

Weston Preparatory Academy

Financial Statements

June 30, 2021



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Weston Preparatory Academy
Members of the Board of Directors and Administration
June 30, 2021

Members of the Board of Directors

Carney Bradford	President
Elise Walley	Vice President
Susan Clark	Treasurer
Priscilla Hines	Member at Large

Administration

Yvonne McClean	Principal
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Independent Auditors' Report

Management and the Board of Directors
Weston Preparatory Academy
Detroit, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weston Preparatory Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that 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, each major fund, and the aggregate remaining fund information of Weston Preparatory Academy, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Account Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of Weston Preparatory Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Weston Preparatory 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 Weston Preparatory Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
October 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

Weston Preparatory Academy is a kindergarten through eighth grade Public School Academy located in Detroit, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Weston Preparatory Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$8,111	\$7,936
Enrollment	278	281
General Fund Balance Increase/(Decrease)	\$280,518	\$164,596
General Fund Balance as percent of Unrestricted State Aid Revenue	35%	17%
Instructional Expenditures as percent of Total Expenditures	57%	54%

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:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. 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 statement, 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. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

ACADEMY WIDE FINANCIAL STATEMENTS:

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Weston Preparatory Academy’s Annual Financial Report

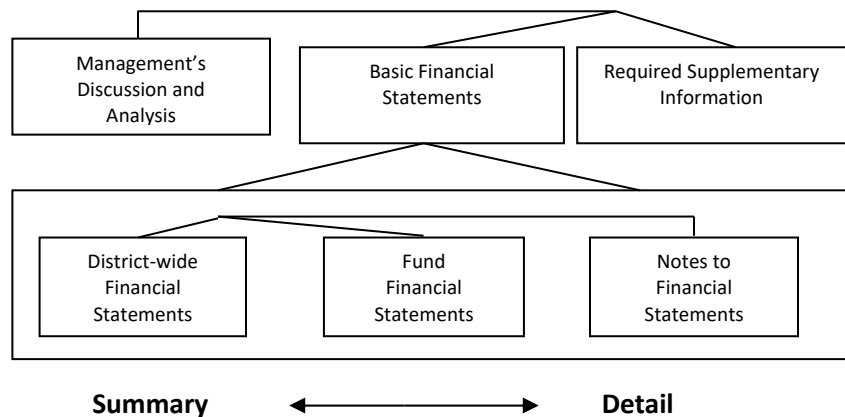


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$806,924	\$526,406
Total General Fund Revenue	\$3,059,971	\$2,814,829
State Aid Foundation Allowance as percent of Academy Revenues	74%	88%
Total Cost of Instructional Programs	\$1,298,207	\$1,474,418
Total Cost of Support/Operational Services	\$1,480,553	\$1,174,315
Support/Operational Services as percent of Total Expenditures	53%	44%
Total Expenditures transferred to Debt Service	n/a	n/a
Transfer to Debt Service as percent of Total Expenditures	n/a	n/a

ACADEMY GOVERNMENTAL ACTIVITIES (Figure A-3)

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 1,013,267	\$ 842,628
Capital Assets	430,724	422,824
Less: Accumulated Depreciation	(383,463)	(372,727)
Capital Assets, Net Book Value	<u>47,261</u>	<u>50,097</u>
Total Assets and Deferred Outflows	<u>\$ 1,060,528</u>	<u>\$ 892,725</u>
Liabilities		
Current Liabilities	\$ 184,563	\$ 316,165
Long-term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows	<u>\$ 184,563</u>	<u>\$ 316,165</u>
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 47,261	\$ 50,097
Restricted for Food Service	21,041	57
Restricted for Debt Service	-	-
Unrestricted	<u>807,663</u>	<u>526,406</u>
Total Net Position	<u>\$ 875,965</u>	<u>\$ 576,560</u>

During the fiscal year ended June 30, 2021, the Academy's net position increased by \$299,076 as compared to a net increase of \$157,140 in the prior fiscal year. The most significant difference between prior year and current year is the total general fund revenue remained steady but total general fund expenditures slightly increased.

