

**W-A-Y ACADEMY**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
W-A-Y Academy  
Detroit, Michigan

### Report on the Audit of Financial Statements

#### Opinions

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

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

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

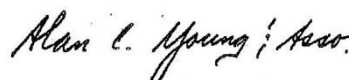
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part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

### **Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2023 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.



Detroit, Michigan  
December 7, 2023

W-A-Y Academy (the Academy) is a Public School Academy located in Detroit, Michigan. The Academy began its first academic year in September 2011. As management of the Academy, we offer the readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

## FINANCIAL HIGHLIGHTS

- Enrollment was met with the maximum number of 198 students based on the Fall Count Day in the 2022-2023 school year.
- The General Fund had \$2,941,777 in revenue, which primarily consisted of State funding (70%), followed by Local Sources (1%), and Federal Sources (29%).

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) academy-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The academy-wide financial statements outline functions of the Academy that are principally supported by State Aid and intergovernmental revenues (Federal grants) and operations and management.

The academy-wide financial statements can be found on pages 1 and 2 of this report.

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary and fiduciary funds. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on page 3 and 5 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 to 13 of this report.

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$418,743 as of June 30, 2023.

The Academy's financial position is the product of financial transactions for the year, including the net results of activities, the acquisition of capital assets, and the depreciation of capital assets.

**Net Position as of June 30, 2023 and 2022**

The following shows a summary of the Academy's Statement of Net Position as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets	\$ 920,580	\$ 540,577
<b>Total Assets</b>	<u>920,580</u>	<u>540,577</u>
<b>Liabilities</b>		
Current Liabilities	501,837	159,146
<b>Total Liabilities</b>	<u>501,837</u>	<u>159,146</u>
<b>Net Position</b>		
Restricted	24,475	30,390
Unrestricted	394,268	351,041
<b>Total Net Position</b>	<u>\$ 418,743</u>	<u>\$ 381,431</u>

# W-A-Y ACADEMY

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2023

### FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (Continued)

#### Change in Net Position for the years ending June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>		
State Aid Formula Grants	\$ 1,817,444	\$ 1,871,358
Other Revenue	161,333	34,861
Operating Grants and Contributions	<u>1,160,511</u>	<u>1,194,512</u>
<b>Total Revenue</b>	<u>3,139,288</u>	<u>3,100,731</u>
<b>Expenditures</b>		
Basic Instruction	1,082,473	1,481,930
Added Needs	422,214	477,191
Support Services		
Pupil Support Services	119,289	78,607
Instructional Staff Services	97,588	75,845
General/Executive Administration Services	343,530	363,451
School Administration Services	190,348	189,463
Business Services	117,797	121,273
Operations and Maintenance	407,531	384,233
Central Services	269,429	192,257
Community Activities	-	619
Food Services	<u>51,777</u>	<u>19,293</u>
<b>Total Expenditures</b>	<u>3,101,976</u>	<u>3,384,162</u>
<b>Change in Net Position</b>	<u>\$ 37,312</u>	<u>\$ (283,431)</u>

#### Financial Analysis of the Academy's Funds

The performance of the Academy as a whole is reflected in the governmental funds. As the Academy completed its year, its governmental funds reported an unassigned General Fund balance of \$230,855.

#### Comments on Budget Comparisons

- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenues being \$994,313 less than budget or approximately 13%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$780,010 less than budget or approximately 7%.



**CAPITAL ASSET AND DEBT ADMINISTRATION**

At June 30, 2023, the Academy had no capital assets or long-term debt.

**Economic Factors and Next Year's Budgets and Rates**

The Academy considers many factors when setting the Academy's 2023-2024 fiscal year budgets. One of the most important factors affecting the budget is our student enrollment. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023-24 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2023 based on an enrollment estimate of 200 students in the Fall of 2023-24.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data and aggressive recruiting efforts, an estimated fall count of 200 students is expected.

Once the final student count and related per pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. Amended budgets will also reflect actual recurring and one-time federal grant allocations awarded to the Academy. 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 revenue to fund its appropriations to public schools and public school academies.

