

**W-A-Y ACADEMY OF FLINT**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2025**

# W-A-Y ACADEMY OF FLINT

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of W-A-Y Academy of Flint (the Academy) as of and for the year ended June 30, 2025, 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, 2025, 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.

#### **Substantial Doubt about the Academy's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 10 to the financial statements, the Academy has suffered recurring losses. Although there was an increase in the General Fund balance of \$49,432 for the year ended June 30, 2025, the Academy still has a fund deficit of \$45,478. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## **Independent Auditor's Report (Continued)**

### **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.

**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 as listed in the table of contents 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 24, 2025 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.

*Alan C. Young & Assoc.*

Detroit, Michigan  
October 24, 2025

# **W-A-Y ACADEMY OF FLINT**

## **Management's Discussion and Analysis (MD&A)**

**June 30, 2025**

W-A-Y Academy of Flint is a grade 7-12 Public School Academy located in Flint, 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, 2025.

### **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.

The financial statements were issued with a going concern assumption and disclosures of management's plans to eliminate the General Fund balance deficit (see Note 10 in the notes to the financial statement). The deficit was incurred due to repeated years of operating losses and increasing amounts owed to the management company as of June 30, 2025.

#### **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.

# W-A-Y ACADEMY OF FLINT

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

### ACADEMY-WIDE FINANCIAL ANALYSIS

2024-2025 was W-A-Y Academy of Flint's eleventh year of operation. Actual enrollment was lower than previously projected, much the same as most Michigan School Districts. However, enrollment has stabilized going into 2025-2026. The following represents a summary of the Academy's net position as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 13,050	\$ 3,940
Due From Other Governmental Units	275,280	271,290
Prepaid Expenses	5,646	4,404
<b>Total Assets</b>	<u>293,976</u>	<u>279,634</u>
<b>Liabilities</b>		
Accounts Payable	266,080	257,630
Accrued Payroll	71,398	84,211
Unearned Revenue	-	32,703
<b>Total Liabilities</b>	<u>337,478</u>	<u>374,544</u>
<b>Net Position</b>		
Unrestricted	<u>(43,502)</u>	<u>(94,910)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ (43,502)</u>	<u>\$ (94,910)</u>

# W-A-Y ACADEMY OF FLINT

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
<b>Revenue</b>		
Operating Grants & Contributions - Instruction	\$ 384,074	\$ 325,824
Operating Grants & Contributions - Support	71,741	60,501
State School Aid - Unrestricted	924,599	902,802
Miscellaneous	22,433	31,076
<b>Total Revenues</b>	<u>1,402,847</u>	<u>1,320,203</u>
<b>Functions/Program Expenses</b>		
Instruction	567,311	545,495
Instruction Support Services	784,128	819,766
<b>Total Expenses</b>	<u>1,351,439</u>	<u>1,365,261</u>
<b>Change in Net Position (Deficit)</b>	51,408	(45,058)
<b>Net Position (Deficit) - Beginning of Year</b>	<u>(94,910)</u>	<u>(49,852)</u>
<b>Net Position (Deficit) - End of the Year</b>	<u>\$ (43,502)</u>	<u>\$ (94,910)</u>

### FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

Factors affecting the change in net position (deficit) during the year are discussed below:

#### 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 W-A-Y Academy of Flint foundation allowance was \$9,608 per pupil.
- Student Enrollment: The Academy's student enrollment for the fall count of 2024-2025 was 93 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, 2025, preliminary student enrollments for 2025-2026 indicate a slight increase for the fall.

# W-A-Y ACADEMY OF FLINT

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

### FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS (Continued)

#### 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, the Academy amends its budget periodically as needed during the school year. For the fiscal year 2024-2025, the budget was amended two times during the year. The June 19, 2025 budget amendment was the final budget for the fiscal year. The Academy's 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:

	<u>Amount</u>
Total Revenues Final Budget	\$ 1,441,623
Total Revenues Actual Results	<u>1,400,871</u>
Budget Variance	<u>\$ 40,752</u>

The Academy's actual general fund revenues was lower than the final budget by \$40,752. This variance was primarily due to federal revenue being less than the amount budgeted.

