



W-A-Y Academy - Flint
Audited Financial Statements
June 30, 2021

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200
3150 Livernois Road, Suite 175 | Troy, MI 48083 | 248.688.9399
1213 W. Morehead St. | Charlotte, NC 28208 | 704.926.7570

W-A-Y ACADEMY - FLINT
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INDEPENDENT AUDITORS' REPORT

October 8, 2021

Board of Directors
W-A-Y Academy - Flint

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of W-A-Y Academy - Flint as of June 30, 2021 and the respective changes in financial position for the year then ended in conformity 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 other required supplement information, as indicated 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise W-A-Y Academy – Flint's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021 on our consideration of W-A-Y Academy - Flint's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 W-A-Y Academy - Flint's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD & A)

W-A-Y Academy - Flint

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2021

W-A-Y Academy - 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, 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: Government-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 are reported in their relevant 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 Government-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 Government-Wide Financial Statements.

W-A-Y Academy - Flint

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

2020-2021 was W-A-Y Academy – Flint's seventh year of operation. The following represents a summary of the Academy's net position as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets		
Cash and Cash Equivalents	\$ 2,693	\$ 10,473
Accounts Receivable	30,635	3,759
Prepaid Costs	11,834	11,135
Due from Other Governmental Units	<u>211,015</u>	<u>235,853</u>
Total Assets	256,177	261,220
Liabilities		
Accounts Payable	240,951	190,528
State Aid Loan	-	-
Advances from Grantors	<u>10,569</u>	<u>49,463</u>
Total Liabilities	<u>251,490</u>	<u>239,991</u>
Net Position		
Unrestricted	<u>4,687</u>	<u>21,229</u>
Total Net Position	<u>\$ 4,687</u>	<u>\$ 21,229</u>

The \$4,687 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 decreased by \$16,542 from 2020-21.

W-A-Y Academy - Flint

Management's Discussion and Analysis For Fiscal Year Ended 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:

	<u>2021</u>	<u>2020</u>
Revenues		
Operating Grants & Contributions – Instruction	499,771	355,391
Operating Grants & Contributions – Support	5,072	5,869
State School Aid – Unrestricted	760,254	738,108
Miscellaneous	<u>2,000</u>	<u>5,897</u>
Total Revenue	1,267,097	1,105,265
Expenditures		
Instructional	696,788	562,197
Support	<u>586,851</u>	<u>541,050</u>
Total Expenditures	1,283,639	1,103,247
Change in Net Position	(16,542)	2,018
Beginning Net Position	<u>21,229</u>	<u>19,211</u>
Ending Net Position	4,687	21,229

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 operation for W-A-Y Academy - Flint. The Academy utilized Consolidated Grant Funds to support the Academy.

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 – Flint foundation allowance was \$8,111 per pupil.
- Student Enrollment: 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.

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, W-A-Y Academy amends its budget periodically as needed during the school year. For the fiscal year 2020-2021, the budget was amended in March 2021. The W-A-Y Academy - Flint 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.

W-A-Y Academy - Flint

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2021

Variance between Final Budget and Actual Results

Revenues:

Total Revenues Final Budget	\$1,403,067
Total Revenues Actual Results	<u>1,262,025</u>
Budget Variance	\$ <u>(141,042)</u>

The Academy's final general fund revenues were less than the final budget by \$141,042. This variance was primarily a result of unspent federal grant allocations awarded to the W-A-Y Academy-Flint. Those allocations are available through September 30 and it is anticipated that a majority of these unspent allocations at June 30 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:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Final Budget	\$1,369,431
Total Expenditures Actual Results	<u>1,283,639</u>
Budget Variance	\$ 85,792

The Academy's actual expenditures were under the final budget by \$85,792. These cost reductions were a result of unspent federal grant allocations. These allocations are available through September 30 and it is anticipated that a majority of these unspent funds will be used before the end of the grant period.

