

Audited Financial Statements

Washington - Parks Academy

Detroit, Michigan

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Washington - Parks Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington - Parks Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Washington - Parks 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, each major fund, and the aggregate remaining fund information of Washington - Parks Academy, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington - Parks Academy's basic financial statements. The schedules of revenues and expenditures, and schedule of expenditures of federal awards as required for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenditures, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules of revenues and expenditures, and the schedule of expenditures of federal awards are 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 November 1, 2021, on our consideration of Washington - Parks 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 Washington - Parks 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 Washington - Parks Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Washington-Parks Academy (WPA) annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

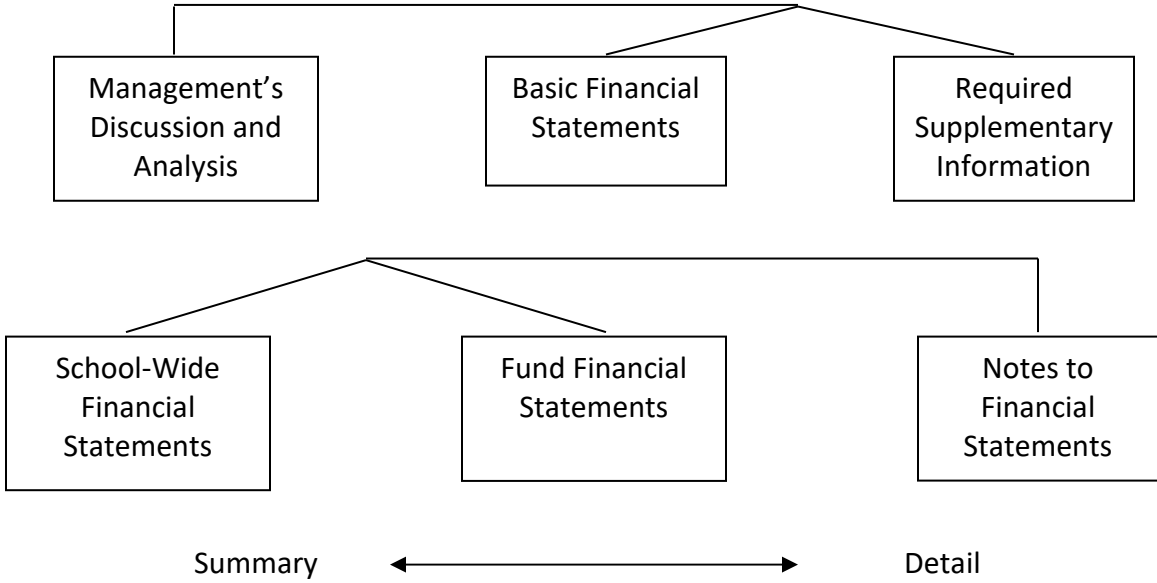
- ❖ The school's financial status remained stable, increasing to \$8,111 per student.
- ❖ Blended enrollment used for state aid purposes was 1,582.96, which was weighted 75% on the prior year's count and 25% on the 2020-21 count.
- ❖ The school has a significant fund balance in the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- ❖ The first two statements are school wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school's operations in more detail.
- ❖ The governmental fund statements tell how basic services like regular and special education were financed.
- ❖ Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.

Figure A-1
Organization of WPA's Annual Financial Report



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

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net position *Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school’s net position and how they have changed. Net position – the difference between the school’s assets and liabilities – are one way to measure the school’s financial health or position.

- ❖ Over time, increases or decreases in the school’s position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school’s enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school’s funds, focusing on its most significant or “major” funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See Tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Grants and support from community and government partners.
- ❖ A short-term loan from the Michigan Finance Authority to bridge the month of September in which no state aid funds are received.
- ❖ Management of expenses in accordance with revenue.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times. All invoices were paid in a timely matter.

- ❖ The school has no long-term outstanding debt.

Financial Outlook

Washington-Parks Academy's financial forecast is strong for the long term.

- ❖ State Aid foundation allowance aid has increased to \$8,700 per student.
- ❖ Federal aid allocated by the State of Michigan related to COVID-19 provides critical support for technology and pandemic learning.
- ❖ Management is actively addressing student outcomes and teacher recruitment and retention to prevent long term enrollment.