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:

	<u>Amount</u>
Total Expenditures Final Budget	\$ 1,405,818
Total Expenditures Actual Results	<u>1,351,439</u>
Budget Variance	<u>\$ 54,379</u>

The Academy's actual expenditures were less than final budget by \$54,379. These cost savings were partially a result of under spending federal grant allocations described above under the explanation of the revenue variance.

# **W-A-Y ACADEMY OF FLINT**

**Management's Discussion and Analysis (MD&A) (Continued)**  
**June 30, 2025**

## **FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS (Continued)**

### **B. General Fund Budgetary Highlights (Continued)**

#### **Expenditures: (Continued)**

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 were adjusted due to lower than anticipated enrollment resulting in reduced funding, and an agreement between the board and the management company.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Preliminary Budget for the 2025-26 fiscal year was adopted by the Board of Education in June 2025. 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 2025-26 budget preparation process include:

- Enrollment projections of students in grades 7-12.
- Projected 2025-2026 increase of grant funds.
- Increases in staffing to accommodate increased student enrollment.
- Budgetary increases to accommodate increased rent costs and utility costs.

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 Sherry A. Lynem, Director of Finance, at 397 Main Street Suite 1, Belleville, Michigan, 48111 (734-345-9957 Ext 101).

# W-A-Y ACADEMY OF FLINT

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## Statement of Net Position June 30, 2025

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 13,050
Due From Other Governmental Units (Note 4)	275,280
Prepaid Expense	<u>5,646</u>
<b>Total Assets</b>	<u>293,976</u>
<b>LIABILITIES</b>	
Accounts Payable	266,080
Accrued Payroll	71,398
<b>Total Liabilities</b>	<u>337,478</u>
<b>NET POSITION (DEFICIT)</b>	
Unrestricted	<u>(43,502)</u>
<b>Total Net Position (Deficit)</b>	<u><u>\$ (43,502)</u></u>

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

# W-A-Y ACADEMY OF FLINT

## Statement of Activities Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position (Deficit)
<b>Governmental Activities</b>				
Basic Instruction	\$ 452,899	\$ -	\$ 307,015	\$ (145,884)
Instruction - Added Needs	114,412	-	77,059	(37,353)
<u>Supporting Services</u>				
Pupil Support	157,427	-	-	(157,427)
Instructional Staff	40,247	-	27,107	(13,140)
General Administration	137,534	-	-	(137,534)
School Administration	66,269	-	44,634	(21,635)
Business Services	75,024	-	-	(75,024)
Operations and Maintenance	197,498	-	-	(197,498)
Central Services	103,927	-	-	(103,927)
Support Services - Other	360	-	-	(360)
Community Services	5,842	-	-	(5,842)
<b>Total Governmental Activities</b>	<b>1,351,439</b>	<b>-</b>	<b>455,815</b>	<b>(895,624)</b>
<u>General Revenues</u>				
State Aid - Formula Grants				924,599
Other Revenue				22,433
<b>Total General Revenues</b>				<b>947,032</b>
Change in Net Position (Deficit)				51,408
<b>Net Position (Deficit) - July 1, 2024</b>				<b>(94,910)</b>
<b>Net Position (Deficit) - June 30, 2025</b>				<b>\$ (43,502)</b>

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

# W-A-Y ACADEMY OF FLINT

## Governmental Funds Balance Sheet June 30, 2025

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 13,050
Due From Other Governmental Units (Note 4)	275,280
Prepaid Expense	5,646
<b>Total Assets</b>	<b>\$ 293,976</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 266,080
Accrual Payroll	71,398
<b>Total Liabilities</b>	<b>337,478</b>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue	1,976
<b>Total Deferred Inflows of Resources</b>	<b>1,976</b>
<b>Fund Balance (Deficit)</b>	
Nonspendable	5,646
Unassigned	(51,124)
<b>Total Fund Balance (Deficit)</b>	<b>(45,478)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance (Deficit)</b>	<b>\$ 293,976</b>

