

**FAXON
ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2022**

FAXON ACADEMY

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Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Independent Auditor's Report

To the Board of Directors of
Faxon Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Faxon Academy (the 'Academy'), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Faxon Academy as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 September 27, 2022, on our consideration of Faxon 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 to describe the scope of our testing of 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 Faxon Academy's internal control over financial reporting and compliance.

Wilkinson & Associate PC

Dearborn, Michigan
September 27, 2022

Wilkerson & Associate P.C.

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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*

To the Board of Directors of
Faxon Academy

We have audited the financial statements of Faxon Academy as of and for the year ended June 30, 2022 and have issued our report thereon dated September 27, 2022. 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.

Internal Control Over Financial Reporting

Faxon Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Faxon Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Faxon Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Faxon Academy's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors of
Faxon Academy

Compliance and Other Matters

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

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

Wilkerson & Associate PC

September 27, 2022

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

This section of the Faxon Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Government-wide financial statements by providing information about the Academy's most significant funds - the General Fund, with all other funds presented in one column as non-major funds.

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information) Budgetary Information for Major Funds

Other Supplemental Information

Reporting the Academy as a Whole - Government-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Reporting the Academy as a Whole - Government-wide Financial Statements (Continued)

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds • Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (Agency Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

- Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

The Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net assets as of June 30, 2021 and 2022:

<u>NET ASSETS SUMMARY</u>		
	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets	\$ 263,271	\$ 143,927
<u>TOTAL ASSETS</u>	<u>\$ 263,271</u>	<u>\$ 143,927</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 225,776	\$ 136,689
Total Liabilities	225,776	136,689
<u>NET ASSETS</u>		
Unrestricted	37,495	7,238
Total Net Assets	37,495	7,238
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 263,271</u>	<u>\$ 143,927</u>

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2021 and 2022, the District wide results of operations were:

<u>REVENUES</u>	<u>2022</u>	<u>2021</u>
<u>General Revenues:</u>		
Local Sources	\$ 22,831	\$ 6,259
State Sources - Unrestricted	644,713	570,813
Total General Revenues	<u>667,544</u>	<u>577,072</u>
<u>Operating Grants:</u>		
Federal	223,277	90,634
State of Michigan	41,566	70,088
Total Operating Grants	<u>264,843</u>	<u>160,722</u>
Total Revenues	<u>932,387</u>	<u>737,794</u>
<u>EXPENSES</u>		
Instruction	329,476	275,479
Support Services	572,654	468,605
Total Expenses	<u>902,130</u>	<u>744,084</u>
<u>INCREASE IN NET ASSETS</u>	30,257	(6,290)
<u>BEGINNING NET ASSETS</u>	<u>7,238</u>	<u>13,528</u>
<u>ENDING NET ASSETS</u>	<u>\$ 37,495</u>	<u>\$ 7,238</u>

Analysis of Results of Operations

The District's overall revenues exceeded expenditures for the year in the amount of \$30,257. Total revenues increased by \$194,593 from the previous year. This increase in revenues was a result of increased Federal and State grants available to the Academy. Expenditures increased by \$158,046 compared to the prior year, which was primarily due to increased Federal and State grant related expenditures.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS (Continued)

General Fund

The district’s General Fund is the chief operating fund of the district. The fund balance for the General Fund increased by \$30,257. Revenues for the year increased by \$194,593 due to increased Federal and State grants received during the year. The major source of General Fund revenues is State Aid. An analysis follows:

1. Per Student, Foundation Allowance:
 Annually, the State of Michigan establishes the per student foundation allowance. The Academy’s foundation allowance was \$8,700 per student for the 2021-2022 school year which was an increase of approximately \$600 from the prior year.

2. Student Enrollment:
 The District’s blended student enrollment for 2021-2022 was 74 students.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$ 825,200	\$ 919,873	\$ 932,387	(11.47)	(1.36)
Expenditures	822,136	903,698	902,130	(9.92)	0.17
<u>TOTAL</u>	<u>\$ 3,064</u>	<u>\$ 16,175</u>	<u>\$ 30,257</u>		

ANALYSIS OF BUDGETS:

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, the start of the fiscal year.

As a matter of practice, the Academy amends its budget during the school year. The June 2022 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Variations between the original and final budget were insignificant.

Expenditures

Variations between the original and final budget were insignificant.

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budgets

Revenues

Changes between actual revenues and the final budget were insignificant.

Expenditures

Changes between actual expenditures and the final budget were insignificant.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State Aid

The foundation amount for the 2022-2023 school year was expect to increase by approximately \$400 per student as of the budget adoption. The district's September 2022 enrollment is expected to increase to 110 students.

The Academy's 2022-2023 adopted budget is as follows:

<u>REVENUE</u>	\$ 991,056
<u>EXPENDITURES</u>	<u>971,465</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ 19,591</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Chief Administrative Officer or the Board Treasurer.

