unallocated depreciation | 223,446 | - | - | (223,446) |
| Unallocated interest | 234,945 | - | - | (234,945) |
| Total primary government | \$ 4,586,424 | \$ 4,783 | \$ 1,221,326 | (3,360,315) |
| General Purpose Revenues | | | | |
| State school aid - unrestricted | | | | 3,410,117 |
| Earnings on investments | | | | 219 |
| Miscellaneous revenues | | | | 51,066 |
| Total general purpose revenues | | | | 3,461,402 |
| Change in net position | | | | 101,087 |
| Net position - July 1, 2020 | | | | 3,233,054 |
| Net position - June 30, 2021 | | | | \$ 3,334,141 |

See accompanying notes to financial statements

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

ASSETS

| | General | Debt Service | Non-Major | Total |
|-----------------------------------|---------------------|-------------------|------------------|---------------------|
| Cash and cash equivalents | \$ 1,215,574 | \$ - | \$ 30,150 | \$ 1,245,724 |
| Investments | - | 452,840 | - | 452,840 |
| Due from other governmental units | 982,603 | - | - | 982,603 |
| Due from other funds | - | 145 | 14,760 | 14,905 |
| Prepaid expenses | 31,532 | - | - | 31,532 |
| | \$ 2,229,709 | \$ 452,985 | \$ 44,910 | \$ 2,727,604 |

LIABILITIES AND FUND BALANCE

Liabilities

| | | | | |
|------------------------|-----------|------|------|-----------|
| Accounts payable | \$ 56,608 | \$ - | \$ - | \$ 56,608 |
| Due to other funds | 14,905 | - | - | 14,905 |
| Unearned revenue | 122,812 | - | - | 122,812 |
| Other accrued expenses | 309,105 | - | - | 309,105 |
| | 503,430 | - | - | 503,430 |

Fund Balance

| | | | | |
|--------------|---------------------|-------------------|------------------|---------------------|
| Nonspendable | 31,532 | - | - | 31,532 |
| Restricted | - | 452,985 | 44,910 | 497,895 |
| Assigned | 341,569 | - | - | 341,569 |
| Unassigned | 1,353,178 | - | - | 1,353,178 |
| | 1,726,279 | 452,985 | 44,910 | 2,224,174 |
| | \$ 2,229,709 | \$ 452,985 | \$ 44,910 | \$ 2,727,604 |

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, 2021

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

| | |
|--|---------------------|
| Total Governmental Fund Balances | \$ 2,224,174 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,990,180 and the accumulated depreciation is \$2,660,457. | 5,329,723 |
| Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds. | (56,655) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(4,163,101)</u> |
| Net Position of Governmental Activities | <u>\$ 3,334,141</u> |

See accompanying notes to financial statements

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, 2021

| | <u>General</u> | <u>Debt Service</u> | <u>Non-Major</u> | <u>Total</u> |
|--|----------------|-------------------------|------------------|--------------|
| Revenues | | | | |
| Local sources | \$ 51,112 | \$ 173 | \$ 4,783 | \$ 56,068 |
| State sources | 3,556,219 | - | - | 3,556,219 |
| Federal sources | 604,910 | - | 165,100 | 770,010 |
| Interdistrict sources | 305,214 | - | - | 305,214 |
| Total governmental fund revenues | 4,517,455 | 173 | 169,883 | 4,687,511 |
| Expenditures | | | | |
| Instruction | | | | |
| Basic program | 2,062,344 | - | - | 2,062,344 |
| Added needs | 414,494 | - | - | 414,494 |
| Support services | | | | |
| Pupil support services | 115,581 | - | - | 115,581 |
| Instructional staff support services | 162,983 | - | - | 162,983 |
| General administration | 304,148 | - | - | 304,148 |
| School administration | 438,775 | - | - | 438,775 |
| Business support services | 32,466 | 1,750 | - | 34,216 |
| Operations and maintenance | 347,984 | - | - | 347,984 |
| Central support services | 91,407 | - | - | 91,407 |
| Other student activities | - | - | 5,761 | 5,761 |
| Food services | - | - | 150,340 | 150,340 |
| Capital outlay | 203,426 | - | - | 203,426 |
| Debt principal and interest | - | 336,474 | - | 336,474 |
| Total governmental fund expenditures | 4,173,608 | 338,224 | 156,101 | 4,667,933 |
| Excess (deficiency) of revenues over expenditures | 343,847 | (338,051) | 13,782 | 19,578 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | 338,824 | - | 338,824 |
| Operating transfers out | (338,824) | - | - | (338,824) |
| Total other financing sources (uses) | (338,824) | 338,824 | - | - |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 5,023 | 773 | 13,782 | 19,578 |
| Fund balance - July 1, 2020 | 1,721,256 | 452,212 | 31,128 | 2,204,596 |
| Fund balance - June 30, 2021 | \$ 1,726,279 | \$ 452,985 | \$ 44,910 | \$ 2,224,174 |