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

# W-A-Y ACADEMY OF FLINT

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2025

	<u>Amount</u>
<b>Fund Balance (Deficit) - Total Governmental Funds</b>	\$ (45,478)
Unavailable revenue is a liability for the governmental funds but revenue in the entity wide financial statements	<u>1,976</u>
<b>Net Position (Deficit) - Governmental Activities</b>	<u><u>\$ (43,502)</u></u>

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

# W-A-Y ACADEMY OF FLINT

## Statement of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2025

	<b>General Fund</b>
<b>REVENUE</b>	
Federal Sources	\$ 247,333
State Sources	1,131,105
Local Sources	22,433
<b>Total Revenue</b>	<b>1,400,871</b>
<b>EXPENDITURES</b>	
Basic Instruction	\$ 452,899
Instruction - Added Needs	114,412
<u>Supporting Services:</u>	
Pupil Support Services	157,427
Instructional Staff Services	40,247
General Administration Services	137,534
School Administration Services	66,269
Business Services	75,024
Operations and Maintenance	197,498
Central Services	103,927
Other Support Services	360
Community Services	5,842
<b>Total Expenditures</b>	<b>1,351,439</b>
<b>Net Change in Fund Balance (Deficit)</b>	<b>49,432</b>
<b>Fund Balance (Deficit) - July 1, 2024</b>	<b>(94,910)</b>
<b>Fund Balance (Deficit) - June 30, 2025</b>	<b>\$ (45,478)</b>

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

# W-A-Y ACADEMY OF FLINT

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## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2025

	<u>Amount</u>
<b>Net Change in Fund Balance (Deficit) -Total Governmental Funds</b>	\$ 49,432
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
Unavailable revenue recorded as current year revenue in the statement of activities	<u>1,976</u>
<b>Change in Net Position (Deficit) of Governmental Activities</b>	<u>\$ 51,408</u>

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

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of W-A-Y Academy of Flint (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 of Flint was organized in 2013 for the purpose of providing personalized learning experience for all students and serves grades 7-12 on a campus. The Academy is a tuition free public school academy serving students and their families through a blended learning model.

The Academy receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Trustees has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

On March 16, 2018 the Academy entered into a contract with the Lake Superior State University (LSSU) to Charter a Public School Academy. The Academy's current contract with LSSU goes through June 30, 2028. The LSSU 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 LSSU and the Academy, 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 for the year ended June 30, 2025 to LSSU was approximately \$33,000.

**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.

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

**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.

**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.

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.

**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.

**Inventories** – Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. The Academy had no inventory at June 30, 2025.

**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, 2025.

**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, 2025.

**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 deferred inflows of resources of \$1,976 at June 30, 2025.

**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, 2025, the Academy had unearned revenue of \$0.

**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 (Deficit)** – Net position (deficit) 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 (deficit) 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.

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.

Excess of Expenditures Over Appropriations in Budgeted Funds

Expenses exceeded the budget line items for certain categories, as shown below. In total, general fund expenditures were \$54,379 below the final budget.

<b>Expenditures</b>	<b>Final Budget</b>	<b>Actual</b>
School Administration Services	\$ 66,050	\$ 66,269
Central Services	88,545	103,927

**Fund Deficit** – At June 30, 2025, the Academy had an unassigned fund deficit in the General Fund of \$51,124.

**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, 2025.

**CONCENTRATION OF REVENUE SOURCES**

During fiscal year 2025, the Academy received 81% 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, 2025, the Academy does not have any investments.

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

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 \$14,034 and did not exceed the federally insured limit of \$250,000 per depositor as of June 30, 2025.

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, 2025.

**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 \$200,399 from the State of Michigan and \$74,881 from Federal grants.

**5) MANAGEMENT COMPANY AGREEMENT**

The Academy has entered into a contract with WAY Widening Advancement for Youth (WAY) effective July 1, 2013 and renewed through June 30, 2028. 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, 2025 was \$92,460. At June 30, 2025, the Academy owed the management company \$250,684 for various expenses paid on the Academy's behalf over the years.