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 June 2021. Few definite factors were known as the budget was being drafted with the ongoing COVID-19, 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:

- Projected 2020-2021 increase of grant funds due to COVID-19 and the super blend per pupil amount of \$8,111 are keys to increased funds.
- Enrollment projections of 100 students in grades 7-12:
- Budgetary increases to accommodate increased rent costs and utility costs.

W-A-Y Academy - Flint

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2021

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 (313-444-9292).

BASIC FINANCIAL STATEMENTS

W-A-Y ACADEMY - FLINT
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,693
Accounts Receivable	30,635
Prepaid Expenses	11,834
Due from Other Governmental Units	<u>211,015</u>
Total Assets	<u>256,177</u>
Liabilities	
Accounts Payable	240,951
Advances from Grantors	<u>10,539</u>
Total Liabilities	<u>251,490</u>
Net Position - Unrestricted	<u><u>\$ 4,687</u></u>

See accompanying notes to basic financial statements

W-A-Y ACADEMY - FLINT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental Activities					
Basic Programs	\$ 523,902	\$ -	\$ 436,771		\$ (87,131)
Added Needs	172,886	-	63,000		(109,886)
Support Services	586,851	-	5,072		(581,779)
Total Governmental Activities	\$ 1,283,639	\$ -	\$ 504,843		(778,796)
General Purpose Revenues					
					760,254
					2,000
				Total General Revenue	762,254
				Change in Net Position	(16,542)
				Net Position - July 1	21,229
				Net Position - June 30	\$ 4,687

See accompanying notes to basic financial statements

W-A-Y ACADEMY - FLINT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
JUNE 30, 2021

		<u>General Fund</u>
Assets		
Cash and Cash Equivalents	\$	2,693
Accounts Receivable		30,635
Prepaid Costs		11,834
Due from Other Governmental Units		<u>211,015</u>
Total Assets	\$	<u><u>256,177</u></u>
Liabilities and Fund Balance		
Current Liabilities		
Accounts Payable	\$	240,951
Advances from Grantors		<u>10,539</u>
Total Current Liabilities		<u>251,490</u>
Fund Balance		
Non-Spendable		11,834
Unassigned		<u>(7,147)</u>
Total Fund Balance		<u>4,687</u>
Total Liabilities and Fund Balance	\$	<u><u>256,177</u></u>

See accompanying notes to basic financial statements

W-A-Y ACADEMY - FLINT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund
Revenues	
Other Local Sources	\$ 2,000
State Sources	841,287
Federal Sources	418,738
Total Revenues	1,262,025
Expenditures	
Instruction	
Basic Programs	523,902
Added Needs	172,886
Total Instruction	696,788
Support Services	
Pupil Services	98,087
Instructional Staff	34,572
General Administration	48,624
School Administration	71,858
Business Services	54,192
Operation & Maintenance	183,783
Transportation	618
Personnel & Information	89,855
Community Services	4,912
Student Activity	350
Total Support Services	586,851
Total Expenditures	1,283,639
Excess/(Deficiency) of Revenues over/(under) Expenditures	(21,614)
Other Financing Sources/(Uses)	
Act 18	5,072
Total Other Financing Sources/(Uses)	5,072
Net Change in Fund Balance	(16,542)
Fund Balance - July 1	21,229
Fund Balance - June 30	\$ 4,687

See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the Academy does not contain component units.

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.

Basic Financial Statements – Government-wide Statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major fund). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

In the Government-Wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The Academy had no restricted net assets or net assets invested in capital assets net of related debt as of June 30, 2021. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs.

Basic Financial Statements - Fund Financial Statements

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report; into one generic fund type in one broad fund category as follows:

Governmental Funds

Governmental funds are those funds through which most Academy functions typically are financed. The acquisition, use, and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds.

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Due to the nature of the activities of the Academy and the assets and liabilities held at June 30, 2021, the net position of governmental activities is equal to the General Fund fund balance and the change in net position is equal to the excess of revenues over expenditures for the General Fund.

