

WAY MICHIGAN

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WAY Michigan
Detroit, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of WAY Michigan (the Academy) as of and for the year ended June 30, 2022, 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 and major fund of the Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

Independent Auditor's Report (Continued)

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.

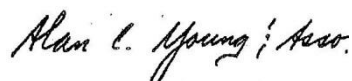
Independent Auditor's Report (Continued)

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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2022 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
October 19, 2022

WAY Michigan is a grade 6-12 statewide cyber Public School Academy located in Detroit, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2022.

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:

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 would be reported in their relevant special revenue funds. WAY Michigan does not currently have any special revenue funds.

In the fund financial statements, 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. Payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements. The Academy has no capital assets or long-term obligations as of the end of the fiscal year.

WAY MICHIGAN

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

2021-2022 was WAY Michigan's eighth year of operation. Enrollment increased by 15 students from 192 students in the prior year to 207 students in the current year. WAY Michigan borrowed \$189,000 in a State Aid Note to assist with cash flow needs. The following represents a summary of the Academy's net position as of June 30, 2022 and 2021:

| | 2022 | 2021 |
|-----------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 331,576 | \$ 177,691 |
| Due From Other Governmental Units | 375,982 | 385,758 |
| Security Deposits | 2,436 | 2,436 |
| Prepaid Expenses | 21,229 | 16,613 |
| Total Assets | 731,223 | 582,498 |
| Liabilities | | |
| Accounts Payable | 32,580 | 182,164 |
| Accrued Payroll | 159,080 | 64,746 |
| State Aid Note Payable | 51,273 | 26,751 |
| Unearned Revenue | 6,926 | 6,927 |
| Total Liabilities | 249,859 | 280,588 |
| Net Position | | |
| Unrestricted | 481,364 | 301,910 |
| Total Net Position | \$ 481,364 | \$ 301,910 |

The \$481,364 in unrestricted net position of governmental activities represents Academy funds that have not been committed contractually or for debt obligations and are available for future use. Total net position increased \$179,454 in 2021-22.

WAY MICHIGAN

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2022

The results of the year's operations for the Academy as a whole are reported in the Statement of Activities. The summaries of the academy-wide results of operations for the years ended June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Revenue | | |
| Operating Grants & Contributions - Instruction | \$ 568,714 | \$ 409,409 |
| Operating Grants & Contributions - Support | 109,496 | 80,006 |
| State School Aid - Unrestricted | 1,594,980 | 1,550,282 |
| Miscellaneous | 26,903 | 25,351 |
| Total Revenues | 2,300,093 | 2,065,048 |
| Functions/Program Expenses | | |
| Instruction | 1,370,717 | 1,290,025 |
| Instruction Support Services | 749,922 | 749,727 |
| Total Expenses | 2,120,639 | 2,039,752 |
| Change in Net Position | 179,454 | 25,296 |
| Net Position - Beginning of Year | 301,910 | 276,614 |
| Net Position - End of the Year | \$ 481,364 | \$ 301,910 |

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Factors affecting the change in net position during the year are discussed below: 2021-2022 was the eighth year of operations for WAY Michigan. Revenues and expenditures both increased, primarily due to an inflow of COVID related funding.

A. Unrestricted State Aid

State aid revenue is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The WAY Michigan foundation allowance was \$8,700 per pupil.
- Student Enrollment: The Academy's student enrollment for the fall count of 2021-2022 was 193 students. To calculate total state aid to be provided by the foundation allowance, a blend of 90% of the fall count and 10% of the previous February count is multiplied by the Academy's foundation allowance.
- Subsequent to year-end June 30, 2022, preliminary student enrollments for 2022 - 2023 indicate that the 2022 fall student enrollment should show an increase of students. The expected increase in enrollment is due to targeted marketing in various areas around the state.

B. General Fund Budgetary Highlights**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1 of the start of the fiscal year.

As a matter of practice, WAY Michigan amends its budget periodically as needed during the school year. For the fiscal year 2021-2022, the budget was amended in April 2022, and June 2022. The June 30, 2022 budget amendment was the final budget for the fiscal year. The WAY Michigan Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The general fund does budget for capital outlays in the original budget.

Variance between Final Budget and Actual Results**Revenues:**

| | Amount |
|-------------------------------|------------------|
| Total Revenues Final Budget | \$ 2,340,293 |
| Total Revenues Actual Results | 2,300,093 |
| Budget Variance | <u>\$ 40,200</u> |

The Academy's actual general fund revenues was lower than the final budget by \$40,200. This variance was partially a result of unspent federal grant allocations awarded to the WAY Michigan. Those allocations are available through September 30 and it is anticipated that a majority of these unspent allocations at June 30, 2022 will be used before the end of the grant period.

