

WAY MICHIGAN

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2021

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Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WAY Michigan
Detroit, Michigan

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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

Opinions

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, 2021 and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

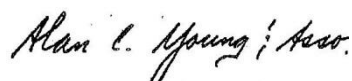
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021 on our consideration of 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 26, 2021

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, 2021.

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, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

2020-2021 was WAY Michigan's seventh year of operation. Enrollment decreased by 1 student from 193 students in the prior year to 192 students in the current year. WAY Michigan borrowed \$149,000 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, 2021 and 2020:

	2021	2020
Assets		
Cash and Cash Equivalents	\$ 177,691	\$ 175,640
Due From Other Governmental Units	385,758	10,820
Security Deposits	2,436	3,736
Prepaid Expenses	16,613	348,762
Total Assets	582,498	538,958
Liabilities		
Accounts Payable	182,164	187,011
Accrued Payroll	64,746	-
Advance From Grantors	-	3,932
State Aid Note Payable	26,751	71,401
Unearned Revenue	6,927	-
Total Liabilities	280,588	262,344
Net Position		
Unrestricted	301,910	276,614
Total Net Position	\$ 301,910	\$ 276,614

The \$301,910 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 \$25,296 in 2020-21.

WAY MICHIGAN

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2021

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, 2021 and 2020 are as follows:

	2021	2020
Revenue		
Operating Grants & Contributions - Instruction	\$ 409,409	\$ 267,578
Operating Grants & Contributions - Support	80,006	44,000
State School Aid - Unrestricted	1,550,282	1,515,255
Miscellaneous	25,351	24,153
Total Revenues	2,065,048	1,850,986
Functions/Program Expenses		
Instruction	1,290,025	1,067,024
Instruction Support Services	749,727	685,528
Total Expenses	2,039,752	1,752,552
Change in Net Position	25,296	98,434
Net Position - Beginning of Year	276,614	178,180
Net Position - End of the Year	\$ 301,910	\$ 276,614

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Factors affecting the change in net position during the year are discussed below: 2020-2021 was the seventh 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 \$8,111 per pupil.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-2021 was 190 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, 2021, preliminary student enrollments for 2021 - 2022 indicate that the 2021 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 2020-2021, the budget was amended in February 2021, and June 2021. The June 30, 2021 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:**

Total Revenues Final Budget	\$2,178,771
Total Revenues Actual Results	<u>2,065,048</u>
Budget Variance	<u>\$ 113,723</u>

The Academy's actual general fund revenues was lower than the final budget by \$113,723. This variance was primarily 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, 2020 will be used before the end of the grant period.

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

- Decrease in student enrollment over initial projections.
- Adjustment to actual grant allocations as estimates were used in the original budget.

Expenditures:

Total Expenditures Final Budget	\$2,152,907
Total Expenditures Actual Results	<u>2,039,752</u>
Budget Variance	<u>\$ 113,155</u>

The Academy's actual expenditures were less than final budget by \$ 113,155. These cost savings were primarily 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 2021-22 fiscal year was adopted by the Board of Education in June 2021. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2021-22 budget preparation process include:

- 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 Kerry Sitar, Director of Finance, at 379 Main Street, Belleville, Michigan, 48111 (734-345-9957).

WAY MICHIGAN

Statement of Net Position June 30, 2021

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 3)	\$ 177,691
Due From Other Governmental Units (Note 4)	385,758
Security Deposits	2,436
Prepaid Expenses	16,613
Total Assets	582,498
LIABILITIES	
Accounts Payable	182,164
Accrual Payroll	64,746
State Aid Anticipation Note Payable (Note 8)	26,751
Unearned Revenue (Note 1)	6,927
Total Liabilities	280,588
NET POSITION	
Unrestricted	301,910
Total Net Position	\$ 301,910

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Statement of Activities Year Ended June 30, 2021

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	\$ 1,083,535	\$ -	\$ 343,876	\$ (739,659)
Instruction - Added Needs	206,490	-	65,533	(140,957)
<u>Supporting Services</u>				
Pupil Support	33,160	-	-	(33,160)
Instructional Staff	149,281	-	47,377	(101,904)
General Administration	67,560	-	-	(67,560)
School Administration	102,813	-	32,629	(70,184)
Business Services	104,824	-	-	(104,824)
Operations and Maintenance	73,464	-	-	(73,464)
Central Services	215,606	-	-	(215,606)
Community Services	3,019	-	-	(3,019)
Total Governmental Activities	<u>2,039,752</u>	<u>-</u>	<u>489,415</u>	<u>(1,550,337)</u>
<u>General Revenues</u>				
State Aid - Formula Grants				1,550,282
Other Revenue				25,351
Total General Revenues				<u>1,575,633</u>
Change in Net Position				25,296
Net Position - July 1, 2020				<u>276,614</u>
Net Position - June 30, 2021				<u>\$ 301,910</u>

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Governmental Funds Balance Sheet June 30, 2021