**6) OPERATING LEASES**

The Academy leases its office suite and classroom, located in Flint, MI. The lease was entered into on August 10, 2018 and expired on June 30, 2023 and renewed to June 30, 2024. It was then renewed on a month to month basis through June, 2025 with monthly payments of \$8,978. In July, 2025 the lease was extended 2 years through June 2027. The lease is cancelable in the event of the charter contract between the Academy and Lake Superior State University (LSSU), being terminated. If such event was to occur, Academy may terminate the Lease, without cost or penalty, in the event that the Academy is required to close an Academy site covered by the Lease (i) pursuant to a notice issued by the Michigan Department of Education under Section 507 of the Code, MCL 380.507; or (ii) pursuant to a reconstitution by the Authorizer pursuant to Section 507 of the Code, MCL 380.507 and the Charter.

**7) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description** – The Academy currently does not participate in the Michigan Public School Employees' Retirement System (MPSERS), 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) 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.

**9) SUBSEQUENT EVENTS**

The Academy has evaluated all subsequent events through October 24, 2025, the date the financial statements were available to be issued.

**10) GOING CONCERN AND MANAGEMENT'S PLANS**

During the period, the amounts due to the management company for unpaid operating costs have not reduced significantly, with a total owed to the management company of \$250,684 at June 30, 2025 as compared to \$257,630 at June 30, 2024. As a result, the General Fund has an unassigned fund deficit of \$51,124, however this represents the reduction of \$48,190 in the unassigned deficit as of June 30, 2025. These conditions and events give rise to the assessment of substantial doubt about the Academy's ability to continue for a reasonable period of time after June 30, 2025. Management's plans to reduce the deficit existing at June 30, 2025 include the following:

1. **Enhanced Recruitment Efforts:** The Academy is continuing its marketing campaign aimed at increasing awareness of their programs and attracting new students. This includes community outreach initiatives and partnerships with local organizations.
2. **Cost Management Strategies:** The Academy continue to review of their operating expenses to identify areas where they can reduce costs without compromising the quality of education.
3. **Diversifying Revenue Streams:** The Academy is exploring grant opportunities, fundraising initiatives, and partnerships with local businesses to generate additional revenue that can support their programs.



# *Alan C. Young & Associates, P.C.*

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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  
W-A-Y Academy of Flint  
Flint, 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, 2025, 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 24, 2025.

### Report on 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 were not 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)

Report on Compliance and Other Matters

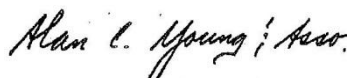
As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2025-001.

Academy's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the Academy's response to findings identified in our audit and described in the accompanying schedule of findings and responses. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 24, 2025

**SECTION I – FINANCIAL STATEMENT AUDIT FINDINGS**

<b>Reference Number</b>	<b>Findings</b>
<b>2025-001</b>	<p><b>Finding Type</b> – Material Noncompliance - Deficit Fund Balance/Going Concern</p> <p><b>Criteria</b> – The Michigan Department of Education MCL 380.1220 (1) does not allow for Academy’s receiving State funds under the act to operate under a deficit.</p> <p><b>Condition and Description</b> – The General Fund has an unassigned deficit balance of \$51,124 as of June 30, 2025.</p> <p><b>Cause/Effect</b> – The Academy lacked adequate budgetary controls which resulted in a deficit in fund balance that built up in prior years. Although progress is being made and there was a reduction of \$48,190 in the fund deficit during the year, there was still a deficit of \$51,124 at June 30, 2025.</p> <p><b>Recommendation</b> – The Academy should work diligently to implement and follow a deficit elimination plan to ensure both the short-term and long-term viability of the Academy.</p> <p><b>View of Responsible Officials and Planned Corrective Action</b> – We are confident that we will be able to continue to respond to and handle the deficit that remains. The fiscal year 2025-2026 boasts a foundational allowance increase of approximately \$400 over previous years per pupil. In addition, the Academy has surpassed its enrollment goal of 105 students with a counted enrollment of 112 students. It is our firm belief that as a result of the funding increase and the increase in the student population we will be able to continue to eliminate the existing deficit that the Academy has.</p>