The following are the significant changes in revenues from the original budget:

- Adjustment to actual grant allocations as estimates were used in the original budget.

Expenditures:

| | Amount |
|-----------------------------------|-------------------|
| Total Expenditures Final Budget | \$ 2,334,157 |
| Total Expenditures Actual Results | 2,120,639 |
| Budget Variance | <u>\$ 213,518</u> |

The Academy's actual expenditures were less than final budget by \$213,518. These cost savings were partially a result of under spending federal grant allocations described above under the explanation of the revenue variance.

The following are the significant changes in expenditures from the original budget:

- Adjustment to actual state and federal grant allocations expenditures as estimates were used in the original budget. The Academy broadened grant services due to an increase in grant allocations.
- Adjustment was made to update budgeted line-item for salaries and benefits due to actual staffing costs.
- Management and authorizer fees adjusted due to state and federal grant allocation changes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2022-23 fiscal year was adopted by the Board of Education in June 2022. Some 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 2022-23 budget preparation process include:

- Enrollment projections of students in grades 6-12.
- Increases in staffing to accommodate increased student enrollment.
- Slight increases in benefit costs due to both increases in premiums and the increase in the number of staff eligible to receive benefits.

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.

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, please contact Jean Pashakarnis, Director of Finance, at 379 Main Street Suite 1, Belleville, Michigan, 48111 (734-679-3242).

WAY MICHIGAN

Statement of Net Position June 30, 2022

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents (Note 3) | \$ 331,576 |
| Due From Other Governmental Units (Note 4) | 375,982 |
| Security Deposits | 2,436 |
| Prepaid Expenses | 21,229 |
| Total Assets | 731,223 |
| LIABILITIES | |
| Accounts Payable | 32,580 |
| Accrual Payroll | 159,080 |
| State Aid Anticipation Note Payable (Note 8) | 51,273 |
| Unearned Revenue (Note 1) | 6,926 |
| Total Liabilities | 249,859 |
| NET POSITION | |
| Unrestricted | 481,364 |
| Total Net Position | \$ 481,364 |

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Statement of Activities Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|--------------------------------------|------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position |
| Governmental Activities | | | | |
| Basic Instruction | \$ 1,136,068 | \$ - | \$ 471,358 | \$ (664,710) |
| Instruction - Added Needs | 234,649 | - | 97,356 | (137,293) |
| <u>Supporting Services</u> | | | | |
| Pupil Support | 24,650 | - | - | (24,650) |
| Instructional Staff | 147,349 | - | 61,135 | (86,214) |
| General Administration | 141,177 | - | - | (141,177) |
| School Administration | 116,561 | - | 48,361 | (68,200) |
| Business Services | 80,016 | - | - | (80,016) |
| Operations and Maintenance | 58,632 | - | - | (58,632) |
| Central Services | 178,216 | - | - | (178,216) |
| Community Services | 3,321 | - | - | (3,321) |
| Total Governmental Activities | 2,120,639 | - | 678,210 | (1,442,429) |
| <u>General Revenues</u> | | | | |
| State Aid - Formula Grants | | | | 1,594,980 |
| Other Revenue | | | | 26,903 |
| Total General Revenues | | | | 1,621,883 |
| Change in Net Position | | | | 179,454 |
| Net Position - July 1, 2021 | | | | 301,910 |
| Net Position - June 30, 2022 | | | | \$ 481,364 |

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Governmental Funds Balance Sheet June 30, 2022

| | General Fund |
|--|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents (Note 3) | \$ 331,576 |
| Due From Other Governmental Units (Note 4) | 375,982 |
| Security Deposits | 2,436 |
| Prepaid Expense | 21,229 |
| Total Assets | \$ 731,223 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts Payable | \$ 32,580 |
| Accrual Payroll | 159,080 |
| State Aid Anticipation Note Payable (Note 8) | 51,273 |
| Unearned Revenue (Note 1) | 6,926 |
| Total Liabilities | 249,859 |
| Fund Balance | |
| Nonspendable | 21,229 |
| Unassigned | 460,135 |
| Total Fund Balance | 481,364 |
| Total Liabilities and Fund Balance | \$ 731,223 |