Table A-3
WPA's Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 4,158,132	\$ 3,865,402
Capital assets	<u>1,122,784</u>	<u>497,071</u>
Total assets	5,280,916	4,362,473
Other liabilities	<u>2,533,328</u>	<u>2,243,584</u>
Total liabilities	2,533,328	2,243,584
Net position		
Net investment (deficit) in capital assets	1,122,784	497,071
Restricted	76,682	76,682
Unrestricted	<u>1,548,122</u>	<u>1,545,136</u>
Total net position	<u>\$ 2,747,588</u>	<u>\$ 2,118,889</u>

Table A-4
Changes in WPA's Net Position

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ -	\$ 23,743
Federal and state operating grants	4,102,396	3,074,799
General revenues:		
State aid - unrestricted	13,678,275	12,175,498
Miscellaneous	<u>42,294</u>	<u>467,782</u>
Total revenues	17,822,965	15,741,822
Expenses		
Instruction	7,119,319	6,231,125
Support services	9,766,221	9,124,418
Unallocated depreciation	<u>308,726</u>	<u>310,311</u>
Total expenses	<u>17,194,266</u>	<u>15,665,854</u>
Change in net position	<u>\$ 628,699</u>	<u>\$ 75,968</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021 the school had invested \$3,636,022 in capital assets, including computers and software. See Table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5
WPA's Capital Assets

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Building improvements	\$ 1,192,059	\$ 1,175,082
Furniture and equipment	<u>2,443,963</u>	<u>1,526,501</u>
Subtotal	3,636,022	2,701,583
Less: accumulated depreciation	<u>2,513,238</u>	<u>2,204,512</u>
Net book value of assets	<u><u>\$ 1,122,784</u></u>	<u><u>\$ 497,071</u></u>

Long-term Debt

The school has no long-term debt.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Positive student and family engagement;
- ❖ Positive school culture;
- ❖ State aid foundation equity along with state, federal and local grants;
- ❖ Staff and student retention rate.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

Cornerstone Education Group
306 E. Fourth St.
Royal Oak, MI 48067

WASHINGTON - PARKS ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$	1,206,142
Accounts receivable		1,096
Due from other governmental units		2,950,427
Prepaid expenses		467
		<hr/>
Total current assets		4,158,132

Capital Assets - Net of Accumulated Depreciation

1,122,784

Total assets and deferred outflows	\$	<u><u>5,280,916</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	523,207
Notes payable		393,372
Due to other governmental units		8,220
Unearned revenue		809,528
Other accrued expenses		799,001
		<hr/>
Total current liabilities		2,533,328

Net Position

Net investment in capital assets		1,122,784
Restricted for food service		76,682
Unrestricted		1,548,122
		<hr/>
Total net position		2,747,588
		<hr/>
Total liabilities and net position	\$	<u><u>5,280,916</u></u>

See accompanying notes to financial statements

WASHINGTON - PARKS ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 5,236,622	\$ -	\$ 577,090	\$ (4,659,532)
Added needs	1,882,697	-	1,874,399	(8,298)
Support services				
Pupil support services	828,850	-	325,378	(503,472)
Instructional staff support services	1,082,998	-	718,819	(364,179)
General administration	2,609,737	-	-	(2,609,737)
School administration	923,789	-	6,240	(917,549)
Business support services	50,166	-	-	(50,166)
Operations and maintenance	3,146,635	-	440,927	(2,705,708)
Central support services	819,531	-	9,093	(810,438)
Athletic activities	30,434	-	-	(30,434)
Food services	263,727	-	143,295	(120,432)
Community services	10,354	-	7,155	(3,199)
Unallocated depreciation	308,726	-	-	(308,726)
Total primary government	\$ 17,194,266	\$ -	\$ 4,102,396	(13,091,870)
General Purpose Revenues				
State school aid - unrestricted				13,678,275
Miscellaneous revenues				42,294
Total general purpose revenues				13,720,569
Change in net position				628,699
Net position - July 1, 2020				2,118,889
Net position - June 30, 2021				\$ 2,747,588

