

DRAFT

YOUTH ADVANCEMENT ACADEMY

FINANCIAL STATEMENTS

June 30, 2022

DRAFT

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1-6
Basic Financial Statements	
Academy-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements -	
Governmental Funds:	
Balance Sheet	10
Statement of Revenue, Expenditures, and Changes in Fund Balance	13
Notes to Financial Statements	14-19
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	21
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>	22-23



Gardner Provenzano
Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather Thomas-Verhaeghe
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT

September 22, 2022

To the Board of Directors
Youth Advancement Academy

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youth Advancement Academy, as of and for the year ended June 30, 2022, 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.

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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Advancement Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

To the Board of Directors
Youth Advancement Academy
Page Two

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

DRAFT

To the Board of Directors
Youth Advancement Academy
Page Three

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Youth Advancement Academy's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

DRAFT

Certified Public Accountants

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those 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

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.

Reporting the Academy's Fund Financial statements

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, 2022 and 2021:

	2022	2021
Assets		
Current assets	\$ 462,319	\$ 343,504
Total assets	<u>462,319</u>	<u>343,504</u>
Liabilities		
Current liabilities	46,192	10,780
Total liabilities	<u>46,192</u>	<u>10,780</u>
Net position		
Unrestricted	416,127	332,724
Total net position	<u>\$ 416,127</u>	<u>\$ 332,724</u>

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 \$416,127 at June 30, 2022.

The \$416,127 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.

YOUTH ADVANCEMENT ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

DRAFT

Governmental Funds (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, 2022 and 2021:

	2022	2021
Revenue		
Program revenue		
Grants and contributions	\$ 260,309	\$ 148,665
General revenue		
State foundation allowance	316,489	369,210
Other	433	1,729
Total revenue	<u>577,231</u>	<u>519,604</u>
Function/program expenses		
Instruction	182,805	232,905
Support services	311,023	158,563
Total expenses	<u>493,828</u>	<u>391,468</u>
Increase (decrease) in net position	<u>\$ 83,403</u>	<u>\$ 128,136</u>

As reported in the statement of activities, the cost of all our governmental activities this year was \$493,828. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions \$260,309. We paid for the remaining public benefit portion of our governmental activities with \$316,489 in state foundation allowance and other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of \$83,403. The key reasons for the change in net position were an increase in enrollment of approximately seven pupil FTEs and an increase in interdistrict funding.

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.

Governmental Funds (continued)

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 revised 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 the appropriations. The final amendment to the budget was adopted in June 2022. 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.

Budgeted revenue was increased by \$152,062 from the original budget due to changes in state aid, pupil count and an increase in interdistrict funds.

Budgeted expenditures increased by \$17,438 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 2022-2023 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 2022-2023 budget was adopted in June 2022 based on an estimate of students who will enroll in October 2022. Approximately 57 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 2022-2023 will be calculated based on 90 percent of the October 2022 count plus 10 percent of the February 2023 count. The state per pupil funding amount for 2022-2023 was not known at the time of the 2022-2023 budget adoption in June 2022. The Academy's administration and board of directors will revise the 2022-2023 budget as necessary during the fiscal year based on new revenue and expenditure estimates.

General Fund Budgetary Highlights (continued)

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.

DRAFT

BASIC FINANCIAL STATEMENTS

DRAFT

YOUTH ADVANCEMENT ACADEMY
Academy Wide
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 273,933
Receivables	187,725
Prepays	661
Total assets	<u>462,319</u>
Liabilities	
Current liabilities	
Accounts payable	6,635
Accrued liabilities	39,496
Unearned revenue	61
Total liabilities	<u>46,192</u>
Net position	
Unrestricted	416,127
Total net position	<u>\$ 416,127</u>

YOUTH ADVANCEMENT ACADEMY
Academy Wide
Statement of Activities
For the Year Ended June 30, 2022

DRAFT

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs				
Instruction	\$ 182,805	\$ -	\$ 236,443	\$ 53,638
Support services	311,023	-	23,866	(287,157)
Totals	<u>\$ 493,828</u>	<u>\$ -</u>	<u>\$ 260,309</u>	(233,519)
General revenues:				
State aid - unrestricted				316,489
Other				<u>433</u>
Total General Revenues				316,922
Change in Net Position				83,403
Net Position - Beginning of Year				332,724
Net Position - End of Year				<u>\$ 416,127</u>

DRAFT

YOUTH ADVANCEMENT ACADEMY
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	(Non-Major Fund) Student Activities	Totals
<u>Assets</u>			
Cash	\$ 273,933	\$ -	\$ 273,933
Due from other governmental units	187,725	-	187,725
Prepays	661	-	661
Due from other funds	-	3,367	3,367
Total assets	<u>\$ 462,319</u>	<u>\$ 3,367</u>	<u>\$ 465,686</u>
<u>Liabilities</u>			
Accounts payable	\$ 6,635	\$ -	\$ 6,635
Accrued expenditures	39,496	-	39,496
Due to other funds	3,367	-	3,367
Unearned revenue	61	-	61
Total liabilities	<u>49,559</u>	<u>-</u>	<u>49,559</u>
<u>Deferred inflows of resources</u>			
Unavailable revenue	<u>26,058</u>	<u>-</u>	<u>26,058</u>
Total liabilities and deferred inflows of resources	<u>75,617</u>	<u>-</u>	<u>75,617</u>
<u>Fund Balance</u>			
Committed - Student activities	-	3,367	3,367
Nonspendable - prepaids	661	-	661
Unassigned	386,041	-	386,041
Total fund balance	<u>386,702</u>	<u>3,367</u>	<u>390,069</u>
Total liabilities and fund balance	<u>\$ 462,319</u>	<u>\$ 3,367</u>	<u>\$ 465,686</u>