Results of Operations:

For the fiscal year ended June 30, 2021 and 2020, the Academy wide results of operations were:

	2021		2020	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	\$ 2,526,611	80.43%	\$ 2,231,509	76.30%
Other	55,751	1.77%	44,956	1.54%
Total General Revenue	<u>2,582,362</u>	<u>82.21%</u>	<u>2,276,465</u>	<u>77.84%</u>
Program Revenue:				
Charges for Services	-	0.00%	-	0.00%
Operating Grants - Federal and State	558,894	17.79%	648,176	22.16%
Total Program Revenue	<u>558,894</u>	<u>17.79%</u>	<u>648,176</u>	<u>22.16%</u>
Total Revenue	<u>3,141,256</u>	<u>100.00%</u>	<u>2,924,641</u>	<u>100.00%</u>
Expenses:				
Instruction and Instructional Services	1,298,207	45.72%	1,283,999	46.40%
Support Services	1,480,553	52.14%	1,368,932	49.46%
Food Service	48,229	1.70%	114,398	4.13%
Community Services	11,662	0.41%	172	0.01%
Student Activities	693	0.02%	-	0.00%
Total Expenses	<u>2,839,344</u>	<u>100.00%</u>	<u>2,767,501</u>	<u>100.00%</u>
Change in Net Position	<u>\$ 301,912</u>		<u>\$ 157,140</u>	

State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Weston Preparatory Academy foundation allowance was \$8,111.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-21 was 271 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 75% of the adjusted current year fall count and 25% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was 2.15 FTE or (\$17,439).
- The Academy continues to receive federal monies in the way of ESSER funding. These funds are to be used to deliver a continued high quality academic program and a continued response to Covid-19. Additional federal funding is available during the 2021-22 and 2022-23 fiscal years.

Subsequent to year end June 30, 2021, preliminary student enrollments for 2021-22 indicate that the 2021 fall student enrollment should be slightly lower than the 2020-21 levels.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's revenues from General Fund operations exceeded expenditures by \$280,518 for the fiscal year ended June 30, 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Academy's net investment in capital assets decreased by (\$2,836) during the fiscal year. This can be summarized as follows:

	<u>Beginning Balance 6/30/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 6/30/21</u>
Non-Depreciable Capital Assets			\$ -	\$ -
Equipment & Furniture	328,961	-	-	328,961
Depreciable Capital Assets	93,863	7,900	-	101,763
Less: Accumulated Depreciation	<u>372,727</u>	<u>10,736</u>	<u>-</u>	<u>383,463</u>
Net Investment in Capital Assets	<u>\$ 50,097</u>	<u>\$ (2,836)</u>	<u>\$ -</u>	<u>\$ 47,261</u>

Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2021, the net increase in accumulated depreciation was \$10,736.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2021-22 Fiscal Year was adopted by the Board of Directors in June 2021. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2022-22 budget preparation process include:

- Conservative enrollment projections of 275 students in grades K-8.
- Continued improvement of academic achievement through changes in academic programs.

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. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 22930 Chippewa Street, Detroit, MI 48219.

BASIC FINANCIAL STATEMENTS

Weston Preparatory Academy
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 289,793
Accounts receivable	500
Due from other governmental units	623,637
Prepaid items	99,337
Capital assets - net of accumulated depreciation	47,261
Total assets	1,060,528
Liabilities	
Accounts payable	19,662
State aid anticipation note payable	145,457
Accrued expenditures	19,444
Total liabilities	184,563
Net Position	
Net investment in capital assets	47,261
Restricted for	
Food service	21,041
Unrestricted	807,663
Total net position	\$ 875,965

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
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				
Instruction	\$ 1,295,236	\$ -	\$ 496,284	\$ (798,952)
Supporting services	1,497,836	12,072	248,142	(1,237,622)
Food services	48,412	-	69,213	20,801
Community services	696	-	-	(696)
Total governmental activities	\$ 2,842,180	\$ 12,072	\$ 813,639	(2,016,469)
General revenues				
State aid - unrestricted				2,271,866
Other				43,679
Total general revenues				2,315,545
Change in net position				299,076
Net position - beginning, as restated				576,889
Net position - ending				\$ 875,965

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
Governmental Funds
Balance Sheet
June 30, 2021

	Major Fund	Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	Food Service	
Assets			
Cash	\$ 289,054	\$ 739	\$ 289,793
Accounts receivable	500	-	500
Due from other funds	-	21,041	21,041
Due from other governmental units	623,637	-	623,637
Prepaid items	99,337	-	99,337
Total assets	<u>\$ 1,012,528</u>	<u>\$ 21,780</u>	<u>\$ 1,034,308</u>
Liabilities			
Accounts payable	\$ 19,662	\$ -	\$ 19,662
State aid anticipation note payable	145,457	-	145,457
Due to other funds	21,041	-	21,041
Accrued expenditures	19,444	-	19,444
Total liabilities	<u>205,604</u>	<u>-</u>	<u>205,604</u>
Fund Balance			
Non-spendable			
Prepaid items	99,337	-	99,337
Restricted for			
Food service	-	21,041	21,041
Committed for			
Student activities	-	739	739
Unassigned	707,587	-	707,587
Total fund balance	<u>806,924</u>	<u>21,780</u>	<u>828,704</u>
Total liabilities and fund balances	<u>\$ 1,012,528</u>	<u>\$ 21,780</u>	<u>\$ 1,034,308</u>