See accompanying notes to financial statements

WASHINGTON - PARKS ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2021

ASSETS

	General	Non-Major Special Revenue - Food Services	Total
Cash and cash equivalents	\$ 1,206,142	\$ -	\$ 1,206,142
Accounts receivable	1,096	-	1,096
Due from other governmental units	2,941,008	9,419	2,950,427
Due from other funds	-	79,045	79,045
Prepaid expenses	467	-	467
 Total assets	 \$ 4,148,713	 \$ 88,464	 \$ 4,237,177

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 511,425	\$ 11,782	\$ 523,207
Notes payable	393,372	-	393,372
Due to other governmental units	8,220	-	8,220
Due to other funds	79,045	-	79,045
Unearned revenue	809,528	-	809,528
Other accrued expenses	799,001	-	799,001
 Total liabilities	 2,600,591	 11,782	 2,612,373

Fund Balance

Nonspendable	467	-	467
Restricted	-	76,682	76,682
Unassigned	1,547,655	-	1,547,655
 Total fund balance	 1,548,122	 76,682	 1,624,804
 Total liabilities and fund balance	 \$ 4,148,713	 \$ 88,464	 \$ 4,237,177

See accompanying notes to financial statements

WASHINGTON - PARKS ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

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

Total Governmental Fund Balances	\$ 1,624,804
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,636,022 and the accumulated depreciation is \$2,513,238.	<u>1,122,784</u>
Net Position of Governmental Activities	<u>\$ 2,747,588</u>

See accompanying notes to financial statements

WASHINGTON - PARKS ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	General	Non-Major Special Revenue - Food Services	Total
Revenues			
Local sources	\$ 42,294	\$ -	\$ 42,294
State sources	14,992,659	19,612	15,012,271
Federal sources	2,566,470	123,683	2,690,153
Interdistrict sources	78,247	-	78,247
	17,679,670	143,295	17,822,965
Expenditures			
Instruction			
Basic programs	5,236,622	-	5,236,622
Added needs	1,882,697	-	1,882,697
Support services			
Pupil support services	828,850	-	828,850
Instructional staff support services	1,082,998	-	1,082,998
General administration	2,609,737	-	2,609,737
School administration	923,789	-	923,789
Business support services	50,166	-	50,166
Operations and maintenance	3,146,635	-	3,146,635
Central support services	819,531	-	819,531
Athletic activities	30,434	-	30,434
Food services	-	263,727	263,727
Community services	10,354	-	10,354
Capital outlay	874,879	59,560	934,439
	17,496,692	323,287	17,819,979
Excess (deficiency) of revenues over expenditures	182,978	(179,992)	2,986
Other Financing Sources (Uses)			
Operating transfers in	-	179,992	179,992
Operating transfers out	(179,992)	-	(179,992)
	(179,992)	179,992	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	2,986	-	2,986
Fund balance - July 1, 2020	1,545,136	76,682	1,621,818
Fund balance - June 30, 2021	\$ 1,548,122	\$ 76,682	\$ 1,624,804

See accompanying notes to financial statements

WASHINGTON - PARKS ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net Change in Fund Balances - Total Governmental Funds	\$	2,986
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period:

Capital outlay	\$	934,439	
Depreciation and amortization expense		<u>(308,726)</u>	<u>625,713</u>

Change in Net Position of Governmental Activities	\$	<u><u>628,699</u></u>
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WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Washington - Parks Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Washington - Parks 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 filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in July 2009.

In July 2018, the Academy entered into a five-year contract with Grand Valley State University’s Board of Trustees to charter a public school academy. 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 University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Grand Valley State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2021 were approximately \$405,400.

In July 2018, the Academy entered into a five-year agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group (“Cornerstone”) which will end June 30, 2023 unless either party provides written notice to the other party, at least 90 calendar days in advance of the expiration date. Under the terms of this agreement, Cornerstone is responsible for all of the management, operation, administration and education at the Academy. In addition, the Academy reimburses Cornerstone for all employee-related and operating costs. The Academy is obligated to pay Cornerstone thirteen and a half percent of gross revenues from all sources, excluding school lunch revenue, funds raised by students, or student operated enterprises. The total paid for these services amounted to approximately \$2,145,400 for the year ended June 30, 2021.

At June 30, 2021, the management company was due approximately \$922,800 for management fees and other reimbursements of costs incurred on behalf of the Academy.

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 or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations 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.

