

**FAXON
ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2023**

FAXON ACADEMY

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FAXON ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2023

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Faxon Academy

We have recently completed our audit of the basic financial statements of Faxon Academy (the “Academy”) as of and for the year ended June 30, 2023. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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

Wilkerson & Associate PC

October 30, 2023

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

To the Board of Directors
Faxon Academy
October 30, 2023

Results of the Audit

We have audited the financial statements of Faxon Academy (the “Academy”) as of and for the year ended June 30, 2023, and have issued our report thereon dated October 30, 2023, Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 24, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 30, 2023, regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Faxon Academy
October 30, 2023

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants with Other Independent Accountants

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

To the Board of Directors
Faxon Academy
October 30, 2023

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

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

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

FAXON ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, **no recommendations are made for this year.**

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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 position 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 position - the difference between assets and liabilities, as reported in the statement of Net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - 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, 2023

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

The statement of net position 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 position and the statement of activities) and governmental funds in reconciliation.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2022 and 2023:.

<u>NET POSITION SUMMARY</u>		
	2023	2022
ASSETS		
Current assets	\$ 382,674	\$ 263,271
Non-current assets	11,073	-
TOTAL ASSETS	393,747	263,271
LIABILITIES		
Current liabilities	297,473	225,776
Long-term liabilities	8,989	-
Total liabilities	306,462	225,776
NET POSITION		
Investment in capital and right of use assets, net of related debt	8	-
Unrestricted	87,277	37,495
Total net position	87,285	37,495
TOTAL LIABILITIES AND NET POSITION	\$ 393,747	\$ 263,271

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2022 and 2023, the Academy wide results of operations were:

REVENUES	2023	2022
General revenues:		
Local sources	\$ 33,865	\$ 22,831
State sources - unrestricted	1,067,783	644,713
Total general revenues	1,101,648	667,544
Operating grants:		
Federal	135,027	223,277
State of Michigan	88,840	41,566
Total operating grants	223,867	264,843
Total revenues	1,325,515	932,387
 EXPENSES		
Instruction	483,649	329,476
Support services	791,610	572,654
Interest on long-term debt	91	-
Depreciation/amortization (unallocated)	375	-
Total Expenses	1,275,725	902,130
 INCREASE IN NET POSITION	49,790	30,257
 BEGINNING NET POSITION	37,495	7,238
 ENDING NET POSITION	\$ 87,285	\$ 37,495

Analysis of Results of Operations

The Academy's overall revenues exceeded expenses for the year in the amount of \$49,790. Total revenues increased by \$393,128 from the previous year. This increase in revenues was a result of increased enrollment and State grants available to the Academy. Expenses increased by \$373,595 compared to the prior year, which was primarily due to increased instructional and support expenditures for the increased enrollment.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the Academy's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy'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, 2023

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

General Fund

The Academy’s General Fund is the chief operating fund of the Academy. The fund balance for the General Fund increased by \$49,827. Revenues for the year increased by \$393,128 due to increased enrollment 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 \$9,150 per student for the 2022-2023 school year which was an increase of approximately \$450 from the prior year.

2. Student Enrollment:
 The Academy’s blended student enrollment for 2022-2023 was 117 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>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$ 991,056	\$ 1,351,074	\$ 1,325,515	(36.33)	1.89
Expenditures	971,465	1,334,727	1,275,688	(37.39)	4.42
 TOTAL	 \$ 19,591	 \$ 16,347	 \$ 49,827		

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 2023 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, 2023

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.

Capital and Right to Use Assets

As of the year ended June 30, 2023, the Academy had invested \$11,073 in capital and right to use assets net of accumulated depreciation/amortization as summarized below. Total depreciation/amortization expense for the year was \$375. More detailed information about capital and right to use assets can be found in Note 4 to the financial statements.