**CONTACTING THE ACADEMY'S MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Director of Finance at the Administration Office, W-A-Y Academy, 379 Main Street, Belleville, Michigan 48111, telephone 313-574-2557.

# W-A-Y ACADEMY

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## Statement of Net Position June 30, 2023

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 219,433
Due From Other Governmental Units (Note 4)	690,554
Prepaid Expenses	<u>10,593</u>
<b>Total Assets</b>	<u>920,580</u>
<b>LIABILITIES</b>	
Accounts Payable	177,279
Accrued Expenditures	227,464
Unearned Revenue (Note 1)	75,165
Note Payable (Note 7)	<u>21,929</u>
<b>Total Liabilities</b>	<u>501,837</u>
<b>NET POSITION</b>	
Restricted (Note 1)	24,475
Unrestricted	<u>394,268</u>
<b>Total Net Position</b>	<u>\$ 418,743</u>

*The accompanying notes are an integral part of these financial statements.*

**W-A-Y ACADEMY****Statement of Activities  
Year Ended June 30, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Governmental</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Activities Net (Expenses) Revenues and Changes in Net Position</b>
<b>Governmental Activities</b>				
Basic Instructions	\$ 1,082,473	\$ -	\$ 764,192	\$ (318,281)
Added Needs	422,214	-	209,058	(213,156)
Supporting Services				
Pupil Support Services	119,289	-	-	(119,289)
Instructional Staff Services	97,588	-	48,320	(49,268)
General / Executive Administration Services	343,530	-	-	(343,530)
School Administration Services	190,348	-	94,250	(96,098)
Business Services	117,797	-	-	(117,797)
Operations and Maintenance	407,531	-	-	(407,531)
Central Support	269,429	-	-	(269,429)
Food Services	51,777	-	44,691	(7,086)
<b>Total Governmental Activities</b>	<b>\$ 3,101,976</b>	<b>\$ -</b>	<b>\$ 1,160,511</b>	<b>(1,941,465)</b>
		<b>General Revenues</b>		
		State Aid - Formula Grants		1,817,444
		Other Revenue		161,333
		<b>Total General Revenues</b>		<b>1,978,777</b>
		Change in Net Position		37,312
		<b>Net Position - July 1, 2022</b>		<b>381,431</b>
		<b>Net Position - June 30, 2023</b>		<b>\$ 418,743</b>

The accompanying notes are an integral part of these financial statements.

**W-A-Y ACADEMY****Governmental Funds Balance Sheet  
June 30, 2023**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)	\$ 207,449	\$ 11,984	\$ 219,433
Due From Other Funds (Note 5)	-	1,166	1,166
Due From Other Governmental Units (Note 4)	679,229	11,325	690,554
Prepaid Expense	10,593	-	10,593
<b>Total Assets</b>	<b>\$ 897,271</b>	<b>\$ 24,475</b>	<b>\$ 921,746</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 177,279	\$ -	\$ 177,279
Accrued Expenditures	227,464	-	227,464
Due to Other Funds (Note 5)	1,166	-	1,166
Unearned Revenue (Note 1)	75,165	-	75,165
Note Payable (Note 7)	21,929	-	21,929
<b>Total Liabilities</b>	<b>503,003</b>	<b>-</b>	<b>503,003</b>
<b>Deferred Inflow of Resources</b>			
Unavailable Revenue (Note 1)	152,820	-	152,820
Total Liabilities and Deferred Inflow of Resource	655,823	-	655,823
<b>Fund Balances (Note 1)</b>			
Nonspendable	10,593	-	10,593
Restricted (Note 1)	-	24,475	24,475
Unassigned	230,855	-	230,855
<b>Total Fund Balance</b>	<b>241,448</b>	<b>24,475</b>	<b>265,923</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 897,271</b>	<b>\$ 24,475</b>	<b>\$ 921,746</b>