DRAFT

YOUTH ADVANCEMENT ACADEMY
Reconciliation of Balance Sheet of Governmental Funds to Net Position
June 30, 2022

Total fund Balances - Governmental Funds \$ 390,069

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

Certain receivables are not available to pay for current year expenditures
and therefore, are unavailable in the funds

Operating grants 26,058

Total net position - Governmental Activities (Academy Wide) \$ 416,127

DRAFT

YOUTH ADVANCEMENT ACADEMY
Governmental Funds
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2022

	General	(Non-Major Fund) Student Activities	Totals
Revenue			
Local	\$ 433	\$ 2,500	\$ 2,933
State	367,780	-	367,780
Federal	37,611	-	37,611
Interdistrict	142,849	-	142,849
Total revenue	<u>548,673</u>	<u>2,500</u>	<u>551,173</u>
Expenditures			
Instruction			
Basic programs	100,895	-	100,895
Added needs	81,910	-	81,910
Support Services			
Pupil services	51,460	500	51,960
Instructional staff	10,487	-	10,487
School administration	110,561	-	110,561
General administration	82,045	-	82,045
Business	36,444	-	36,444
Operation and maintenance	8,252	-	8,252
Central services	5,674	-	5,674
Transportation	5,600	-	5,600
Total expenditures	<u>493,328</u>	<u>500</u>	<u>493,828</u>
Net change in fund balances	55,345	2,000	57,345
Fund balance, beginning	<u>331,357</u>	<u>1,367</u>	<u>332,724</u>
Fund balance, ending	<u>\$ 386,702</u>	<u>\$ 3,367</u>	<u>\$ 390,069</u>

DRAFT

YOUTH ADVANCEMENT ACADEMY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Governmental Funds	\$ 57,345
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	
Operating grants	26,058
	<hr/>
Change in net position of Governmental Activities (Academy Wide)	<u><u>\$ 83,403</u></u>

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--Summary of 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 is expected to be renewed in the upcoming fiscal year. 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, 2022 to the Kalamazoo Regional Educational Service Agency Board of Education were \$10,790.

Educational Services

On July 1, 2020, the Academy entered into a 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. In addition to reimbursed costs, management fees under this contract for the year ended June 30, 2021 were \$56,000.

NOTE 2--Summary of Significant Accounting Policies (continued)

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.

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.

NOTE 2--Summary of Significant Accounting Policies (continued)

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. 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.

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 they 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 uncollectible amounts is recorded.

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).

NOTE 2--Summary of Significant Accounting Policies (continued)

Comparative Data

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

Leases

The Academy adopted GASB Statement No. 87, *Leases*, on July 1, 2021. For the year ended June 30, 2022, the Academy has no lease agreements that meet the criteria for recognition under this statement.

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.

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

The Academy did not have significant expenditure budget variances.

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 no 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.

Custodial Credit Risk of Bank Deposits

The Academy's deposits and investments are subject to custodial credit risk. 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 \$273,933 had uninsured and uncollateralized bank deposits (certificates of deposit and checking and savings accounts) of \$23,933.

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, 2022, the various components of unearned revenue were as follows:

	Unearned Revenue
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 61

NOTE 6--Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Due to:</u>		<u>Due from:</u>	
Student Activities Fund	\$ 3,367	General Fund	\$ 3,367
Total	<u>\$ 3,367</u>	Total	<u>\$ 3,367</u>

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--Facilities

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

DRAFT

Required Supplemental Information

YOUTH ADVANCEMENT ACADEMY
Budgetary Comparison
For the Year Ended June 30, 2022

	General Fund			Student Activities				
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenue								
Local	\$ 290	\$ 635	\$ 433	\$ (202)	\$ -	\$ 2,000	\$ 2,500	\$ 500
State	351,159	367,755	367,780	25	-	-	-	-
Federal	24,304	38,111	37,611	(500)	-	-	-	-
Interdistrict	85,881	166,803	142,849	(23,954)	-	-	-	-
Total revenue	461,634	573,304	548,673	(24,631)	-	2,000	2,500	500
Instruction								
Basic programs	243,989	100,569	100,895	(326)	-	-	-	-
Added needs	100,264	82,631	81,910	721	-	-	-	-
Support Services								
Pupil services	-	52,167	51,460	707	-	500	500	-
Instructional staff	5,000	10,987	10,487	500	-	-	-	-
School administration	28,418	110,896	110,561	335	-	-	-	-
General administration	55,010	79,743	82,045	(2,302)	-	-	-	-
Business	34,686	37,467	36,444	1,023	-	-	-	-
Operation and maintenance	500	8,252	8,252	-	-	-	-	-
Central services	8,023	5,674	5,674	-	-	-	-	-
Transportation	-	5,600	5,600	-	-	-	-	-
Total expenditures	475,890	493,986	493,328	658	-	500	500	-
Excess (Deficiency) of revenues over expenditures	(14,256)	79,318	55,345	(23,973)	-	1,500	2,000	500
Fund Balance - Beginning of Year	331,357	331,357	331,357	-	1,367	1,367	1,367	-
Fund Balance - End of Year	\$ 317,101	\$ 410,675	\$ 386,702	\$ (23,973)	\$ 1,367	\$ 2,867	\$ 3,367	\$ 500

DRAFT



**Gardner Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather Thomas-Verhaeghe
Brett A. Luplow

*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

September 22, 2022

To 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, each major fund, and the aggregate remaining fund information of Youth Advancement Academy (the "Academy") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Youth Advancement Academy's basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control Over Financial Reporting

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

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

DRAFT

To the Board of Directors
Youth Advancement Academy
Page Two

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

DRAFT

Certified Public Accountants