CAPITAL AND RIGHT TO USE ASSETS

	Balance June 30, 2023	Balance June 30, 2022
Right to use assets	\$ 11,448	\$ -
Furniture & equipment	6,750	6,750
Total cost	18,198	6,750
Less accumulated depreciation/amortization	7,125	6,750
Net capital and right to use assets	<u>\$ 11,073</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State Aid

The foundation amount for the 2023-2024 school year per student was not expected to increase as of the budget adoption. The Academy's September 2023 enrollment is expected to increase to 120 students.

FAXON ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

The Academy's 2023-2024 adopted budget is as follows:

<u>REVENUE</u>	\$ 1,346,934
<u>EXPENDITURES</u>	<u>1,373,505</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ (26,571)</u>

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, 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, 2023

	Governmental Activities
Assets	
Cash	\$ 12,009
Refundable deposits	10,000
Due From other governmental units	360,665
Capital and right to use assets, net of accumulated depreciation/amortization	11,073
Total Assets	393,747
Liabilities	
Accounts payable	71,353
Accrued expenses	80,310
Unearned revenue	143,734
Long-term lease obligations - current portion	2,076
Long-term lease obligations - long-term portion	8,989
Total Liabilities	306,462
Net Position	
Invested in capital and right to use assets, net of related debt	8
Unrestricted	87,277
Total Net Position	\$ 87,285

FAXON ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	<u>Expenses</u>	Program Revenues		<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	\$ 483,649	\$ -	\$ 122,853	\$ (360,796)
Support services	791,610	-	101,014	(690,596)
Interest on long-term debt	91	-	-	(91)
Depreciation/amortization (unallocated)	375	-	-	(375)
Total Governmental Activities	<u>\$ 1,275,725</u>	<u>\$ -</u>	<u>\$ 223,867</u>	<u>(1,051,858)</u>
		General Revenues		
				1,067,783
				33,865
				<u>1,101,648</u>
				49,790
				<u>37,495</u>
				<u>\$ 87,285</u>

FAXON ACADEMY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

ASSETS	General Fund	Food Service Fund	Total Governmental Funds
Cash	\$ 10,966	\$ 1,043	\$ 12,009
Refundable deposits	10,000	-	10,000
Due from other governmental units	360,665	-	360,665
Due from other funds	-	80	80
Total Assets	\$ 381,631	\$ 1,123	\$ 382,754
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 71,353	\$ -	\$ 71,353
Accrued expenditures	80,265	-	80,265
Unearned revenue	143,734	-	143,734
Due to other funds	80	-	80
Total Liabilities	295,432	-	295,432
 Fund Balances			
Non spendable	10,000	-	10,000
Restricted	-	1,123	1,123
Unassigned	76,199	-	76,199
Total Fund Balances	86,199	1,123	87,322
Total Liabilities and Fund Balances	\$ 381,631	\$ 1,123	\$ 382,754

FAXON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total governmental fund balances		\$ 87,322
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	18,198	
Accumulated depreciation/amortization	<u>(7,125)</u>	11,073
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Equipment lease payable		(11,110)
Net position of governmental activities		<u>\$ 87,285</u>

FAXON ACADEMY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenue			
Federal sources	\$ 115,812	\$ -	\$ 115,812
State sources	1,156,623	-	1,156,623
Local sources	33,865	-	33,865
Other sources	19,215	-	19,215
Total Revenue	<u>1,325,515</u>	<u>-</u>	<u>1,325,515</u>
Expenditures			
Instruction:			
Basic instruction	400,165	-	400,165
Added needs	83,484	-	83,484
Supporting services:			
Pupil support services	30,890	-	30,890
Instructional staff services	67,320	-	67,320
General administration services	150,696	-	150,696
School administration services	153,197	-	153,197
Business Services	13,406	-	13,406
Operations and maintenance	295,022	-	295,022
Central services	86,192	-	86,192
Debt service:			
Principal and interest	430	-	430
Total Expenditures	<u>1,280,802</u>	<u>-</u>	<u>1,280,802</u>
Excess (Deficiency) of Revenue over Expenditures	<u>44,713</u>	<u>-</u>	<u>44,713</u>
Other Financing Sources (Uses)			
Change of lease obligation	11,448	-	11,448
Other transactions - Indirect costs	(6,334)	-	(6,334)
Total Other Financing Sources(Uses)	<u>5,114</u>	<u>-</u>	<u>5,114</u>
Net Change in Fund Balances	49,827	-	49,827
Fund Balance - July 1, 2022	<u>36,372</u>	<u>1,123</u>	<u>37,495</u>
Fund Balance - June 30, 2023	<u>\$ 86,199</u>	<u>\$ 1,123</u>	<u>\$ 87,322</u>