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, 2021

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

| | | |
|---|----|--------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 19,578 |
|---|----|--------|

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 | \$ | 203,426 | |
| Depreciation and amortization expense | | <u>(223,446)</u> | (20,020) |

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 | \$ | 105,000 | |
| Interest expense | | <u>(3,471)</u> | <u>101,529</u> |

| | | |
|--|----|-----------------------|
| Change in Net Position of Governmental Activities | \$ | <u><u>101,087</u></u> |
|--|----|-----------------------|

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 were approximately \$103,700.

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 a minimum of \$40,000 for accounting services. The total paid for these services amounted to \$123,630 for the year ended June 30, 2021.

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, 2021

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

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

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

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

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- 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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2021 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 2021 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, 2021, 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, 2021

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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a. *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.
- b. *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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. A comparison of appropriated revenues and expenditures versus actual for the year ended June 30, 2021 is detailed on page 20 of these financial statements.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2021, the Academy had the following investments:

| <u>Type</u> | <u>S&P Rating</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|--------------------------------------|-----------------------|-------------------|-----------------------|
| Deposits: | | | |
| Demand deposits | | | \$ 1,245,724 |
| Investments: | | | |
| U.S. Treasury and agency obligations | AAAm | Various | <u>452,840</u> |
| Total deposits and investments | | | <u>\$ 1,698,564</u> |

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

| | | | |
|--|--|--|---------------------|
| Deposits: | | | |
| Cash - General Fund | | | \$ 1,215,574 |
| Cash - Special Revenue - Student Activities Fund | | | <u>30,150</u> |
| Subtotal | | | 1,245,724 |
| Investments: | | | |
| Investments - Debt Service Fund | | | <u>452,840</u> |
| Total deposits and investments | | | <u>\$ 1,698,564</u> |

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, 2021, Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

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, 2021, \$898,628 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2021.

Custodial Credit Risk - Investments

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

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

Foreign Currency Risk

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

Fair Value

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

- 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 | \$ 658,781 |
| Federal sources | <u>323,822</u> |
| Total | <u><u>\$ 982,603</u></u> |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS

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

| | <u>Balance</u> <u>July 1, 2020</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2021</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 | 1,482,348 | 150,605 | - | 1,632,953 |
| Equipment | 158,297 | 52,821 | - | 211,118 |
| Computer | 85,150 | - | - | 85,150 |
| Sub-total | <u>7,786,754</u> | <u>203,426</u> | <u>-</u> | <u>7,990,180</u> |
| Accumulated depreciation | | | | |
| Building | 2,008,248 | 150,130 | - | 2,158,378 |
| Improvements | 210,095 | 55,409 | - | 265,504 |
| Equipment | 138,461 | 15,884 | - | 154,345 |
| Computer | 80,207 | 2,023 | - | 82,230 |
| Sub-total | <u>2,437,011</u> | <u>223,446</u> | <u>-</u> | <u>2,660,457</u> |
| Total net capital assets | <u>\$ 5,349,743</u> | <u>\$ (20,020)</u> | <u>\$ -</u> | <u>\$ 5,329,723</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 | \$ 275,449 | \$ 275,449 |
| Oversight and management fee | 18,499 | 18,499 |
| Other expenses | 15,157 | 15,157 |
| Interest expense | 56,655 | - |
| Total other accrued expenses | <u>\$ 365,760</u> | <u>\$ 309,105</u> |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2021 can be summarized as follows:

Loan Information

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Other</u> |
|--------------|--------------------------|--------------------------|---|
| Revenue bond | 5% Average | April, 2043 | Semi-annual interest payments, collateralized by pledge for state aid |

Loan Activity

| | <u>Balance July 1, 2020</u> | <u>Additions</u> | <u>Retirements and Payments</u> | <u>Balance June 30, 2021</u> | <u>Due Within One Year</u> |
|---------------------------|---------------------------------|------------------|-------------------------------------|----------------------------------|--------------------------------|
| Revenue bond | <u>\$ 4,370,000</u> | <u>\$ -</u> | <u>\$ 105,000</u> | \$ 4,265,000 | <u>\$ 110,000</u> |
| Less unamortized discount | | | | <u>101,899</u> | |
| | | | | <u>\$ 4,163,101</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> |
|-------------|------------------|-----------------|
| 2022 | \$ 110,000 | \$ 221,934 |
| 2023 | 115,000 | 216,846 |
| 2024 | 120,000 | 211,528 |
| 2025 | 125,000 | 205,678 |
| 2026 | 130,000 | 199,584 |
| 2027 - 2031 | 770,000 | 893,638 |
| 2032 - 2036 | 990,000 | 671,700 |
| 2037 - 2041 | 1,285,000 | 373,588 |
| 2042 - 2043 | 620,000 | 44,676 |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

