
Youth Advancement Academy

**Financial Report
with Supplemental Information
June 30, 2020**

Independent Auditor's Report	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Management's Discussion and Analysis	5-8
Basic Financial Statements	
Academy-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements -	
Governmental Funds:	
Balance Sheet	11
Statement of Revenue, Expenditures, and Changes in Fund Balance	12
Notes to Financial Statements	13-17
Required Supplemental Information	18
Budgetary Comparison Schedule - General Fund	19

Independent Auditor's Report

To the Board of Directors
Youth Advancement Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and nonmajor fund of Youth Advancement Academy (the "Academy") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Youth Advancement Academy's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and nonmajor fund of Youth Advancement Academy as of June 30, 2020 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2019, the Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Directors
Youth Advancement Academy

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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 Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of Youth Advancement Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youth Advancement Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 6, 2020

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Youth Advancement Academy

We have audited, 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, the financial statements of the governmental activities, the major fund, and the nonmajor fund of Youth Advancement Academy (the "Academy") as of June 30, 2020 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

To Management and the Board of Directors
Youth Advancement Academy

Purpose of This Report

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

Plante & Moran, PLLC

October 6, 2020

This section of Youth Advancement Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2020. 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 financial statements. These statements are organized so the reader can understand Youth Advancement Academy financially as a whole. The academy-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 academy-wide financial statements by providing information about the Academy's two funds, the General Fund and the Student Activities Fund. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

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, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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 revenue 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 schools, to assess the overall health of the Academy.

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 and support services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Youth Advancement Academy

Management's Discussion and Analysis (Continued)

Reporting the Academy's Fund Financial Statements

The governmental fund of the Academy uses the following accounting approach:

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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs.

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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in thousands)	
Assets - Current and other assets	\$ 216.0	\$ 162.2
Liabilities - Current liabilities	11.4	70.4
Net Position - Unrestricted	\$ 204.6	\$ 91.8

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was \$204,588 at June 30, 2020.

The \$204,588 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

As required by the Governmental Accounting Standards Board (GASB), the Academy adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the Academy to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$1,042, which represents the activities that are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that are now reported as governmental. All charter schools were required to adopt this new standard, unless they elected to defer for one year, as allowed for under GASB Statement No. 95.

Youth Advancement Academy

Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in thousands)	
Revenue		
Program revenue - Operating grants	\$ 135.8	\$ 143.5
General revenue:		
State aid	319.4	285.0
Other	1.8	0.2
Total revenue	457.0	428.7
Functional/Program Expenses		
Instruction	279.1	303.3
Support services	66.1	77.9
Total functional/program expenses	345.2	381.2
Change in Net Position	111.8	47.5
Net Position - Beginning of year, as restated	92.8	44.3
Net Position - End of year	<u>\$ 204.6</u>	<u>\$ 91.8</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$345,255. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions (\$135,829). We paid for the remaining public benefit portion of our governmental activities with \$321,220 in state foundation allowance and with our other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of \$111,794. The key reasons for the change in net position were driven by the revenue-sharing memorandum of understanding, effectively resulting in the Academy receiving an additional \$45,705 in state aid passed through the home school districts of students attending the Academy.

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's other revenue sources by each of these functions. Since unrestricted state aid constitutes the vast majority of academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

The General Fund balance is available to fund costs related to allowable school operating purposes.

The Student Activities Fund is available to fund costs related to the Agency's student groups.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2020. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Youth Advancement Academy

Management's Discussion and Analysis (Continued)

Budgeted revenue was increased by \$118,187 from the original budget due to changes in state aid and pupil count.

Budgeted expenditures increased by \$9,725 from the original budget due to changes in federal grant budgets.