FAXON ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances total governmental funds \$ 49,827

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/amortization.

Capital outlay	11,448	
Depreciation/amortization	<u>(375)</u>	11,073

Proceeds and repayment of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities).

Change of lease obligation	(11,448)	
Principal repayment on long-term obligations	383	
Interest expense	<u>(45)</u>	<u>(11,110)</u>

Change in net position of governmental activities \$ 49,790

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022, effective July 1, 2022 through June 30, 2025. 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, 2023 to the Saginaw Valley State University Board of Control was approximately \$32,100.

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Academy-Wide and Fund Financial Statements

The Academy-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

Academy-Wide Statements

The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing 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, 2023

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, 2023

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 unearned 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.

Food Service Fund

The Food Service Fund is used to record the operation of the Academy pertaining to providing food to the students in the Academy. The Academy did not operate a food service program during the year ended June 30, 2023.

D. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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, all deposits are reasonably insured.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position (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 are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy 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. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The Academy does not have any infrastructure-type assets. The other capital assets of the Academy are depreciated using the straight-line method using the following useful lives:

Furniture and other equipment 5 – 20 years

Unearned Revenue

Governmental funds report unearned 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position (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 Balance

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (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.

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.

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.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Data (continued)

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, 2023. 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, 2023. 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.

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.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 \$12,009.

The deposits of the Academy were reflected in the accounts of the financial institution at \$16,357, all of which is covered by federal depository insurance.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - CAPITAL AND RIGHT TO USE ASSETS

Capital and right to use assets activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Assets being depreciated/amortized:				
Right to use assets	\$ -	\$ 11,448	\$ -	\$ 11,448
Furniture & equipment	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
Total capital assets being depreciated/amortized	6,750	11,448	-	18,198
Accumulated Depreciation/amortization:				
Right to use assets	-	375	-	375
Furniture & equipment	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
Total accumulated depreciation/amortization	<u>6,750</u>	<u>375</u>	<u>-</u>	<u>7,125</u>
Net capital and right to use assets	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>	<u>\$ 11,073</u>

Depreciation/amortization 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	\$ 297,920
Federal source receivable	<u>62,745</u>
Total due from other governments	<u>\$ 360,665</u>

The management of the Academy evaluates its receivables for collectability annually. At June 30, 2023, management believes all receivables are collectable, and no allowance is necessary. All receivables were collected subsequent to year end.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - LONG-TERM LEASE OBLIGATIONS

Long-term lease obligations as of June 30, 2023 can be summarized as follows:

Loan Information

	Interest Rate	Maturity Date	Other
Equipment Lease	5.00%	April, 2028	Right to use lease of office equipment

Loan Activity

	Balance July 1, 2022	Additions	Retirements and Payments	Balance June 30, 2023	Due Within One Year
Equipment Lease	\$ -	\$ 11,448	\$ 383	\$ 11,065	\$ 2,076

Following are maturities of long-term lease obligations for principal and interest for the next five years and in total:

	Principal	Interest
2024	\$ 2,076	\$ 506
2025	2,182	400
2026	2,293	288
2027	2,411	171
2028	2,103	49
Total	<u>\$ 11,065</u>	<u>\$ 1,414</u>

NOTE 7 - 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.

