

FOSTERING LEADERSHIP ACADEMY

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2021

FOSTERING LEADERSHIP ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fostering Leadership Academy
Redford, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Fostering Leadership Academy (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsible 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 of 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 Academy'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 of the effectiveness of the Academy'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 opinion.

**Independent Auditor's Report
(Continued)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the 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.

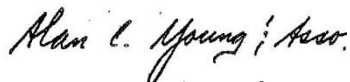
Other Matters

Required Supplement 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2021 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Academy's internal control over financial reporting and compliance.



Detroit, Michigan
October 25, 2021

FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis
June 30, 2021

As management of the Fostering Leadership Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The 2020-21 school year was the Academy's first year of operations.
- The Academy's enrollment was 25 students for fiscal 2021.
- The General Fund received \$827,779 in revenue, which primarily consisted of contributions from the Methodist Children's Home Society (MCHS, the Management Company (see Note 5) and the State Foundation grant. There was \$741,676 in General Fund expenditures, including \$10,172 transfer out to Food Service Fund.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) academy-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Academy-Wide Financial Statements. The academy-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Academy-wide financial statements outline functions of the Academy that are principally supported by local revenue, State Aid and intergovernmental revenues (Federal grants). The governmental activities of the Academy include instruction, support services, and food services. The Academy does not have fixed assets or long-term debt.

The Academy-wide financial statements can be found on pages 1 - 2 of this report.

FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Academy-wide and fund financial statements. The notes to the financial statements can be found on pages 7 - 14 of this report.

ACADEMY-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$86,103 as of June 30, 2021. This represents an increase in net position of \$86,103 since the beginning of this year.

Net Position as of June 30, 2021

This was the Academy's first year of operations. In future years, the MD&A will present comparative financial information.

The following shows the Academy's net position as of June 30, 2021.

	Governmental Activities
	June 30, 2021
Assets	
Current Assets	\$ 298,646
Total Assets	<u>298,646</u>
Liabilities	
Current Liabilities	<u>212,543</u>
Total Liabilities	<u>212,543</u>
Net Position	
Unassigned	86,103
Total Net Position	<u>\$ 86,103</u>

FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2021

ACADEMY-WIDE FINANCIAL ANALYSIS (Continued)

The analysis on the preceding page focuses on net position. The change in net position of the Academy's governmental activities is discussed on this page. The Academy's net position was \$86,103 at June 30, 2021. The unassigned net position 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 unassigned net position from year to year.

Change in Net Position for the years ending June 30, 2021

	Governmental Activities Year Ended June 30, 2021
Revenue	
Program Revenue:	
Federal Grants and Entitlements	\$ 4,801
State Categoricals	25,003
Operating Grants	36,083
General Revenue:	
Private Contribution	569,200
State Foundation Allowance	197,493
Other	233
Total Revenue	832,813
Functions/Program Expenses	
Instruction	419,140
Support Services	312,364
Food Services	15,206
Total Functions/Program Expenses	746,710
Change in Net Position	\$ 86,103

As reported in the statement of activities, the cost of all our governmental activities this year was \$746,710. Certain activities were partially funded by governmental agencies and organizations that subsidized certain programs with grants totaling \$65,887. We paid for the remaining "public benefit" portion of our governmental activities with private contributions of \$569,200 and general revenues, including state foundation allowance of \$197,493.

The Academy experienced an increase in net position of \$86,103 in this year.

FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2021

ACADEMY-WIDE FINANCIAL ANALYSIS (Continued)

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes a certain part of the Academy's 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

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

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 provided to it and may provide more insight into the Academy's overall financial health. As the Academy completed this year, the governmental funds reported a combined fund balance of \$86,103 which is an increase of \$86,103 from the beginning of this year. Nonspendable fund balance is reported separately to show it was not available in a spendable form. The Academy had a nonspendable fund balance of \$40,867 which was the prepayment for goods ordered. Assigned fund balance is reported separately to show the intent to spend resources on specific purposes expressed by the Board of Directors to limit the Academy's ability to use that fund balance for day-to-day operations. The Academy has \$45,000 in assigned net position at June 30, 2021 among which \$35,000 was assigned for fiscal stability and \$10,000 was assigned for board spending. The remaining \$236 was unassigned. The \$236 unassigned fund balance of governmental activities represents the accumulated results of this year's operations.

Comments on Budget Comparisons

- The Academy's total general fund revenues for the fiscal year ended June 30, 2021 were \$827,779.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$943 more than the final budget.
- The total cost of all programs and services of General Fund was approximately \$741,676, including \$10,172 transfer out to Food Service Fund.
- Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. 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. The Academy exceeded the expenditure budget for central services. Total expenditures were \$33,996 less than the final budget.

FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates

The Academy considers many factors when setting the Academy's 2021-2022 fiscal year budgets. 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 blended count for the 2021-22 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2021.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data and aggressive recruiting efforts, the estimated fall student count is in line with the estimate used to create the budget.

Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. 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 appropriations to public schools and public school academies. The State periodically holds a revenue estimating conference to estimate revenues.

Since the Academy's revenue is dependent on State funding and the health of the State's School Aid Fund to some degree, the actual revenue received depends on the State's ability to collect revenues to fund its revenues. Based on the results of the most recent conference, the State estimates funds will be sufficient to fund the appropriation.

Contacting the Academy's Management

This financial report is designed to provide a general overview of the Academy's finances. If you have any questions about this report or need additional information, contact the Finance Department of the Methodist Children's Home Society, 26645 W. Six Mile Rd., Redford MI 48240.