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

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

| | <u>Amount</u> |
|---|--------------------------|
| Fund Balance - Total Governmental Funds | <u>\$ 481,364</u> |
| Net Position - Governmental Activities | <u><u>\$ 481,364</u></u> |

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2022

| | General Fund |
|-------------------------------------|--------------------------|
| REVENUE | |
| Federal Sources | \$ 552,843 |
| State Sources | 1,746,570 |
| Local Sources | 680 |
| Total Revenue | <u>2,300,093</u> |
| EXPENDITURES | |
| Basic Instruction | 1,136,068 |
| Instruction - Added Needs | 234,649 |
| <u>Supporting Services:</u> | |
| Pupil Support Services | 24,650 |
| Instructional Staff Services | 147,349 |
| General Administration Services | 141,177 |
| School Administration Services | 116,561 |
| Business Services | 80,016 |
| Operations and Maintenance | 58,632 |
| Central Services | 178,216 |
| Community Services | 3,321 |
| Total Expenditures | <u>2,120,639</u> |
| Net Change in Fund Balance | 179,454 |
| Fund Balance - July 1, 2021 | <u>301,910</u> |
| Fund Balance - June 30, 2022 | <u><u>\$ 481,364</u></u> |

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

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

| | <u>Amount</u> |
|---|--------------------------|
| Net Change in Fund Balance-Total Governmental Funds | <u>\$ 179,454</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 179,454</u></u> |

The accompanying notes are an integral part of these financial statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of WAY Michigan (the Academy), conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

Reporting Entity

WAY Michigan was organized in 2013 for the purpose of operating as a School of Excellence that is a Cyber School in the State of Michigan pursuant to part 6E of the Code, being Section 380.551 et seq. of the Michigan Compiled Laws.

On December 5, 2013 the Academy entered into a contract with the Central Michigan University (CMU) to Charter a Public School Academy which expired on June 30, 2019. The Academy renewed its contract with CMU on July 1, 2019, through June 30, 2024. The CMU 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 and other related activities for which compensation is permissible. By agreement between CMU and the Academy, the Academy pays the CMU Board of Trustees 3 percent of the Academy's State School Aid payments as an administrative fee. The total administrative fee paid for the year ended June 30, 2022 to CMU was approximately \$40,000.

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

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.

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

Academy-Wide Financial Statements – (Continued) When an expense is incurred for purposes for which both restricted and unrestricted net assets 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 to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

General Fund - The Academy's major, and only, 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.

Assets, Liabilities and Net Position or Equity

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.

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

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

Capital Assets – Capital assets are reported in the applicable governmental column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 had no capital assets as of June 30, 2022.

Deferred Outflows of Resources – In addition to assets, the financial statements 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 has no deferred outflows of resources at June 30, 2022.

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 no deferred inflows of resources at June 30, 2022.

Unearned Revenue – Unearned Revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2022, the Academy had \$6,926 of unearned revenue.

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

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.

Net Position – Net position of the Academy is classified in three components. Net Investment in capital assets 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 non-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 or restricted.

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 June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy had no leases required to be recognized at June 30, 2022.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General Fund. Capital outlay expenditures are budgeted within the various functions. All annual appropriations lapse at fiscal year ended.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the object level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits schools to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. For the year ended June 30, 2022, expenditures for instructional staff services exceeded the budget by \$13,775 and school administration services exceeded by \$10,211. Total expenditures were \$213,518 under the final budget.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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, 2022.

CONCENTRATION OF REVENUE SOURCES

During fiscal year 2022, the Academy received 76% of its revenue from the State of Michigan.

3) DEPOSITS AND INVESTMENTS

State statutes 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 the statutory authority. As of June 30, 2022, the Academy does not have any investments.

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

3) DEPOSITS AND INVESTMENTS (Continued)

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. At the year end, the Academy had a deposit balance of \$331,576. The amount uninsured by federal depository insurance (FDIC) at year-end was \$81,576.

The Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 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 held no such investment at June 30, 2022.

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 from other governmental units as of year-end for the Academy include \$321,012 from the State of Michigan and \$54,970 from Federal grants.

5) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with WAY Widening Advancement for Youth (WAY) effective July 1, 2019 through June 30, 2024. Under the direction of the Academy's Board, WAY Widening Advancement for Youth 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. The management contract may be terminated under various circumstances as defined in the management agreement. The management contract provides that the Academy shall pay WAY Widening Advancement for Youth an annual fee of 10% of the State school aid the Academy receives from the State of Michigan.