Special Revenue Fund (Food Service)- The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for 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. Revenue from state sources is 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. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2021. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2021 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2021 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

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

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable 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.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition to nonspendable 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.
- 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 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.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB 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 upon 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 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 are effective for the Academy's financial statements for the year ending June 30, 2022.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2021 the budget was amended in a legally permissible manner. During the year ended June 30, 2021 the Academy performed against its budget, as detailed on page 19 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2021, the Academy held no investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2021, \$970,891 of the Academy's cash was exposed to credit risk as it was not covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2021.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$	18,486
State sources		2,766,621
Federal sources		<u>165,320</u>
Total	<u>\$</u>	<u>2,950,427</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets subject to depreciation				
Leasehold improvements	\$ 1,175,082	\$ 16,977	\$ -	\$ 1,192,059
Furniture and equipment	<u>1,526,501</u>	<u>917,462</u>	<u>-</u>	<u>2,443,963</u>
Sub-total	2,701,583	934,439	-	3,636,022
Accumulated depreciation				
Leasehold improvements	1,164,037	11,895	-	1,175,932
Furniture and equipment	<u>1,040,475</u>	<u>296,831</u>	<u>-</u>	<u>1,337,306</u>
Sub-total	<u>2,204,512</u>	<u>308,726</u>	<u>-</u>	<u>2,513,238</u>
Total net capital assets	<u>\$ 497,071</u>	<u>\$ 625,713</u>	<u>\$ -</u>	<u>\$ 1,122,784</u>

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

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – NOTES PAYABLE

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 19/20	3.55%	August, 2020	Paid in full
SAAN 20/21	3.45%	August, 2021	Issued to provide Academy with funds to finance operations before first state aid payment is received; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2021</u>
SAAN 19/20	\$ 414,223	\$ -	\$ 414,223	\$ -
SAAN 20/21	-	2,191,000	1,797,628	393,372
	<u>\$ 414,223</u>	<u>\$ 2,191,000</u>	<u>\$ 2,211,851</u>	<u>\$ 393,372</u>

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$ 725,262
University oversight fee	73,739
Total other accrued expenses	<u>\$ 799,001</u>

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 – RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by its management company which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy matches 25% of the employee's first 6% of the contributed funds. Eligible leased employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 9 – INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

	<u>General</u>	<u>Special Revenue - Food Services</u>
Transfer In	\$ -	\$ 179,992
Transfer Out	179,992	-

NOTE 10 – CONTINGENCIES

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully anticipate the long term effects the impact it will have on the economy and the Academy's operations. As of the date of these financial statements, the Academy continues to evaluate and implement risk mitigation tactics including all aspects of the Academy's activities related to public school education, relationships with local, state, and federal government funding sources, compliance with the requirements of these funding sources and with business transactions with customers, vendors and human interaction within and outside of the Academy.

WASHINGTON - PARKS ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 – OPERATING LEASES

Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Facilities - Redford Township, MI	June, 2023	Varies	Lease is with a related party. Effective July 2020 monthly base rent is equal to 1/12 of 12.5% of the per pupil enrollment amount based on the State Board of Education counts.
Facilities - Detroit, MI	June, 2023	Varies	Lease is with a related party. Effective July 2020 monthly base rent is equal to 1/12 of 12.5% of the per pupil enrollment amount based on the State Board of Education counts.
Facilities - Detroit, MI	June, 2023	Varies	Lease is with a related party. Effective July 2020 monthly base rent is equal to 1/12 of 12.5% of the per pupil enrollment amount based on the State Board of Education counts.

The approximate amount of lease obligations coming due during the next two years is as follows:

2022	\$	1,675,050
2023		1,675,050

The Academy incurred lease expense of approximately \$1,616,060 during the year ended June 30, 2021.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's 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 in any of the past three years.