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 | \$ - | \$ 338,824 |
| Transfer Out | 338,824 | - |

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

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

The Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, for the fiscal year ended June 30, 2021. 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 implementation of GASB 84 had the following effect on net position as reported on June 30, 2020:

| | <u>Government Wide</u> | <u>Student Activities Fund</u> |
|---|----------------------------|------------------------------------|
| Net position / Fund balance- July 1, 2020 | \$ 3,201,926 | \$ - |
| Prior period adjustment | | |
| To reclassify funds as a result of the implementation of GASB Statement No. 84 | <u>31,128</u> | <u>31,128</u> |
| Net position / Fund balance - July 1, 2020, as restated | <u>\$ 3,233,054</u> | <u>\$ 31,128</u> |

NOTE 12 – FEDERAL REVENUES OVER \$750,000 WITH NO SINGLE AUDIT

During the 2019-2020 school year the Academy incurred federal expenditures of \$200,931 but was only able to recognize \$160,040 in federal funds due to measurable and available criteria. The additional \$40,891 of revenues were drawn and received after August 31, 2020 and have been included in the 2020-2021 school year. This additional revenue increases federal revenues to \$770,010 which is over the \$750,000 limit that would potentially require a single audit. A single audit is not needed for the 2020-2021 school year as the expenditures related to these additional revenues were recognized in the prior year.

SUPPLEMENTARY INFORMATION

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|-------------------------|---------------|-----------------|
| Revenues | | | | |
| Local sources | \$ 105,913 | \$ 15,610 | \$ 51,112 | \$ 35,502 |
| State sources | 3,329,984 | 3,678,036 | 3,556,219 | (121,817) |
| Federal sources | 269,984 | 674,248 | 604,910 | (69,338) |
| Interdistrict sources | 206,635 | 289,680 | 305,214 | 15,534 |
| Total general fund revenues | 3,912,516 | 4,657,574 | 4,517,455 | (140,119) |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 1,920,728 | 2,138,803 | 2,062,344 | (76,459) |
| Added needs | 405,649 | 535,408 | 414,494 | (120,914) |
| Support services | | | | |
| Pupil support services | 146,861 | 120,165 | 115,581 | (4,584) |
| Instructional staff support services | 81,228 | 96,915 | 162,983 | 66,068 |
| General administration | 307,664 | 299,336 | 304,148 | 4,812 |
| School administration | 500,192 | 473,128 | 438,775 | (34,353) |
| Business support services | 40,602 | 32,466 | 32,466 | - |
| Operations and maintenance | 237,450 | 338,119 | 347,984 | 9,865 |
| Pupil transportation services | 17,690 | 100 | - | (100) |
| Central support services | 183,994 | 179,336 | 91,407 | (87,929) |
| Community services | 68,479 | - | - | - |
| Capital outlay | - | 204,200 | 203,426 | (774) |
| Total general fund expenditures | 3,910,537 | 4,417,976 | 4,173,608 | (244,368) |
| Excess (deficiency) of revenues over expenditures | 1,979 | 239,598 | 343,847 | 104,249 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers out | (338,754) | (347,824) | (338,824) | 9,000 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | (336,775) | (108,226) | 5,023 | 113,249 |
| Fund balance - July 1, 2020 | 1,721,256 | 1,721,256 | 1,721,256 | - |
| Fund balance - June 30, 2021 | \$ 1,384,481 | \$ 1,613,030 | \$ 1,726,279 | \$ 113,249 |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

COMBINED BALANCE SHEET – NON-MAJOR FUNDS
JUNE 30, 2021

ASSETS

| | <u>Special Revenue</u> | | |
|---------------------------|------------------------|-------------------|------------------|
| | <u>Food</u> | <u>Student</u> | |
| | <u>Services</u> | <u>Activities</u> | <u>Total</u> |
| Cash and cash equivalents | \$ - | \$ 30,150 | \$ 30,150 |
| Due from other funds | 14,760 | - | 14,760 |
| Total assets | <u>\$ 14,760</u> | <u>\$ 30,150</u> | <u>\$ 44,910</u> |