Cash, Cash Equivalents and Investments – Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than three months. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase.

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Investments (continued)

The Academy is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an academy.

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, 2021.

Capital Assets - The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$5,000.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years

The Academy had no capital assets at June 30, 2021.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency – The Academy receives approximately 79% of its operating revenue through the foundation allowance from the State of Michigan.

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. The Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

W-A-Y ACADEMY - FLINT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

Note 2 - Budget and Budgetary Accounting (continued)

1. The Academy's CEO submits to the Board of Trustees a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The CEO is authorized to transfer budgeted amounts between functions within any fund with the approval of the Board of Trustees; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
3. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
4. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees throughout the year. The Academy amended the original budget two times during the year.
5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A schedule comparing actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Trustees) for the General Fund is presented as required supplementary information.

Budgetary information

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Academy's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Excess of expenditures over appropriations in budgeted funds

During the year, the Academy incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
School Administration	\$ 71,849	\$ 71,858	\$ 9
Operation & Maintenance	\$ 181,408	\$ 183,783	\$ 2,375
Personnel & Information	\$ 59,634	\$ 89,855	\$ 30,221
Student Activity	\$ -0-	\$ 350	\$ 350

The final amended budget anticipated revenues exceeding expenditures by \$33,636. Actual expenditures exceeded revenues by \$16,542, a negative variance of \$50,178

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 – Cash, Cash Equivalents and Investments

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2021, the Academy had no deposit balances uninsured and/or uncollateralized.

Custodial Credit Risk for Investments

This is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to invest in investments that would be subject to this type of risk.

Note 4 – Defined Benefit Pension Plan & Retirement Plan

The Academy does not participate in a defined benefit pension plan or defined contribution plan for its employees. Therefore, no pension plan disclosure is applicable.

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Trustees adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable fund balance consists of prepaid costs.

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had no amounts restricted at June 30, 2021.

Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2021.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Trustees, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, commitments and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 6 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 7 - 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.

Note 8 - Leases

The Academy leases the Flint Campus at 817 E. Kearsley Street, Flint, Michigan under the terms of an operating lease agreement that expires on June 30, 2023. Lease expense for the year ended June 30, 2021 was \$110,176.

Future minimum payments under the lease are as follows:

June 30, 2022	\$ 107,144
June 30, 2023	\$ 107,144

W-A-Y ACADEMY - FLINT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 – Leases (continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Academy's financial statements for the year ending June 30, 2021, but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 9 - Subsequent Events

Subsequent events have been reviewed through October 8, 2021, the date the financial statements were available to be issued.

The Covid-19 pandemic continues to affect day-to-day operations of the Academy. While W-A-Y Academy – Flint will continue to feel the effects of the pandemic, it is impossible to estimate the financial impact, if any, the pandemic will have upon the Academy.

REQUIRED SUPPLEMENTAL INFORMATION

W-A-Y ACADEMY - FLINT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Sources	\$ 21,326	\$ 10,551	\$ 2,000	\$ (8,551)
State Sources	840,664	845,158	841,287	(3,871)
Federal Sources	393,321	547,358	418,738	(128,620)
Total Revenues	<u>1,255,311</u>	<u>1,403,067</u>	<u>1,262,025</u>	<u>(141,042)</u>
Expenditures				
Education				
Instruction				
Basic Programs	427,918	527,170	523,902	3,268
Added Needs	218,355	203,570	172,886	30,684
Supporting Services				
Pupil Services	96,838	153,268	98,087	55,181
Instructional Staff	45,203	38,133	34,572	3,561
General Administration	67,078	64,462	48,624	15,838
School Administration	76,250	71,849	71,858	(9)
Business Services	52,869	55,720	54,192	1,528
Operation & Maintenance	169,505	181,408	183,783	(2,375)
Transportation	18,480	8,500	618	7,882
Personnel & Information	84,469	59,634	89,855	(30,221)
Community Services	6,615	5,717	4,912	805
Student Activity	-	-	350	(350)
Total Expenditures	<u>1,263,580</u>	<u>1,369,431</u>	<u>1,283,639</u>	<u>85,792</u>
Excess of Revenues Over/(Under) Expenditures	(8,269)	33,636	(21,614)	(55,250)
Other Financing Sources/(Uses)				
Other Financing Sources	8,988	-	5,072	5,072
Total Other Financing Sources/(Uses)	<u>8,988</u>	<u>-</u>	<u>5,072</u>	<u>5,072</u>
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	719	33,636	(16,542)	(50,178)
Fund Balance - July 1	<u>21,229</u>	<u>21,229</u>	<u>21,229</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 21,948</u>	<u>\$ 54,865</u>	<u>\$ 4,687</u>	<u>\$ (50,178)</u>