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds	\$ 828,704
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	<u>47,261</u>
Net position of governmental activities	<u><u>\$ 875,965</u></u>

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Major Fund	Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	Food Service	
Revenues			
Local sources	\$ 43,679	\$ 12,072	\$ 55,751
State sources	2,523,606	3,005	2,526,611
Federal sources	492,686	66,208	558,894
Total revenues	<u>3,059,971</u>	<u>81,285</u>	<u>3,141,256</u>
Expenditures			
Education			
Instruction	1,298,207	-	1,298,207
Supporting services	1,480,553	-	1,480,553
Food services	-	48,229	48,229
Student activities	-	11,662	11,662
Community services	693	-	693
Total expenditures	<u>2,779,453</u>	<u>59,891</u>	<u>2,839,344</u>
Net change in fund balance	280,518	21,394	301,912
Fund balance - beginning, as restated	<u>526,406</u>	<u>386</u>	<u>526,792</u>
Fund balance - ending	<u>\$ 806,924</u>	<u>\$ 21,780</u>	<u>\$ 828,704</u>

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total governmental funds	\$ 301,912
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(10,736)
Capital outlay	<u>7,900</u>
Change in net position of governmental activities	<u>\$ 299,076</u>

See Accompanying Notes to the Financial Statements

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Weston Preparatory Academy (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy has entered into a contract with Oakland University to charter a public school academy through June 30, 2023. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The Oakland University 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. The Academy pays the Oakland University 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2021 to the Oakland University was \$77,293.

The Academy is governed by an appointed Board of Directors. The accompanying basic financial statement have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationship with the Academy. Based on application of the criteria, the Academy does not contain component units.

Academy-wide Financial Statements

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

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method 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 (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, investments and earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate direct costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Additionally, the Academy reports the following fund types:

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Fund includes Food Service.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	20-50 years
Equipment and furniture	5-10 years

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Committed – amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the board of directors. The Board of Directors has granted the Chief Administrative Officer the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates – The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund

receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Upcoming Accounting and Reporting Changes

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. This statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an

operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The Academy does not believe there will be an impact to the financial statements related to implementing the above GASBs.

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. The Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Chief Administrative Officer is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

The Academy did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ <u>289,793</u>
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Interest rate risk – The Academy has a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office 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 has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, none of the Academy's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	\$ 93,863	\$ 7,900	\$ -	\$ 101,763
Equipment and furniture	328,961	-	-	328,961
Total capital assets being depreciated	422,824	7,900	-	430,724
Less accumulated depreciation for				
Depreciable assets	372,727	10,736	-	383,463
Net capital assets	<u>\$ 50,097</u>	<u>\$ (2,836)</u>	<u>\$ -</u>	<u>\$ 47,261</u>

Depreciation expense was charged to activities of the Academy as follows:

Governmental activities	
Instruction	\$ 4,929
Support services	5,621
Food services	183
Community services	<u>3</u>
Total governmental activities	<u>\$ 10,736</u>

Note 5 - State Aid Anticipation Note

The Academy issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30th. The Academy is required to pledge 100% of their state aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 296,970	\$ 800,000	\$ 951,513	\$ 145,457

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

	Receivable Fund	Payable Fund	Amount
Food Service Fund		General Fund	<u>\$ 21,041</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Note 7 - Leases

The Academy leases its facility. During the year, the Academy paid approximately \$224,000. In June of 2020, the Academy and the lessor agreed to a new lease agreement. The terms of the agreement extend to June 30, 2023 and require lease payments of \$18,737 per month for the first year and an increase in rate based on the State of Michigan per pupil foundation grant or a minimum of 1%. Under both lease agreements, the Academy is responsible for repairs and maintenance of the facility. Future minimum lease payments are as follows:

	Year ending June 30,	
2022		\$ 228,422
2023		<u>230,706</u>
Total		<u>\$ 459,128</u>

Weston Preparatory Academy
Notes to the Financial Statements
June 30, 2021

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial.