Faxon Academy
26275 Northwestern Hwy.
Southfield, MI 48076
Phone: (248) 301-9909

FAXON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 5,264
Accounts Receivable	248
Deposits	10,000
Due From Other Governmental Units	247,759
Total Assets	263,271
Liabilities	
Accounts Payable	119,201
Accrued Expenses	51,318
Unearned Revenue	55,257
Total Liabilities	225,776
Net Position	
Unrestricted	37,495
Total Net Position	\$ 37,495

FAXON ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and changes in Net Assets</u>
Governmental Activities				
Instruction	\$ 329,476	\$ -	\$ 129,054	\$ (200,422)
Support Services	572,654	-	135,789	(436,865)
Total Governmental Activities	<u>\$ 902,130</u>	<u>\$ -</u>	<u>\$ 264,843</u>	<u>(637,287)</u>
		<u>General Revenues</u>		
				644,713
				22,831
				<u>667,544</u>
				30,257
				<u>7,238</u>
				<u>\$ 37,495</u>

FAXON ACADEMY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022

ASSETS	General Fund	Food Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents	\$ 4,221	\$ 1,043	\$ 5,264
Accounts Receivable	248	-	248
Deposits	10,000	-	10,000
Due From Other Governmental Units	247,759	-	247,759
Due From Other Funds	-	80	80
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 262,228</u>	<u>\$ 1,123</u>	<u>\$ 263,351</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 119,201	\$ -	\$ 119,201
Accrued Expenditures	51,318	-	51,318
Unearned Revenue	55,257	-	55,257
Due To Other Funds	80	-	80
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	225,856	-	225,856
Fund Balances			
Non Spendable	10,000	-	10,000
Restricted	-	1,123	1,123
Unassigned	26,372	-	26,372
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	36,372	1,123	37,495
Total Liabilities and Fund Balances	<u>\$ 262,228</u>	<u>\$ 1,123</u>	<u>\$ 263,351</u>

FAXON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds \$ 37,495

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because Capital Assets used in Governmental Activities are not Financial Resources and therefore, not Reported as Assets in Governmental Funds

Cost of Capital Assets	6,750	
Accumulated Depreciation	<u>(6,750)</u>	<u>-</u>

Total Net Position - Governmental Activities \$ 37,495

FAXON ACADEMY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenue			
Federal Sources	\$ 217,226	\$ -	\$ 217,226
State Sources	686,279	-	686,279
Local Sources	22,831	-	22,831
Other Sources	6,051	-	6,051
Total Revenue	<u>932,387</u>	<u>-</u>	<u>932,387</u>
Expenditures			
Instruction:			
Basic Instructions	273,258	-	273,258
Added Needs	56,218	-	56,218
Supporting Services:			
Pupil Support Services	24,211	-	24,211
Instructional Staff Services	41,381	-	41,381
General Administration Services	91,172	-	91,172
School Administration Services	132,542	-	132,542
Business Services	9,060	-	9,060
Operations and Maintenance	208,525	-	208,525
Central Services	62,966	-	62,966
Total Expenditures	<u>899,333</u>	<u>-</u>	<u>899,333</u>
Excess (Deficiency) of Revenue over Expenditures	<u>33,054</u>	<u>-</u>	<u>33,054</u>
Other Financing Sources (Uses)			
Operating Transfers - Out	(2,797)	-	(2,797)
Total Other Financing Sources(Uses)	<u>(2,797)</u>	<u>-</u>	<u>(2,797)</u>
Net Change in Fund Balances	30,257	-	30,257
Fund Balance - July 1, 2021	<u>6,115</u>	<u>1,123</u>	<u>7,238</u>
Fund Balance - June 30, 2022	<u>\$ 36,372</u>	<u>\$ 1,123</u>	<u>\$ 37,495</u>

FAXON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 30,257

Amounts Reported for Governmental Activities in the Statement
of Activities are different because:

Grants and other receivables that are collected after year
end, such that they are not available to pay bills outstanding
as of year end, are not recognized in the funds.

-

Change in Net Position - Governmental Activities \$ 30,257

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Faxon Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Faxon Academy is a public-school academy that provides instructional and support services to elementary and middle school students from kindergarten to the eighth grades. The Academy was formed as a public-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 entered into a three-year contract with Saginaw Valley State University Board of Control to charter a public-school academy on July 1, 2019, effective July 1, 2019 through June 30, 2022. 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. Saginaw Valley State University Board of Control 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 Saginaw Valley State University Board of Control three percent of State aid as an administrative fee. The total administrative fee paid through June 30, 2022 to the Saginaw Valley State University Board of Control was approximately \$19,100.