**REQUIRED SUPPLEMENTAL INFORMATION**

# W-A-Y ACADEMY OF FLINT

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
State Sources	\$ 1,183,752	\$ 1,134,312	\$ 1,131,105	\$ (3,207)
Federal Sources	280,351	291,155	247,333	(43,822)
Local Sources	2,500	9,366	22,433	13,067
Incoming Transfers & Other Transactions	15,321	6,790	-	(6,790)
<b>Total Revenue</b>	<u>1,481,924</u>	<u>1,441,623</u>	<u>1,400,871</u>	<u>(40,752)</u>
<b>Expenditures</b>				
<u>Instructional Services</u>				
Basic Programs	488,310	471,356	452,899	(18,457)
Added Needs	103,417	142,320	114,412	(27,908)
<u>Supporting Services:</u>				
Pupil Support Services	140,210	163,187	157,427	(5,760)
Instructional Staff Services	36,805	47,599	40,247	(7,352)
General Administration Services	163,352	140,735	137,534	(3,201)
School Administration Services	45,670	66,050	66,269	219
Business Services	74,422	75,635	75,024	(611)
Operation and Maintenance	210,634	199,099	197,498	(1,601)
Central Services	95,579	88,545	103,927	15,382
Pupil Transportation Services	17,800	-	-	-
Other Support Service	360	360	360	-
Community Services	8,069	10,932	5,842	(5,090)
<b>Total Expenditure</b>	<u>1,384,628</u>	<u>1,405,818</u>	<u>1,351,439</u>	<u>(54,379)</u>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	97,296	35,805	49,432	13,627
<b>Fund Balance - July 1, 2024</b>			<u>(94,910)</u>	
<b>Fund Balance - June 30, 2025</b>			<u>\$ (45,478)</u>	

**W-A-Y ACADEMY OF FLINT**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2025**



# *Alan C. Young & Associates, P.C.*

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October 24, 2025

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

We have recently completed our audit of the financial statements of W-A-Y Academy of Flint (the Academy) for the year ended June 30, 2025. In addition to our audit report, we are providing the following required communication which impacts the Academy.

	<u>Page</u>
Communication Required Under AU-C 260	1
Informational	5

We are grateful for the opportunity to be of service to the Academy. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young & Associates, P.C.  
Detroit, Michigan



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## RESULTS OF AUDIT

October 24, 2025

Board of Directors  
W-A-Y Academy of Flint  
Flint, Michigan

We have audited the financial statements of the governmental activities and major fund of W-A-Y Academy of Flint (the Academy) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated March 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 5, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we consider the system of internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also perform tests of the Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

## Results of Audit (Continued)

### Scope of the Audit, Significant Risks and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Academy.

We have identified the following significant risks of material misstatement as part of our audit planning which was communicated in our engagement letter dated March 5, 2025.

- Recording of revenues and unearned revenue for restricted grants,
- Year-end cut-off of payables,
- Revenue recognition/closing procedures,
- Account reconciliations,
- Override of controls.

During our audit procedures we did not note any findings or exceptions related to the above items.

We did identify an instance of noncompliance with laws and regulations related to the Academy's General Fund deficit. This is described in note 2 as well as note 10.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear. Note 10 is of particular importance as it discusses the Academy's General Fund deficit and also describes the going concern issue identified in the audit.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

Results of Audit  
(Continued)

Significant Audit Matters (Continued)

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted as a result of our audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 24, 2025.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to the Academy's management discussion & analysis, and the budgetary comparison schedule, which are the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Results of Audit  
(Continued)

Significant Audit Matters (Continued)

*Restriction on Use*

This information is intended solely for the information and use of the Board of Directors and management of the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

*Alan C. Young & Assoc.*

Detroit, Michigan  
October 24, 2025

## **State and Federal Funding Outlook**

The fiscal outlook for Michigan’s charter schools continues to evolve due to both state and federal developments. The May 2025 Consensus Revenue Estimating Conference projected modest short-term growth in School Aid Fund revenues; however, long-term projections remain uncertain due to macroeconomic conditions, inflationary pressures, and changes in federal tax and trade policy.