OTHER INFORMATION

WAY ACADEMY - FLINT
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Total	
Revenues:	June 30, 2021	June 30, 2020
Revenue from Local Sources		
Other Local Revenue	\$ 2,000	\$ 5,897
Revenue from State Sources		
Unrestricted Grants		
State School Aid	760,254	738,108
Restricted Grants		
At Risk	69,541	103,041
Other	11,492	38,351
Total Revenue from State Sources	841,287	879,500
Revenue from Federal Sources		
Restricted Grants		
Title I	110,715	106,118
Title IIA/Improving Teacher Quality	4,448	14,087
Title IV	12,473	9,613
IDEA Flow Through	23,271	63,984
ESSR	142,744	-
Other	125,087	20,197
Total Revenue from Federal Sources	418,738	213,999
Other Financing Sources		
Act 18	5,072	5,869
Total Revenues & Other Financing Sources	\$ 1,267,097	\$ 1,105,265

WAY ACADEMY - FLINT
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Purchased Services</u>	<u>Supplies & Materials</u>	<u>Other Expenses</u>	<u>Capital Outlay</u>	<u>Total June 30, 2021</u>	<u>Total June 30, 2020</u>
Instruction						
Basic Programs						
High School	\$ 472,255	\$ 29,984	\$ 10,897	\$ 10,766	\$ 523,902	\$ 387,463
Added needs						
Special Education	24,308	1,338	4,989	-	30,635	70,889
Compensatory Education	<u>138,510</u>	<u>3,741</u>	<u>-</u>	<u>-</u>	<u>142,251</u>	<u>103,845</u>
Total Instruction	<u>635,073</u>	<u>35,063</u>	<u>15,886</u>	<u>10,766</u>	<u>696,788</u>	<u>562,197</u>
Supporting Services						
Pupil Services						
Social Work	95,277	2,810	-	-	98,087	82,803
Instructional Staff						
Staff Improvement	34,572	-	-	-	34,572	40,494
General Administration						
Board of Education	9,056	-	-	-	9,056	15,418
Executive Administration	38,063	1,505	-	-	39,568	46,946
School Administration						
School Administration	70,257	1,601	-	-	71,858	61,351
Business Services						
Fiscal Services	53,510	-	682	-	54,192	50,888
Operations & Maintenance						
Operation & Maintenance	149,573	1,751	-	-	151,324	114,136
Security Services	32,459	-	-	-	32,459	31,418
Pupil Transportation						
Pupil Transportation Services	618	-	-	-	618	8,936
Central Services						
Staff/Personnel Services	25,115	-	-	-	25,115	26,893
Technology	59,248	-	-	-	59,248	54,795
Pupil Accounting	5,492	-	-	-	5,492	2,153
Student Activity	-	-	350	-	350	361
Community Services						
Community Activities	<u>3,996</u>	<u>916</u>	<u>-</u>	<u>-</u>	<u>4,912</u>	<u>4,458</u>
Total Support Services	<u>577,236</u>	<u>8,583</u>	<u>1,032</u>	<u>-</u>	<u>586,851</u>	<u>541,050</u>
Total Expenditures & Other Financing Uses	<u>\$ 1,212,309</u>	<u>\$ 43,646</u>	<u>\$ 16,918</u>	<u>\$ 10,766</u>	<u>\$ 1,283,639</u>	<u>\$ 1,103,247</u>