The accompanying financial statements 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 and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

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

District-Wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

Fund-Based 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 government considers revenue 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 required under accrual accounting. However, debt service expenditures 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 State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operation 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.

D. Assets, Liabilities, and Net Position or Equity

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Capital Assets

Capital assets, which include equipment only is reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Equipment is depreciated using the straight-line method over the following useful lives:

Furniture and other equipment 5 – 20 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity (Continued)

- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Comparative Data

Comparative data is not included in the Academy's financial statements.

District-wide financial statements (statement of Net Position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

Capital assets of \$6,750 are currently recorded in the governmental activities column of the statement of Net Position.

The fund financial statements focus on major funds rather than fund types.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted General Fund budgets by function for the fiscal year ended June 30, 2022. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2022. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, the Academy incurred expenditures in the General Fund, which in the aggregate were not in excess of the overall department amounts budgeted.

	Budget	Actual	Variance
Pupil Support	\$ 24,151	\$ 24,211	\$ 60
Instructional Staff	41,309	41,381	72
General Administration	89,982	91,172	1,190

NOTE 3 - DEPOSITS

State statutes and the Academy’s investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy’s deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds and has not adopted any other formal investment policy.

The Academy’s cash is subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy’s deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy’s deposits were reported in the basic financial statements as cash and cash equivalents of \$5,264.

The deposits of the Academy were reflected in the accounts of the financial institution at \$63,277, all of which is covered by federal depository insurance.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities was as follows:

Governmental Activities	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2022</u>
Assets being depreciated:				
Furniture & Equipment	\$ 6,750	\$ -	\$ -	\$ 6,750
Total capital assets being depreciated	6,750	-	-	6,750
Accumulated Depreciation:				
Furniture & Equipment	6,750	-	-	6,750
Total Accumulated Depreciation	6,750	-	-	6,750
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - DUE FROM OTHER GOVERNMENTS

State source receivable	\$	136,821
Federal source receivable		110,938
Total due from other governments	<u>\$</u>	<u>247,759</u>

All receivables were collected subsequent to year end.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees' injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inceptions.

NOTE 7 - MANAGEMENT AGREEMENT

On July 1, 2019 the Academy entered into a management agreement with GPS Solutions, LLC to provide elementary and secondary education management services. The contract fee is eight percent of total state revenue. The fee for the 2021-2022 school year amounted to approximately \$56,800.

NOTE 8 - MSPERS LIABILITY

The Academy contracted with GPS Solutions, LLC to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2022.

NOTE 9 - OPERATING LEASE

The Academy entered into an operating lease agreement with Hope United Methodist Church effective June 15, 2021 to lease its facility located at 26275 Northwestern Highway in Southfield, Michigan. The lease begins July 1, 2021 and ends June 30, 2022. The lease will be paid at twenty percent of total state aid revenue. The Academy is responsible for insurance, repairs and maintenance for the building. Rent expense related to this lease is \$145,457 for the period ended June 30, 2022. Effective June 30, 2022, the Academy was able to extend the lease under similar terms through June 30, 2023.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 27, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

FAXON ACADEMY
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	<i>Over (Under) Final Budget</i>
Revenue				
Federal Sources	\$ 98,517	\$ 216,450	\$ 217,226	\$ 776
State Sources	704,352	675,049	686,279	11,230
Local Sources	19,580	22,322	22,831	509
Other Sources	2,751	6,052	6,051	(1)
Total Revenue	<u>825,200</u>	<u>919,873</u>	<u>932,387</u>	<u>12,514</u>
Expenditures				
Instruction:				
Basic Instructions	232,176	273,943	273,258	(685)
Added Needs	51,698	56,218	56,218	-
Supporting Services:				
Pupil Support	30,775	24,151	24,211	60
Instructional Staff	13,577	41,309	41,381	72
General Administration	45,834	89,982	91,172	1,190
School Administration	121,385	133,193	132,542	(651)
Business	16,817	9,987	9,060	(927)
Operations and Maintenance	197,970	208,608	208,525	(83)
Pupil Transportation	52,500	250	-	(250)
Central	57,304	63,011	62,966	(45)
Community Services	100	100	-	(100)
Total Expenditures	<u>820,136</u>	<u>900,752</u>	<u>899,333</u>	<u>(1,419)</u>
Excess (Deficiency) of Revenue over Expenditures	5,064	19,121	33,054	13,933
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(2,946)</u>	<u>(2,797)</u>	<u>149</u>
Net Change in Fund Balance	3,064	16,175	30,257	14,082
Fund balance - July 1, 2021	<u>6,115</u>	<u>6,115</u>	<u>6,115</u>	<u>-</u>
Fund balance - June 30, 2022	<u>\$ 9,179</u>	<u>\$ 22,290</u>	<u>\$ 36,372</u>	<u>\$ 14,082</u>