SUPPLEMENTARY INFORMATION

WASHINGTON - PARKS ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 137,000	\$ 32,000	\$ 42,294	\$ 10,294
State sources	13,868,000	13,500,000	14,992,659	1,492,659
Federal sources	1,420,000	3,050,000	2,566,470	(483,530)
Interdistrict sources	-	-	78,247	78,247
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund revenues	15,425,000	16,582,000	17,679,670	1,097,670
Expenditures				
Instruction				
Basic programs	4,572,000	5,600,000	5,236,622	(363,378)
Added needs	1,531,000	1,800,000	1,882,697	82,697
Support services				
Pupil support services	790,000	730,000	828,850	98,850
Instructional staff support services	920,000	985,000	1,082,998	97,998
General administration	2,580,000	2,561,000	2,609,737	48,737
School administration	1,033,000	825,000	923,789	98,789
Business support services	85,000	35,000	50,166	15,166
Operations and maintenance	3,295,000	3,100,000	3,146,635	46,635
Pupil transportation services	37,000	-	-	-
Central support services	645,000	790,000	819,531	29,531
Athletic activities	70,000	30,000	30,434	434
Community services	11,000	2,000	10,354	8,354
Capital outlay	-	-	874,879	874,879
	<hr/>	<hr/>	<hr/>	<hr/>
Total general fund expenditures	15,569,000	16,458,000	17,496,692	1,038,692
Excess (deficiency) of revenues over expenditures	(144,000)	124,000	182,978	58,978
Other Financing Sources (Uses)				
Operating transfers out	-	(124,000)	(179,992)	(55,992)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(144,000)	-	2,986	2,986
Fund balance - July 1, 2020	1,545,136	1,545,136	1,545,136	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2021	\$ 1,401,136	\$ 1,545,136	\$ 1,548,122	\$ 2,986
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WASHINGTON - PARKS ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Local Sources

Student activities	\$ 260
Other local revenues	42,034
	<hr/>
Total local sources	42,294

State Sources

At risk	869,669
Special education	444,715
State aid	13,678,275
	<hr/>
Total state sources	14,992,659

Federal Sources

IDEA	263,875
Title I	931,715
Title II A	72,264
Title IV	46,267
Other program revenue	1,252,349
	<hr/>
Total federal sources	2,566,470

Interdistrict Sources

	<hr/>
	78,247
	<hr/>
Total general fund revenues	\$ 17,679,670
	<hr/> <hr/>

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2021

Basic Programs

Purchased services	\$ 5,028,766
Rentals	156
Other purchased services	166
Supplies and materials	165,062
Non-depreciable capital assets	6,690
Other expenditures	35,782
	<hr/>
Total basic programs	5,236,622

Added Needs

Purchased services	1,854,747
Supplies and materials	27,950
	<hr/>
Total added needs	1,882,697

Pupil Support Services

Guidance services	210,116
Health services	58,884
Psychological services	35,069
Speech pathology and audiology	157,647
Social work services	213,110
Other pupil services	154,024
	<hr/>
Total pupil support services	828,850

Instructional Staff Support Services

Purchased services	1,015,654
Supplies and materials	67,344
	<hr/>
Total instructional staff support services	1,082,998

General Administration

Purchased services	58,924
Management fees	2,145,433
University oversight	405,380
	<hr/>
Total general administration	2,609,737

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2021

School Administration

Purchased services	812,809
Rentals	41,549
Supplies and materials	37,036
Other expenditures	32,395

Total school administration 923,789

Business Support Services

Purchased services	7,995
Other expenditures	42,171

Total business support services 50,166

Operations and Maintenance

Purchased services	776,389
Repairs and maintenance	522,128
Rentals	1,616,061
Other purchased services	9,345
Supplies and materials	219,952
Non-depreciable capital assets	1,885
Other expenditures	875

Total operations and maintenance 3,146,635

Central Support Services

Purchased services	753,019
Repairs and maintenance	65,504
Other purchased services	45
Supplies and materials	963

Total central support services 819,531

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Athletic Activities

Purchased services	30,434
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Community Services

Supplies and materials	10,354
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Capital Outlay

	<u>874,879</u>
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Total general fund expenditures

	<u>\$ 17,496,692</u>
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APPENDIX

Federal Awards Report



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**To the Board of Directors
of Washington - Parks Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington - Parks Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Washington - Parks Academy's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washington - Parks Academy's internal control over financial reporting (internal control) as a basis for designing audit the 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 Washington - Parks Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington - Parks Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington - Parks 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*.