Note 10 - Education Services Agreement

The Academy operates under an Education Services Agreement with CS Partners, LLC (CSP) and CSP Management Inc. doing business as Partner Solutions (PS). Under the terms of this agreement, CSP provides a variety of services including management of operational areas, academic program support and compliance. The Academy is obligated to pay CSP ten percent of applicable revenues. Additionally, PS provides staffing for teachers, administrators and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing PS for all costs incurred for providing staffing.

The total charged for these management services amounted to approximately \$225,000 for the year ended June 30, 2021. As of June 30, 2021, \$79,983 was prepaid to CSP.

Note 11 - Change in Accounting Principle

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position in the statement of activities as of July 1, 2020 by \$329, restating it from \$576,560 to \$576,889.

REQUIRED SUPPLEMENTARY INFORMATION

Weston Preparatory Academy
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 20,750	\$ 42,997	\$ 43,679	\$ 682
State sources	2,479,235	2,518,768	2,523,606	4,838
Federal sources	341,870	580,613	492,686	(87,927)
Interdistrict sources	12,000	-	-	-
Total revenues	<u>2,853,855</u>	<u>3,142,378</u>	<u>3,059,971</u>	<u>(82,407)</u>
Expenditures				
Instruction				
Basic programs	922,071	983,719	895,225	(88,494)
Added needs	400,527	400,452	402,982	2,530
Supporting services				
Pupil	66,000	90,073	81,772	(8,301)
Instructional staff	97,705	120,568	84,705	(35,863)
General administration	331,893	339,514	328,945	(10,569)
School administration	432,694	421,137	408,380	(12,757)
Business	34,450	21,034	19,977	(1,057)
Operations and maintenance	502,199	557,805	471,181	(86,624)
Central	50,120	93,161	85,593	(7,568)
Community services	<u>3,000</u>	<u>2,890</u>	<u>693</u>	<u>(2,197)</u>
Total expenditures	<u>2,840,659</u>	<u>3,030,353</u>	<u>2,779,453</u>	<u>(250,900)</u>
Net change in fund balance	13,196	112,025	280,518	168,493
Fund balance - beginning, as restated	<u>526,406</u>	<u>526,406</u>	<u>526,406</u>	<u>-</u>
Fund balance - ending	<u>\$ 539,602</u>	<u>\$ 638,431</u>	<u>\$ 806,924</u>	<u>\$ 168,493</u>

OTHER SUPPLEMENTARY INFORMATION

Weston Preparatory Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	<u>Special Revenue Funds</u>		Total
	<u>Food Service Fund</u>	<u>Student Activities Fund</u>	Nonmajor Governmental Funds
Assets			
Cash	\$ -	\$ 739	\$ 739
Due from other funds	<u>21,041</u>	<u>-</u>	<u>21,041</u>
 Total assets	 <u>\$ 21,041</u>	 <u>\$ 739</u>	 <u>\$ 21,780</u>
 Fund Balance			
Restricted for:			
Food service	\$ 21,041	\$ -	\$ 21,041
Committed for			
Student activities	<u>-</u>	<u>739</u>	<u>739</u>
 Total fund balance	 <u>\$ 21,041</u>	 <u>\$ 739</u>	 <u>\$ 21,780</u>

Weston Preparatory Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activities Fund	
Revenues			
Local sources	\$ -	\$ 12,072	\$ 12,072
State sources	3,005	-	3,005
Federal sources	66,208	-	66,208
Total revenues	<u>69,213</u>	<u>12,072</u>	<u>81,285</u>
Expenditures			
Current			
Education			
Food services	48,229	-	48,229
Student activities	-	11,662	11,662
Total expenditures	<u>48,229</u>	<u>11,662</u>	<u>59,891</u>
Excess of revenues over expenditures	20,984	410	21,394
Fund balance - beginning, as restated	<u>57</u>	<u>329</u>	<u>386</u>
Fund balance - ending	<u>\$ 21,041</u>	<u>\$ 739</u>	<u>\$ 21,780</u>

OTHER REPORT



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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

Independent Auditors' Report

Management and the Board of Directors
Weston Preparatory Academy
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weston Preparatory Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Weston Preparatory Academy's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Weston Preparatory Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Weston Preparatory Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Weston Preparatory 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 a 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weston Preparatory Academy's financial statements are free from 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 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Yeo & Yeo, P.C.

Flint, MI
October 13, 2021