Economic Factors and Next Year's Budgets and Rates

Our board officials and administration consider many factors when setting the Academy's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in October 2020. Approximately 33 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, academy funding is heavily dependent on the State's ability to fund local school operations. The blended count for 2020-2021 will be calculated based on 75 percent of the 2019-2020 blend count plus 22.5 percent of the October 2020 count plus 2.5 percent of the February 2020 count. The state per pupil funding amount is unknown for the 2020-2021 school year. The 2020-2021 budget was adopted in June 2020 based on an estimate of the students who would be enrolled in October 2020. The Academy's administration and board of directors will revise the 2020-2021 budget as necessary during the fiscal year based on new revenue and expenditure estimates.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the Academy. The State periodically holds a Revenue Estimating Conference to estimate revenue. If the state estimates funds are not sufficient to fund the appropriation, the Legislature must revise the appropriation or proration of state aid will occur.

Impacts of the Coronavirus Pandemic

The global coronavirus pandemic has created change and uncertainty for all Michigan public school districts. Since the duration and impact of the pandemic are not fully known, the financial impact on Youth Advancement Academy is also uncertain at this time. When developing the 2020-2021 budget, administration and the board of directors, using the best information available at the time, assumed that the pandemic would negatively impact state school aid revenue.

Youth Advancement Academy

Statement of Net Position

June 30, 2020

Governmental
Activities

Assets

Cash (Note 4)	\$	111,212
Receivables - Due from other governmental units		104,759
Total assets		215,971

Liabilities

Accounts payable		7,771
Unearned revenue (Note 5)		3,612
Total liabilities		11,383

Net Position - Unrestricted

\$ 204,588

Youth Advancement Academy

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 279,149	\$ -	\$ 135,829	\$ (143,320)
Support services	66,106	-	-	(66,106)
Total primary government	\$ 345,255	\$ -	\$ 135,829	(209,426)
General revenue:				
State aid not restricted to specific purposes				319,440
Interest and investment earnings				149
Other				1,631
Total general revenue				<u>321,220</u>
Change in Net Position				111,794
Net Position - Beginning of year (as restated) (Note 2)				<u>92,794</u>
Net Position - End of year				<u>\$ 204,588</u>

Youth Advancement Academy

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Nonmajor Fund - Student Activities Fund	Total Governmental Funds
Assets			
Cash (Note 4)	\$ 111,212	\$ -	\$ 111,212
Receivables	104,759	-	104,759
Due from other funds (Note 6)	-	967	967
Total assets	<u>\$ 215,971</u>	<u>\$ 967</u>	<u>\$ 216,938</u>
Liabilities			
Accounts payable	\$ 7,771	\$ -	\$ 7,771
Due to other funds (Note 6)	967	-	967
Unearned revenue (Note 5)	3,612	-	3,612
Total liabilities	12,350	-	12,350
Fund Balances - Unassigned	203,621	967	204,588
Total liabilities and fund balances	<u>\$ 215,971</u>	<u>\$ 967</u>	<u>\$ 216,938</u>

Youth Advancement Academy

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2020

	General Fund	Nonmajor Fund - Student Activities Fund	Total Governmental Funds
Revenue			
Local sources	\$ 1,780	\$ -	\$ 1,780
State sources	364,212	-	364,212
Federal sources	20,061	-	20,061
Interdistrict sources	70,996	-	70,996
Total revenue	457,049	-	457,049
Expenditures			
Current:			
Instruction	279,149	-	279,149
Support services	66,031	75	66,106
Total expenditures	345,180	75	345,255
Net Change in Fund Balances	111,869	(75)	111,794
Fund Balances - Beginning of year, as restated (Note 2)	91,752	1,042	92,794
Fund Balances - End of year	<u>\$ 203,621</u>	<u>\$ 967</u>	<u>\$ 204,588</u>

June 30, 2020

Note 1 - Nature of Business

Youth Advancement Academy (the "Academy") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

Youth Advancement Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

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

The Academy is under a contract with the Kalamazoo Regional Educational Service Agency Board of Education to charter a public school academy, terminating on August 3, 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. The Kalamazoo Regional Educational Service Agency Board of Education 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 Kalamazoo Regional Educational Service Agency Board of Education 3 percent of total state aid as administrative fees. The total administrative fees for the year ended June 30, 2020 to the Kalamazoo Regional Educational Service Agency Board of Education were \$9,887.