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

October 8, 2021

Board of Directors
W-A-Y Academy - Flint

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 the major fund, of the W-A-Y Academy - Flint as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the W-A-Y Academy - Flint basic financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the W-A-Y Academy - Flint'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the W-A-Y Academy - Flint's internal control. Accordingly, we do not express an opinion on the effectiveness of W-A-Y Academy - Flint'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 a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

FLINT, MI OFFICE

G-2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

CHARLOTTE, NC OFFICE

1213 W. MOREHEAD STREET
CHARLOTTE, NC 28208
OFFICE # (704) 926-7570 FAX # (810) 230-8203

TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 175
TROY, MI 48532
OFFICE # (248) 688-9399 FAX # (248) 688-9397

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the W-A-Y Academy - Flint'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*.

W-A-Y Academy - Flint's Response to Findings

W-A-Y Academy - Flint's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. W-A-Y Academy - Flint's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

W-A-Y ACADEMY - FLINT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Section II – Financial Statement Findings

2021-001 Material Audit Adjustments

Finding Type:

Material Weakness in Internal Control Over Financial Reporting

Criteria:

Generally Accepted Accounting Principles (GAAP) include “closing” procedures related to the accounting and recognition of federal revenue. Our audit procedures included material adjustments because the “closing” procedure for revenue recognition had not been performed.

Condition:

Material transactions related to the recognition of federal grant revenue were not recorded by the client in accordance with GAAP.

Cause:

Grant revenue was recorded in excess of allowable grant expenditures.

Effect:

Material adjustments were posted to federal grant revenues as part of the audit to ensure financial statements were presented in accordance with GAAP in all material respects.

Recommendation:

Additional “closing” procedures should be implemented to ensure grant revenues are only reported and recognized in the proper accounting period.

View of Responsible Officials:

Current Financial Department staff have implemented a procedure to track federal revenue received to ensure the revenue is recorded in the proper accounting period.

October 8, 2021

To the Members of the Board of Trustees
of W-A-Y Academy - Flint

We have audited the general purpose financial statements of W-A-Y Academy - Flint (the "Academy") for the year ended June 30, 2021 and have issued our report thereon dated October 8, 2021. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Audited Standards

As stated in our engagement letter dated March 28, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the Academy's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and accordingly, we do not express such an opinion.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control over financial reporting.

Our consideration of the internal control over the financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the general purpose financial statements.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed material audit adjustments that, in our judgment, either individually or in the aggregate, have a significant effect on the Academy's financial reporting process. Management has corrected all such audit adjustments.

Disagreements with Management

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

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 a certain situation. If a consultation involves application of an accounting principle to the Academy's general purpose 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.

Issues Discussed Prior to Retention of Independent Auditors

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. These discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Audit Findings or Issues

Current Year Recommendations

Material Audit Adjustments

Generally accepted accounting principles allow for the Academy to recognize revenue in the current period, only if expenditures for which reimbursement was requested occurred in the same accounting period. During the audit process, federal revenue was identified as not meeting the available criteria for revenue recognition as of June 30, 2021. Without the adjustment proposed by Taylor & Morgan, P.C. and recorded by management, revenue would have been overstated by \$28,594. We recommend the Academy implement procedures to ensure that revenues and allowable expenditures are recorded in the proper accounting period.

Deferred Revenue

Current year deferred revenue includes revenue received from the State of Michigan during the 2018-2019 fiscal year for the Robotics program in the amount of \$2,500. Because, the Academy no longer has the Robotics Program, we recommend that those funds be returned to the State of Michigan.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

Restriction on Use:

This information is intended solely for the use of the Board of Trustees and management of W-A-Y Academy - Flint and should not be used for any other purpose.

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, MI