*The accompanying notes are an integral part of these financial statements.*

# W-A-Y ACADEMY

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2023

	<b>Amount</b>
<b>Fund Balance - Total Governmental Funds</b>	\$ 265,923
Amounts reported for governmental activities in the Statement of Position are different because	
Amounts not received within 60 days of year-end are not considered available under the modified accrual basis of accounting but are recorded as revenue under the full-accrual basis	<u>152,820</u>
<b>Net Position - Governmental Activities</b>	<u>\$ 418,743</u>

*The accompanying notes are an integral part of these financial statements.*

# W-A-Y ACADEMY

## Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2023

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>REVENUE</b>			
Federal Sources	\$ 864,573	\$ 42,707	\$ 907,280
State Sources	2,068,691	1,984	2,070,675
Local Sources	8,513	-	8,513
<b>Total Revenue</b>	<u>2,941,777</u>	<u>44,691</u>	<u>2,986,468</u>
<b>EXPENDITURES</b>			
Basic Instruction	1,082,473	-	1,082,473
Added Needs	422,214	-	422,214
Supporting Services:			
Pupil Support	119,289	-	119,289
Instructional Staff	97,588	-	97,588
General / Executive Administration	343,530	-	343,530
School Administration	190,348	-	190,348
Business Services	117,797	-	117,797
Operations and Maintenance	407,531	-	407,531
Central Support	269,429	-	269,429
Food Service	-	51,777	51,777
<b>Total Expenditures</b>	<u>3,050,199</u>	<u>51,777</u>	<u>3,101,976</u>
<b>Net Change in Fund Balance</b>	(108,422)	(7,086)	(115,508)
<b>Fund Balance - July 1, 2022</b>	<u>349,870</u>	<u>31,561</u>	<u>381,431</u>
<b>Fund Balance - June 30, 2023</b>	<u>\$ 241,448</u>	<u>\$ 24,475</u>	<u>\$ 265,923</u>

*The accompanying notes are an integral part of these financial statements.*

# W-A-Y ACADEMY

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## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

	<b>Amount</b>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	\$ (115,508)
Amounts reported for governmental activities in the Statement of Activities are different because	
Amounts not received within 60 days of year-end are not considered considered available under the modified accrual basis of accounting but are recorded as revenue under the full-accrual basis	<u>152,820</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 37,312</u></u>

*The accompanying notes are an integral part of these financial statements.*

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the W-A-Y Academy (the Academy) conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

**Reporting Entity**

W-A-Y Academy is a nonprofit corporation and a public school academy corporation organized under 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. Notwithstanding any provision of the Michigan Nonprofit Corporation Act, as amended, the Academy shall not take any action inconsistent with the provisions of Part 6A of the Code or other Applicable Law.

On June 1, 2017, the Academy renewed and entered into a five-year contract with the Lake Superior State University (LSSU) Board of Trustees to Charter a Public School Academy. This agreement has been again renewed on July 1, 2022 and is effective through June 2027. 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 LSSU Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract, all applicable laws and other related activities for which compensation is permissible. By agreement between LSSU and the Academy, LSSU may charge additional fees beyond the administrative fees for services rendered. The Academy pays the LSSU Board of Trustees 3 percent of the Academy's State School Aid Payments as an administrative fee. The total administrative fee paid in the year ended June 30, 2023 to LSSU was approximately \$69,000.

**Academy-Wide and Fund Financial Statements**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Academy-Wide and Fund Financial Statements (Continued)**

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary and fiduciary funds. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Academy-Wide Financial Statements** – The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing to related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

**General Fund** – The Academy's major fund is the General Fund. This fund is used to account for all operational activities of the Academy. The General Fund includes the current operating expenditures of the Academy. Revenues are derived primarily from the State of Michigan.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**School Service Fund** – The School Service Fund is used to account for the food service operation. Its revenues are derived primarily from a federal grant and student charges.

**Student / School Activity Fund** – During the year, the fund had no activity.

**Assets, Liabilities, and Net Position**

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables** – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts has been recorded.

**Prepaid Costs** – Certain payment to vendors reflect cost applicable to future fiscal years and are recorded as prepaid costs in both academy-wide and fund financial statements.