FAXON ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - MANAGEMENT AGREEMENT

On February 1, 2023 the Academy amended the existing management agreement with GPS Solutions, LLC to provide elementary and secondary education management services. The contract fee is ten percent of total state revenue. The fee for the 2022-2023 school year amounted to approximately \$107,900.

NOTE 9 - OPERATING LEASE OBLIGATION

The Academy entered into an operating lease agreement with Hope United Methodist Church effective June 30, 2022 to lease its facility located at 26275 Northwestern Highway in Southfield, Michigan. The lease begins July 1, 2022 and ends June 30, 2023. 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 \$229,450 for the period ended June 30, 2023. Effective June 30, 2023, the Academy was able to extend the lease under similar terms through June 30, 2024.

NOTE 10 - CONTINGENCIES

The Academy receives significant funding from federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 11 - SINGLE AUDIT REQUIREMENT

Current Federal guidelines require entities with Federal Expenditures exceeding \$750,000 to have a "Single Audit" of a federally funded program. The Academy expended approximately \$115,800 of federal funds during the year ended June 30, 2023. A Single Audit is not required.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 30, 2023, 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, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Federal sources	\$ 104,851	\$ 125,890	\$ 115,812	\$ (10,078)
State sources	868,200	1,165,278	1,156,623	(8,655)
Local sources	12,181	40,691	33,865	(6,826)
Other sources	5,824	19,215	19,215	-
Total Revenue	<u>991,056</u>	<u>1,351,074</u>	<u>1,325,515</u>	<u>(25,559)</u>
Expenditures				
Instruction:				
Basic instruction	322,696	414,763	400,165	(14,598)
Added needs	55,254	101,599	83,484	(18,115)
Supporting services:				
Pupil support services	25,997	32,047	30,890	(1,157)
Instructional staff services	34,546	68,099	67,320	(779)
General administration services	101,192	154,157	150,696	(3,461)
School administration services	133,116	148,883	153,197	4,314
Business Services	11,837	15,443	13,406	(2,037)
Operations and maintenance	236,891	298,042	295,022	(3,020)
Pupil Transportation Services	250	250	-	(250)
Central services	41,323	92,158	86,192	(5,966)
Community Services	100	100	-	(100)
Debt service:				
Principal and interest	-	2,610	430	(2,180)
Total Expenditures	<u>963,202</u>	<u>1,328,151</u>	<u>1,280,802</u>	<u>(47,349)</u>
Excess (Deficiency) of Revenue over Expenditures	27,854	22,923	44,713	21,790
Other Financing Sources (Uses)				
Change of lease obligation	-	-	11,448	11,448
Other transactions - Indirect costs	(8,263)	(6,576)	(6,334)	242
Other Financing Sources (Uses)	<u>(8,263)</u>	<u>(6,576)</u>	<u>5,114</u>	<u>11,690</u>
Net Change in Fund Balance	19,591	16,347	49,827	33,480
Fund Balance - July 1, 2022	<u>36,372</u>	<u>36,372</u>	<u>36,372</u>	<u>-</u>
Fund Balance - June 30, 2023	<u>\$ 55,963</u>	<u>\$ 52,719</u>	<u>\$ 86,199</u>	<u>\$ 33,480</u>

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

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

To the Board of Directors of
Faxon Academy

We have recently completed our audit of the basic financial statements of Faxon Academy (the “Academy”) as of and for the year ended June 30, 2023. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6

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

Wilkerson & Associate PC

October 30, 2023

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

To the Board of Directors
Faxon Academy
October 30, 2023

Results of the Audit

We have audited the financial statements of Faxon Academy (the “Academy”) as of and for the year ended June 30, 2023, and have issued our report thereon dated October 30, 2023, Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 24, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 30, 2023, regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Faxon Academy
October 30, 2023

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultants with Other Independent Accountants

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

To the Board of Directors
Faxon Academy
October 30, 2023

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

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

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

FAXON ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, **no recommendations are made for this year.**