Washington - Parks Academy's Response to Findings

Washington - Parks Academy's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Washington - Parks Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors
of Washington - Parks Academy**

We have audited Washington - Parks Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Washington - Parks Academy's major federal programs for the year ended June 30, 2021. Washington - Parks Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington - Parks Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington - Parks Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Washington - Parks Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington - Parks Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major program is not modified with respect to this matter.

The Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Washington - Parks Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington - Parks Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington - Parks Academy's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as item 2021-002, that we consider to be a significant deficiency.

Washington - Parks Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Washington - Parks Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National Lunch Program Commodities 2020-21	N/A	10.555	\$ 60,344	\$ -	\$ -	\$ -	\$ 10,356	\$ 10,356	\$ -	\$ -
Cash Assistance:										
National School Lunch Program 2019-20 - COVID-19	200902	10.555	93,753	82,137	11,616	-	11,616	-	-	-
National School Lunch Program 2020-21	201960	10.555	317,913	308,438	-	-	9,475	9,475	-	-
National School Lunch Program (including commodities) Subtotal		10.555	472,010	390,575	11,616	-	31,447	19,831	-	-
National School Breakfast Program 2020-21	201970	10.553	155,525	149,475	-	-	6,050	6,050	-	-
Extended Summer Food Service Program 2020-21	210904	10.559	88,384	-	-	-	88,384	97,802	9,418	-
Total Child Nutrition Cluster			715,919	540,050	11,616	-	125,881	123,683	9,418	-
Special Education Cluster - U.S. Department of Ed. - Passed through the Wayne County RESA										
IDEA Flowthrough:										
IDEA Flowthrough 2021	210450	84.027	262,165	-	-	-	262,165	263,874	1,709	-
Total Special Education Cluster			262,165	-	-	-	262,165	263,874	1,709	-

See accompanying notes to schedule of expenditures of federal awards

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other federal awards:										
Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 1920	201530	84.010	906,705	705,187	223,121	-	223,121	-	-	-
Title I Part A 2021	211530	84.010	1,129,928	-	-	-	785,765	931,715	145,950	-
Total Title I Part A		84.010	2,036,633	705,187	223,121	-	1,008,886	931,715	145,950	-
Michigan Charter School Planning Grant:										
Michigan Charter School Planning Grant 1920	190610	84.282	-	30,788	-	30,788	(30,788)	-	-	-
Michigan Charter School Planning Grant 2021	190610	84.282	30,054	-	-	-	30,052	30,052	-	-
Total Title I Part A		84.282	30,054	30,788	-	30,788	(736)	30,052	-	-
Title II Part A:										
Title II Part A 1920	200520	84.367	133,442	92,871	20,591	-	20,591	-	-	-
Title II Part A 2021	210520	84.367	172,662	-	-	-	70,610	72,265	1,655	-
Total Title II Part A		84.367	306,104	92,871	20,591	-	91,201	72,265	1,655	-
Title IV Part A:										
Title IV Part A 1920	200750	84.424	57,220	46,090	46,090	-	46,090	-	-	-
Title IV Part A 2021	210750	84.424	82,579	-	-	-	41,205	46,267	5,062	-
Total Title IV Part A		84.424	139,799	46,090	46,090	-	87,295	46,267	5,062	-
Education Stabilization Fund:										
Governor's Emergency Education Relief (GEER) Fund 2021 - COVID-19	201200	84.425	138,328	-	-	-	17,394	17,468	74	-
Elementary and Secondary School Emergency Relief Fund 1920 (ESSER I) - COVID-19	203710	84.425	685,975	-	-	-	607,139	608,591	1,452	-
Education Equity (ESSER) 1920 - COVID-19	203720	84.425	102,896	-	-	-	66,953	66,953	-	-
Total Education Stabilization Fund		84.425	927,199	-	-	-	691,486	693,012	1,526	-

See accompanying notes to schedule of expenditures of federal awards

WASHINGTON - PARKS ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2021

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2020	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Current Year Cash Transferred To Subrecipient
Other federal awards (Continued):										
U.S. Department of Treasury - Passed through the Michigan Department of Education:										
Coronavirus Relief Fund (CRF):										
CRF State Aid 2021 - COVID-19	103(2)	21.019	542,049	-	-	-	542,049	540,993	(1,056)	-
District COVID Costs 2021 - COVID-19	11(p)	21.019	19,080	-	-	-	19,080	19,080	-	-
Total Coronavirus Relief Fund		21.019	<u>561,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,129</u>	<u>560,073</u>	<u>(1,056)</u>	<u>-</u>
Total Federal Awards			<u>\$ 4,979,002</u>	<u>\$ 1,414,986</u>	<u>\$ 301,418</u>	<u>\$ 30,788</u>	<u>\$ 2,827,307</u>	<u>\$ 2,720,941</u>	<u>\$ 164,264</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