The enactment of the federal “*One Big Beautiful Bill Act*” (OBBB) on July 4, 2025, is expected to significantly reduce Michigan’s state income tax revenue beginning in fiscal year 2026, which may limit future funding available to the School Aid Fund.

At the federal level, the U.S. Department of Education is undergoing structural changes under executive order, with certain programs being reassigned to other agencies. Proposed FY 2026 budget legislation eliminates or consolidates several programs historically relied upon by charter schools, including Titles I-C, III, and IV-A. Boards should anticipate potential delays or modifications to future federal grant allocations, particularly for programs subject to Uniform Guidance (2 CFR Part 200) compliance and reporting requirements.

## **Michigan School Aid and Enrollment Factors**

The 2024–2025 School Aid Bill maintained the target foundation allowance at approximately \$9,608 per pupil. Certain charter academies received a separate categorical increase of 3.9%, resulting in a per-pupil funding level near \$9,983. Not all academies realized the full intended benefit due to the reallocation of some categorical funding toward MPSERS retirement-related obligations.

Student enrollment continues to influence overall funding stability. Michigan’s total K–12 enrollment remains approximately 50,000 students below pre-pandemic levels, and recovery is expected to be gradual. Since state aid is distributed on a per-pupil basis, recruiting and retaining students will remain a primary financial driver for academies.

The At-Risk categorical program now exceeds \$1 billion statewide, with expanded flexibility for class size reduction and teacher retention initiatives. However, mental health and safety funding under Section 31a declined sharply—from \$328 million to \$26.5 million, highlighting the need for schools to carefully plan around categorical volatility.

## **Financial Stability and Fund Balance Management**

Maintaining a sufficient fund balance continues to be a critical component of financial health and stability. The Michigan Department of Education (MDE) reports a statewide average fund balance of approximately 24.7% of operating expenditures, representing about 11 weeks of operations.

We recommend that charter academies continue to target a fund balance level that provides a buffer against delayed funding or unforeseen expenditures. A healthy fund balance contributes to stronger credit ratings, operational flexibility, and long-term sustainability.

## **Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board (GASB) has issued new pronouncements that will impact future financial reporting:

- GASB Statement No. 103 – Financial Reporting Model Improvements Effective for fiscal years ending June 30, 2026, this standard revises the presentation of governmental fund financial statements. It limits the MD&A to five focus areas, introduces a subtotal for *operating income (loss)*, and clarifies the budget-to-actual comparison presentation.
- GASB Statement No. 104 – Disclosure of Certain Capital Assets This new standard expands disclosure requirements for lease assets, subscription-based IT assets, and intangible right-to-use assets. It enhances transparency and comparability among governments and will also be effective for fiscal years ending June 30, 2026.

Academies should begin preparing for these standards by reviewing their capital asset policies and financial statement disclosure templates.

## **Uniform Guidance Revisions**

Significant changes were made to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), effective for fiscal years beginning on or after October 1, 2024. Key updates include:

- Single Audit Threshold Increase: Raised from \$750,000 to \$1 million.
- Type A Program Determination Threshold: Increased from \$750,000 to \$1 million.
- Equipment Capitalization Threshold: Increased from \$5,000 to \$10,000 per item.

These revisions are expected to apply to academies' fiscal years ending June 30, 2026, and beyond. Management should update procurement, capitalization, and subrecipient monitoring policies accordingly to maintain compliance with federal audit and reporting requirements.

## **Areas of Ongoing Monitoring**

As the educational and fiscal environment continues to shift, charter school boards should remain attentive to the following emerging areas:

- The impact of the *OBBB* on state School Aid Fund revenues and future per-pupil allocations.
- Potential restructuring or reallocation of federal education programs under the U.S. Department of Education.
- The effect of enrollment trends, inflation, and technology costs on operational budgets.
- Timely implementation of Uniform Guidance and GASB updates to ensure compliance and transparency.

**Conclusion**

While the fiscal environment remains fluid, proactive financial planning and strong governance will help charter schools maintain operational stability. We will continue to monitor federal and state developments, provide timely updates, and assist management in implementing accounting and compliance changes consistent with MDE, U.S. Department of Education, and Uniform Guidance standards.