Compensation for the year ended June 30, 2022 was \$130,848.

6) OPERATING LEASES

The Academy leases its office suite located in Detroit, MI. The lease was entered into on June 1, 2018 which expired on June 30, 2021 and renewed for 36 months, through June 30, 2024. The lease is cancelable in the event of the charter contract between the Academy and Central Michigan University (CMU) being terminated. If such event was to occur, the termination fee due is sum of (a) then unamortized portion of landlord costs for legal fees and leasing commissions in relation to the lease and (b) two month's rent (unless less than two months remain on the lease).

The Annual rent under this lease is 1.7 percent of total state aid revenue received by the Academy. Rent expense for the year was \$26,432. The expected future minimum lease payments based on these lease terms are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2023 | \$ 28,922 |
| 2024 | 29,786 |
| Total | <u>\$ 58,708</u> |

Since this is a variable term lease with no fixed component, the requirements under GASB 87 of a lessee to record a right-to-use asset and a lease liability are not applicable and therefore not recorded on the statement of net position.

7) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The Academy currently does not participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan.

Post-employment Benefits – Currently, the Academy does not offer any post-employment benefits.

8) STATE AID ANTICIPATION NOTE

In September 2021, the Academy borrowed \$189,000 at 3 percent annual interest with a state aid bridge loan. Proceeds from the note were used to fund school operations. The unpaid balance totals \$51,273 at June 30, 2022. The note was fully paid subsequent to year end.

9) RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

10) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 19, 2022, the date the financial statements were available to be issued. No items were noted requiring disclosure in this report except as noted below.

In September 2022, the Academy entered into a State Aid Anticipation Note in the amount of \$220,000 at an estimated interest rate of 3 percent and a maturity date of August 21, 2023. 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 2022-2023.



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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
WAY Michigan
Detroit, Michigan

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of WAY Michigan (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

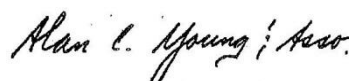
Independent Auditors Report on Internal Control over
Financial Reporting And on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Detroit, Michigan
October 19, 2022

REQUIRED SUPPLEMENTAL INFORMATION

WAY MICHIGAN

Budgetary Comparison Schedule General Fund Year Ended June 30, 2022

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|-------------------------------------|--------------------|-------------------|-------------------|------------------------------|
| Revenue | | | | |
| State Sources | \$ 1,722,707 | \$ 1,762,544 | \$ 1,746,570 | \$ (15,974) |
| Federal Sources | 166,766 | 567,435 | 552,843 | (14,592) |
| Local Sources | 20,400 | 880 | 680 | (200) |
| Other Financing Sources | - | 9,434 | - | (9,434) |
| Total Revenue | <u>1,909,873</u> | <u>2,340,293</u> | <u>2,300,093</u> | <u>(40,200)</u> |
| Expenditures | | | | |
| <u>Instructional Services</u> | | | | |
| Basic Programs | 939,248 | 1,237,506 | 1,136,068 | (101,438) |
| Added Needs | 180,554 | 257,676 | 234,649 | (23,027) |
| <u>Supporting Services:</u> | | | | |
| Pupil Support Services | 6,421 | 35,047 | 24,650 | (10,397) |
| Instructional Staff Services | 150,115 | 133,574 | 147,349 | 13,775 |
| General Administration Services | 59,370 | 149,821 | 141,177 | (8,644) |
| School Administration Services | 98,310 | 106,350 | 116,561 | 10,211 |
| Business Services | 102,861 | 106,402 | 80,016 | (26,386) |
| Operation and Maintenance | 66,775 | 60,525 | 58,632 | (1,893) |
| Central Services | 231,016 | 243,756 | 178,216 | (65,540) |
| Community Services | - | 3,500 | 3,321 | (179) |
| Total Expenditure | <u>1,834,670</u> | <u>2,334,157</u> | <u>2,120,639</u> | <u>(213,518)</u> |
| Operating Transfer Out | <u>5,211</u> | <u>5,211</u> | <u>-</u> | <u>(5,211)</u> |
| Net Change in Fund Balance | 69,992 | 925 | 179,454 | 178,529 |
| Fund Balance - July 1, 2021 | <u>301,910</u> | <u>301,910</u> | <u>301,910</u> | <u>-</u> |
| Fund Balance - June 30, 2022 | <u>\$ 371,902</u> | <u>\$ 302,835</u> | <u>\$ 481,364</u> | <u>\$ 178,529</u> |