**Capital Assets** – Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any capital assets at June 30, 2023.

**Deferred Outflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no deferred outflows of resources at year-end.

**Deferred Inflows of Resources** – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had \$152,820 of deferred inflows of resources at June 30, 2023.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Assets, Liabilities, and Net Position (Continued)**

**Unearned Revenue** – Unearned revenue is reported in connection to funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2023, the Academy had \$75,165 in unearned revenue that includes revenue relating to unspent grant revenue.

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

In addition to non-spendable 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.

At June 30, 2023, the Academy had \$23,304 in restricted fund balance for food service and \$1,171 restricted for student/school activity.

**Net Position** – Net position of the Academy is classified in three components. Net Investment in capital assets – net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any expendable restricted net position during the year. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Assets, Liabilities, and Net Position (Continued)**

**Use of Estimates** – The preparation of the 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 of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Adoption of New Accounting Pronouncement** – In May 2020, the GASB issued Statement No. 96, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. It defines a SBITA as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The Academy had no SBITAs requiring disclosure on the statement of net position..

**2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** – 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, 2023, the budget was amended in a legally permissible manner. Expenses exceeded the budget line items for certain categories, as shown below. In total, actual expenses were approximately \$780,010 less than budgeted expenses.

	<b>Final Budget</b>	<b>Actual</b>	<b>Over Budget</b>
Operations and Maintenance	\$ 404,271	\$ 407,531	\$ 3,260
Central Support	265,638	269,429	3,791

**Grants** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy’s opinion, no disallowed claims are expected and would not have a material effect on the financial statements as of and for the year ended June 30, 2023.

**3) DEPOSITS AND INVESTMENTS**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for deposit of its funds.

The investment policy adopted by the Board has authorized investments as listed in the State statutory authority as listed above.

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposit for custodial credit risk. At June 30, 2023, the Academy had a deposit balance of \$211,349 which is fully insured by FDIC.

**Interest Rate Risk**

Interest rate risk is the risk that value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Academy's policy minimizes interest rate risk 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 Academy's cash requirements. The Academy does not have investments with interest rate risk.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices, the Academy held no such investment at June 30, 2023.

**3) DEPOSITS AND INVESTMENTS (Continued)**Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and Academy's policy prohibit investment in foreign currency.

**4) DUE FROM OTHER GOVERNMENTAL UNITS**

Receivables as of June 30, 2023 for the Academy include \$391,488 in State Aid receivable, and \$140,167 in Federal grants receivable, and \$158,899 in other grants receivable.

**5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of inter-fund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From General Fund</u>	<u>Total</u>
Cafeteria Fund	\$ 1,166	\$ 1,166
Total	<u>\$ 1,166</u>	<u>\$ 1,166</u>

Inter-fund receivables and payables occur during the normal course of business and are settled routinely during the year.

**6) MANAGEMENT COMPANY AGREEMENT**

The Academy has entered into a contract with W-A-Y Widening Advancement for Youth (W-A-Y) effective August 15, 2017 and continued until the termination or expiration of the Charter. Under the direction of the Academy's Board, W-A-Y shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services, and overseeing other contractors.

Per the terms of the agreement, W-A-Y Program receives 8% of state per pupil revenue as its annual management fee. For the year ended June 30, 2023, the management fee for the Academy was approximately \$145,000. The management contract may be terminated under various circumstances as defined in the management agreement.

**7) STATE AID NOTE**

In September 2022, the Academy borrowed \$123,000 at 5.40 percent annual interest under a state aid anticipation note. Proceeds from the note were used to fund school operations. The unpaid balance totals \$21,929 at June 30, 2023.