LIABILITIES AND FUND BALANCE

Fund Balance

| | | | |
|------------|------------------|------------------|------------------|
| Restricted | <u>\$ 14,760</u> | <u>\$ 30,150</u> | <u>\$ 44,910</u> |
|------------|------------------|------------------|------------------|

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – NON-MAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Special Revenue</u> | | <u>Total</u> |
|---|--------------------------|-------------------------------|------------------|
| | <u>Food Services</u> | <u>Student Activities</u> | |
| Revenues | | | |
| Local sources | \$ - | \$ 4,783 | \$ 4,783 |
| Federal sources | 165,100 | - | 165,100 |
| Total governmental fund revenues | 165,100 | 4,783 | 169,883 |
| Expenditures | | | |
| Support services | | | |
| Other student activities | - | 5,761 | 5,761 |
| Food services | 150,340 | - | 150,340 |
| Excess (deficiency) of revenues over expenditures | 14,760 | (978) | 13,782 |
| Fund balance - July 1, 2020 | - | 31,128 | 31,128 |
| Fund balance - June 30, 2021 | <u>\$ 14,760</u> | <u>\$ 30,150</u> | <u>\$ 44,910</u> |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

| | |
|-------------------------|---------------|
| Authorizer grant | \$ 9,399 |
| Earnings on investments | 46 |
| Other local revenues | <u>41,667</u> |
| Total local sources | 51,112 |

State Sources

| | |
|---------------------|------------------|
| At risk | 71,874 |
| Special education | 74,228 |
| State aid | <u>3,410,117</u> |
| Total state sources | 3,556,219 |

Federal Sources

| | |
|-----------------------|----------------|
| IDEA | 93,630 |
| Title I | 112,207 |
| Title II A | 10,696 |
| Other program revenue | <u>388,377</u> |
| Total federal sources | 604,910 |

Interdistrict Sources

| | |
|-----------------------------|---------------------|
| | <u>305,214</u> |
| Total general fund revenues | <u>\$ 4,517,455</u> |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

| | |
|--------------------------------|--------------|
| Purchased services | \$ 1,899,205 |
| Rentals | 9,659 |
| Other purchased services | 23,366 |
| Supplies and materials | 106,700 |
| Non-depreciable capital assets | 14,499 |
| Other expenditures | 8,915 |
| | <hr/> |
| Total basic programs | 2,062,344 |

Added Needs

| | |
|--------------------------------|---------|
| Purchased services | 412,006 |
| Supplies and materials | 2,264 |
| Non-depreciable capital assets | 159 |
| Other expenditures | 65 |
| | <hr/> |
| Total added needs | 414,494 |

Pupil Support Services

| | |
|--------------------------------|---------|
| Guidance services | 3,225 |
| Health services | 16,206 |
| Psychological services | 6,915 |
| Speech pathology and audiology | 59,682 |
| Social work services | 29,553 |
| | <hr/> |
| Total pupil support services | 115,581 |

Instructional Staff Support Services

| | |
|--|---------|
| Purchased services | 136,062 |
| Repairs and maintenance | 2,282 |
| Supplies and materials | 7,062 |
| Non-depreciable capital assets | 17,577 |
| | <hr/> |
| Total instructional staff support services | 162,983 |

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

General Administration

| | |
|----------------------|---------|
| Purchased services | 73,297 |
| Management fees | 123,629 |
| University oversight | 103,673 |
| Other expenditures | 3,549 |

Total general administration 304,148

School Administration

| | |
|--------------------------------|---------|
| Purchased services | 410,541 |
| Supplies and materials | 9,963 |
| Non-depreciable capital assets | 9,322 |
| Other expenditures | 8,949 |

Total school administration 438,775

Business Support Services

| | |
|--------------------|--------|
| Purchased services | 31,716 |
| Other expenditures | 750 |

Total business support services 32,466

Operations and Maintenance

| | |
|--------------------------------|---------|
| Purchased services | 131,185 |
| Repairs and maintenance | 77,412 |
| Supplies and materials | 107,398 |
| Non-depreciable capital assets | 31,733 |
| Other expenditures | 256 |

Total operations and maintenance 347,984

WEST MICHIGAN ACADEMY OF ARTS AND ACADEMICS

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Central Support Services

| | |
|--------------------------------|---------------|
| Purchased services | 1,536 |
| Repairs and maintenance | 8,888 |
| Other purchased services | 16,935 |
| Supplies and materials | 47,067 |
| Non-depreciable capital assets | <u>16,981</u> |
| Total central support services | 91,407 |

Capital Outlay

| | |
|---------------------------------|---------------------|
| | <u>203,426</u> |
| Total general fund expenditures | <u>\$ 4,173,608</u> |