Educational Services

On June 4, 2013, the Academy entered into a three-year agreement for education services with Ombudsman Educational Services, Ltd., which automatically renewed every year through the 2017-2018 school year. The contract was renewed for the 2018-2019 school year, and was renewed again for the 2019-2020 school year, expiring on June 30, 2020. Under the terms of the agreement, Ombudsman Educational Services, Ltd. provides all the required labor, materials, and supervision necessary for the provision of educational services to the students. Fees under this contract for the year ended June 30, 2020 were approximately \$300,000.

On July 1, 2020, the Academy entered into a new three-year agreement for education services with Educational Partnerships Inc. beginning on July 1, 2020 and ending on June 30, 2023. Under the terms of the agreement, Educational Partnerships Inc. provides all the required labor, materials, and supervision necessary for the provision of educational services to the students.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the academy-wide perspective and the fund-based perspective. The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The academy-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All of the Academy's government-wide activities are considered governmental activities.

Note 2 - Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

Expenditures are reported when the goods are received or the services are rendered.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources. Amounts reported as program revenue include operating 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 Accounting

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services. The Academy's only nonmajor fund is the Student Activities Fund, which accounts for the activities of the student groups.

Interfund Activity

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions

Receivables

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectable amounts is recorded.

Note 2 - Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Comparative Data

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

Upcoming Accounting Pronouncement

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

Adoption of New Accounting Pronouncement

During the current year, the Academy adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following activities no longer met the definition of a fiduciary activity; therefore, this activity is now reported within the governmental funds in the Student Activity Fund.

The effect of this new standard on net position/fund balance was as follows:

	Governmental Activities	Nonmajor Fund
Net position/Fund balance - June 30, 2019 - As previously reported	\$ 91,752	\$ -
Adjustment for GASB Statement No. 84 - To change fund type	1,042	1,042
Net position/Fund balance - June 30, 2019 - As restated	<u>\$ 92,794</u>	<u>\$ 1,042</u>

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

June 30, 2020

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual
Support services - General administration	\$ 18,210	\$ 21,607

Note 4 - Deposits and Investments

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, certificates of deposit, 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 and investments are in accordance with statutory authority.

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

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of \$111,212 had no bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

Note 5 - Unearned Revenue

Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2020, the various components of unearned revenue were as follows:

	Governmental Funds
	Liability - Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 3,612

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From General Fund
Fund Due To	
Student Activities Fund	\$ 967

June 30, 2020

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Operating Leases

The Academy uses facilities owned by a public school district for which no rent is charged. The fair market value of this rent-free facility's use is not known.

Note 9 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the Academy received \$7,391 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Youth Advancement Academy

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 205	\$ 1,776	\$ 1,780	\$ 4
State sources	276,825	362,758	364,212	1,454
Federal sources	16,168	20,582	20,061	(521)
Interdistrict sources	43,631	69,900	70,996	1,096
Total revenue	336,829	455,016	457,049	2,033
Expenditures				
Current:				
Instruction:				
Basic programs	201,668	202,498	202,398	(100)
Added needs	87,624	76,751	76,751	-
Total instruction	289,292	279,249	279,149	(100)
Support services:				
Pupil	16,408	24,861	23,461	(1,400)
Instructional staff	500	500	-	(500)
General administration	15,260	18,210	21,607	3,397
School administration	500	521	520	(1)
Business	13,363	21,707	20,443	(1,264)
Central	700	700	-	(700)
Total support services	46,731	66,499	66,031	(468)
Total expenditures	336,023	345,748	345,180	(568)
Net Change in Fund Balance	806	109,268	111,869	2,601
Fund Balance - Beginning of year	91,752	91,752	91,752	-
Fund Balance - End of year	\$ 92,558	\$ 201,020	\$ 203,621	\$ 2,601