**8) SUBSEQUENT EVENTS**

The Academy has evaluated all subsequent events through December 7, 2023, the date the financial statements were available to be issued. On August 31, 2023, the Academy entered into a State Aid Bridge Note in the amount of \$125,000 with an interest rate of 6.25% and a maturity date of August 20, 2024. The Academy is to make 11 monthly payments. The principal and interest payments on the Note are pledged by State Aid payments for fiscal year 2023-2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**W-A-Y ACADEMY****Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Federal Sources	\$ 631,494	\$ 1,356,345	\$ 864,573	\$ (491,772)
State Sources	2,115,142	2,069,399	2,068,691	(708)
Local Sources	<u>510,346</u>	<u>510,346</u>	<u>8,513</u>	<u>(501,833)</u>
<b>Total Revenue</b>	<u>3,256,982</u>	<u>3,936,090</u>	<u>2,941,777</u>	<u>(994,313)</u>
<b>Expenditures</b>				
Instruction:				
Basic Instruction	1,122,002	1,571,776	1,082,473	(489,303)
Added Needs	477,846	576,497	422,214	(154,283)
Supporting Services:				
Pupil Support	139,880	139,880	119,289	(20,591)
Instructional Staff	72,090	112,063	97,588	(14,475)
General / Executive Administration	335,740	387,322	343,530	(43,792)
School Administration	193,000	192,965	190,348	(2,617)
Business Services	142,182	123,619	117,797	(5,822)
Operations and Maintenance	406,815	404,271	407,531	3,260
Pupil Transportation	1,000	1,000	-	(1,000)
Central Support	267,800	265,638	269,429	3,791
Community Activities	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>Total Expenditures</b>	<u>3,159,355</u>	<u>3,776,031</u>	<u>3,050,199</u>	<u>(725,832)</u>
<b>Excess of Revenue over Expenditures</b>	97,627	160,059	(108,422)	(268,483)
<b>Other Financing Sources - (Uses)</b>				
Other Financing Uses	(19,067)	(19,067)	-	19,067
Outgoing Transfers & Other Transactions	<u>(35,111)</u>	<u>(35,111)</u>	<u>-</u>	<u>35,111</u>
<b>Total Other Financing Sources - Uses</b>	<u>(54,178)</u>	<u>(54,178)</u>	<u>-</u>	<u>54,178</u>
<b>Net Change in Fund Balance</b>	<u>\$ 43,449</u>	<u>\$ 105,881</u>	<u>(108,422)</u>	<u>\$ (214,305)</u>
<b>Fund Balance - July 1, 2022</b>			<u>349,870</u>	
<b>Fund Balance - June 30, 2023</b>			<u>\$ 241,448</u>	

## **OTHER SUPPLEMENTARY INFORMATION**

# W-A-Y ACADEMY

## Combining Balance Sheet Non-Major Governmental Funds June 30, 2023

	Non-Major Funds		
	Food Service Fund	Student / School Activity Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)	\$ 10,813	\$ 1,171	\$ 11,984
Due From Other Governmental Units (Note 4)	11,325	-	11,325
Due From Other Funds (Note 5)	1,166	-	1,166
<b>Total Assets</b>	<b>\$ 23,304</b>	<b>\$ 1,171</b>	<b>\$ 24,475</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Fund Balances</b>			
Restricted for Food Service (Note 1)	\$ 23,304	\$ -	\$ 23,304
Restricted for Student/School Activity (Note 1)	-	1,171	1,171
<b>Total Fund Balance</b>	<b>\$ 23,304</b>	<b>\$ 1,171</b>	<b>\$ 24,475</b>

# W-A-Y ACADEMY

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non-Major Governmental Funds June 30, 2023

	Non-Major Funds		
	Food Service Fund	Student / School Activity Fund	Total Governmental Funds
<b>REVENUE</b>			
Federal Sources	\$ 42,707	\$ -	\$ 42,707
State Sources	1,984	-	1,984
<b>Total Revenue</b>	<u>44,691</u>	<u>-</u>	<u>44,691</u>
<b>EXPENDITURES</b>			
Food Service	51,777	-	51,777
<b>Total Expenditures</b>	<u>51,777</u>	<u>-</u>	<u>51,777</u>
<b>Net Change in Fund Balance</b>	(7,086)	-	(7,086)
<b>Fund Balance - July 1, 2022</b>	<u>30,390</u>	<u>1,171</u>	<u>31,561</u>
<b>Fund Balance - June 30, 2023</b>	<u>\$ 23,304</u>	<u>\$ 1,171</u>	<u>\$ 24,475</u>