WASHINGTON - PARKS ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 2,566,470
Special Revenue Fund	<u>123,683</u>
Subtotal	2,690,153
Prior year Michigan Charter School Planning Grant funds returned to the State of Michigan	<u>30,788</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,720,941</u></u>

Receivables

Receivables from federal sources - As reported on financial statements	\$ 165,320
Coronavirus Relief Fund State Aid deferred revenue	<u>(1,056)</u>
Federal receivables per the schedule of expenditures of federal awards	<u><u>\$ 164,264</u></u>

WASHINGTON - PARKS ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Washington - Parks Academy under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Washington - Parks Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Washington - Parks Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Washington - Parks Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 – ADJUSTMENTS AND TRANSFERS

The amount included in the adjustments and transfers column of the schedule of expenditures of federal awards are 2019-2020 Michigan Charter School Planning Grant funds returned to the State of Michigan during 2020-2021.

WASHINGTON - PARKS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? yes no

WASHINGTON - PARKS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Reference
Number

Findings

2021-001

Finding Type – Material Weakness

Criteria – The Academy’s internal control structure should ensure that accounting data is properly calculated, reconciled and reported in accordance with generally accepted accounting principles.

Condition – The Academy’s accounts required significant adjustments to the general ledger in order to properly reflect the appropriate balance after the books and records were presented for audit.

Cause / Effect – While the accounts were reconciled throughout the year the reconciliations as completed had certain instances where the reconciliations did not match the general ledger or actual balances. The effect was to cause the accounting records to not match the presented reconciliations.

Recommendation – The Academy should institute monthly and yearly closing procedures to ensure all accounts are reconciled and match the general ledger.

Auditee Response – The auditee agrees with the finding. The Academy has implemented procedures in order to ensure that periods are closed to prevent changes to finalized and reconciled balances and accounts.

WASHINGTON - PARKS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Reference
Number**

Findings

REPEAT FINDING OF 2020-001 AND 2019-002

2021 - 002

Finding Type – Significant Deficiency and Noncompliance

Criteria – Academies with Title I Part A allocations of more than \$500,000 are required to reserve at least 1% of for parental involvement activities. Additionally, academies must distribute not less than 90% of the amount reserved for parental involvement activities.

Condition – The Academy did not spend at least 90% of the amount reserved on parental involvement activities.

Cause / Effect – The Academy did not utilize at least 90% of the amount reserved for parental involvement activities. The effect was a violation of Title I Part A grant requirements.

Recommendation – The Academy should review its grant allocation and expenditure process to ensure that the proper amounts reserved for parental involvement are spent on qualifying activities.

Auditee Response – The auditee agrees with the finding. The Academy is currently reviewing its process to ensure that amounts reserved are spent in compliance with the grant requirements.

WASHINGTON - PARKS ACADEMY

SCHEDULE OF PRIOR YEARS AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

1) Audit findings fully corrected:

None

2) Audit findings not corrected or partially corrected:

2020 - 001
and
2019 - 002

Finding Type – Noncompliance

Criteria – Academies with Title I Part A allocations of more than \$500,000 are required to reserve at least 1% of for parental involvement activities. Additionally, the academies must distribute not less than 90% of the amount reserved for parental involvement activities.

Condition – The Academy did not spend at least 90% of the amount reserved on parental involvement activities.

Cause / Effect – The Academy did not utilize at least 90% of the amount reserved for parental involvement activities. The effect was a violation of Title I Part A grant requirements.

Recommendation – The Academy should review its grant allocation and expenditure process to ensure that the proper amounts reserved for parental involvement are spent on qualifying activities.

Auditee Response – The auditee agrees with the finding. The Academy is currently reviewing its process to ensure that amounts reserved are spent in compliance with the grant requirements.