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents (Note 3)	\$ 177,691
Due From Other Governmental Units (Note 4)	385,758
Security Deposits	2,436
Prepaid Expense	16,613
	<hr/>
Total Assets	\$ 582,498
	<hr/>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 182,164
Accrual Payroll	64,746
State Aid Anticipation Note Payable (Note 8)	26,751
Unearned Revenue (Note 1)	6,927
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Total Liabilities	280,588
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Fund Balance	
Nonspendable	16,613
Unassigned	285,297
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Total Fund Balance	301,910
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Total Liabilities and Fund Balance	\$ 582,498
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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, 2021

	<u>Amount</u>
Fund Balance - Total Governmental Funds	<u>\$ 301,910</u>
Net Position - Governmental Activities	<u><u>\$ 301,910</u></u>

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balance Year Ended June 30, 2021

	General Fund
REVENUE	
Federal Sources	\$ 355,691
State Sources	1,705,025
Local Sources	4,332
Total Revenue	2,065,048
EXPENDITURES	
Basic Instruction	1,083,535
Instruction - Added Needs	206,490
<u>Supporting Services:</u>	
Pupil Support Services	33,160
Instructional Staff Services	149,281
General Administration Services	67,560
School Administration Services	102,813
Business Services	104,824
Operations and Maintenance	73,464
Central Services	215,606
Community Services	3,019
Total Expenditures	2,039,752
Net Change in Fund Balance	25,296
Fund Balance - July 1, 2020	276,614
Fund Balance - June 30, 2021	\$ 301,910

The accompanying notes are an integral part of these financial statements

WAY MICHIGAN

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

	<u>Amount</u>
Net Change in Fund Balance-Total Governmental Funds	<u>\$ 25,296</u>
Change in Net Position of Governmental Activities	<u><u>\$ 25,296</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, 2021 to CMU was approximately \$46,000.

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, 2021.

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, 2021.

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, 2021.

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, 2021, the Academy had \$6,927 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.

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, 2021, expenditures for basic programs instructional services exceeded the budget by \$8,284 and general administration services exceeded by \$3,664. Total expenditures were \$113,155 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, 2021.

CONCENTRATION OF REVENUE SOURCES

During fiscal year 2021, the Academy received 75% 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, 2021, 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 \$177,691, which was fully covered by federal depository insurance (FDIC).

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, 2021.

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 \$302,617 from the State of Michigan and \$83,141 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, 2021 was \$155,816.

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 for the year 2020-2021 is 1.8 percent of total state aid revenue received by the Academy. Rent expense for the year was \$30,272. The expected future minimum lease payments based on these lease terms are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 28,080
2023	28,922
2024	<u>29,786</u>
Total	<u>\$ 86,788</u>

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 2020, the Academy borrowed \$149,000 at 3.45 percent annual interest with a state aid bridge loan. Proceeds from the note were used to fund school operations. The unpaid balance totals \$26,751 at June 30, 2021. 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 26, 2021, 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 2021, the Academy entered into a State Aid Anticipation Note in the amount of \$189,000 at an estimated interest rate of 3 percent and a maturity date of August 22, 2022. 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 2021-2022.



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

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, 2021, 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 26, 2021.

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) to determine 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.

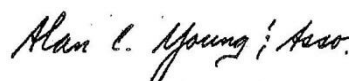
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
(Continued)

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.

Alan L. Young, Assoc.

Detroit, Michigan
October 26, 2021

REQUIRED SUPPLEMENTAL INFORMATION

WAY MICHIGAN

Budgetary Comparison Schedule General Fund Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
State Sources	\$ 1,670,507	\$ 1,711,640	\$ 1,705,025	\$ (6,615)
Federal Sources	280,982	462,798	355,691	(107,107)
Local Sources	20,000	4,333	4,332	(1)
Total Revenue	<u>1,971,489</u>	<u>2,178,771</u>	<u>2,065,048</u>	<u>(113,723)</u>
Expenditures				
<u>Instructional Services</u>				
Basic Programs	1,007,655	1,075,251	1,083,535	8,284
Added Needs	185,520	285,587	206,490	(79,097)
<u>Supporting Services:</u>				
Pupil Support Services	40,592	41,523	33,160	(8,363)
Instructional Staff Services	146,426	153,787	149,281	(4,506)
General Administration Services	65,042	63,896	67,560	3,664
School Administration Services	125,980	108,084	102,813	(5,271)
Business Services	80,460	108,984	104,824	(4,160)
Operation and Maintenance	63,829	77,229	73,464	(3,765)
Central Services	243,751	235,066	215,606	(19,460)
Community Services	7,800	3,500	3,019	(481)
Total Expenditure	<u>1,967,055</u>	<u>2,152,907</u>	<u>2,039,752</u>	<u>(113,155)</u>
Net Change in Fund Balance	4,434	25,864	25,296	(568)
Fund Balance - July 1, 2020	<u>276,614</u>	<u>276,614</u>	<u>276,614</u>	<u>-</u>
Fund Balance - June 30, 2021	<u>\$ 281,048</u>	<u>\$ 302,478</u>	<u>\$ 301,910</u>	<u>\$ (568)</u>