FOSTERING LEADERSHIP ACADEMY

Statement of Net Position June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash (Note 3)	\$ 208,901
Receivables (Note 4)	48,878
Prepaid Expenses (Note 1)	<u>40,867</u>
Total Assets	<u>298,646</u>
Liabilities	
Accounts Payable	1,210
Accounts Payable - MCHS (Note 5)	<u>211,333</u>
Total Liabilities	<u>212,543</u>
Net Position	
Unassigned	<u>86,103</u>
Total Net Position	<u>\$ 86,103</u>

The accompanying notes are an integral part of these financial statements

FOSTERING LEADERSHIP ACADEMY

Statement of Activities Year Ended June 30, 2021

Functions/Programs	Program Revenue			Governmental Activities
	Expenses	Charge for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary Government-Governmental Activities:				
Instruction	\$ 419,140	\$ -	\$ 34,819	\$ (384,321)
Support Services	312,364	-	26,267	(286,097)
Food Services	15,206	233	4,801	(10,172)
Total Primary Government-Governmental Activities	<u>746,710</u>	<u>233</u>	<u>65,887</u>	(680,590)
General Revenues				
State Aid not Restricted to Specific Purposes				197,493
Contributions				<u>569,200</u>
		Total General Revenues		<u>766,693</u>
Change in Net Position				86,103
Net Position - Beginning of Year				<u>-</u>
Net Position - End of Year				<u><u>\$ 86,103</u></u>

The accompanying notes are an integral part of these financial statements

FOSTERING LEADERSHIP ACADEMY

**Governmental Funds
Balance Sheet
June 30, 2021**

	General Fund	Non-Major Fund Food Service Fund	Total Governmental Funds
ASSETS			
Cash (Note 3)	\$ 195,105	\$ 13,796	\$ 208,901
Receivables - Net (Note 4)	47,418	1,460	48,878
Prepaid Expenses (Note 1)	40,867	-	40,867
Total Assets	\$ 283,390	\$ 15,256	\$ 298,646
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 1,210	\$ -	\$ 1,210
Accounts Payable - MCHS (Note 5)	196,077	15,256	211,333
Total Liabilities	197,287	15,256	212,543
Fund Balances			
Nonspendable (Note 1)	40,867	-	40,867
Assigned (Note 1)	45,000	-	45,000
Unassigned	236	-	236
Total Fund Balances	86,103	-	86,103
Total Liabilities and Fund Balances	\$ 283,390	\$ 15,256	\$ 298,646

The accompanying notes are an integral part of these financial statements

FOSTERING LEADERSHIP ACADEMY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2021

	<u>Amount</u>
Fund Balance - Total Governmental Funds	<u>\$ 86,103</u>
Net Position - Governmental Activities	<u>\$ 86,103</u>

The accompanying notes are an integral part of these financial statements

FOSTERING LEADERSHIP ACADEMY

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2021

	General Fund	Non-Major Fund Food Service Fund	Total Governmental Funds
Revenue			
Local Sources	\$ 605,283	\$ 233	\$ 605,516
State Sources	222,496	-	222,496
Federal Sources	-	4,801	4,801
Total Revenue	827,779	5,034	832,813
Expenditures			
Instruction	419,140	-	419,140
Support Services	312,364	-	312,364
Food Services	-	15,206	15,206
Total Expenditures	731,504	15,206	746,710
Excess (Deficiency) of Revenue Over Expenditures	96,275	(10,172)	86,103
Other Financing Sources (Uses)			
Transfer In	-	10,172	10,172
Transfer Out	(10,172)	-	(10,172)
Total Other Financing Sources (Uses)	(10,172)	10,172	-
Net Change in Fund Balance	86,103	-	86,103
Fund Balances - Beginning of Year	-	-	-
Fund Balances - End of Year	\$ 86,103	\$ -	\$ 86,103

The accompanying notes are an integral part of these financial statements

FOSTERING LEADERSHIP ACADEMY

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

	<u>Amount</u>
Net Change in Fund Balance-Total Governmental Funds	<u>\$ 86,103</u>
Change in Net Position of Governmental Activities	<u><u>\$ 86,103</u></u>

The accompanying notes are an integral part of these financial statements

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fostering Leadership Academy (the Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan Revised School Code, 1976 AP 451, MCL 380.1 to 380.1852 and the Local Government and School District Fiscal Accountability Act, 2011 PA 4, MCL 141.1501 to 141.1531.

The Academy entered into a seven year contract effective on July 1, 2020 with the Grand Valley State University board of trustees to charter a public school academy. Management's current agreement is effective through July 31, 2027. The contract requires the Academy to act exclusively as a governmental agency and not to undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. Grand Valley State University 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 paid the Grand Valley State University board of trustees 3 percent of the state aid foundation allowance as administrative fees. The total administrative fee for the year ended June 30, 2021 to the Grand Valley State University board of trustees was approximately \$6,000.

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

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy-wide activities are considered governmental activities.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Academy-wide and Fund Financial Statements (Continued)

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

Separate financial statements are prepared for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The effect of inter-fund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position and fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued) - Unrestricted State aid and intergovernmental grants, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

The Academy reports the following major governmental fund:

General Fund - The General Fund is the Academy's primary operating fund it accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund type:

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy's special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents – Cash includes demand deposits. The Academy considers all short-term investments with a maturity of three months or less when acquired to be a cash equivalent.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years, deposits that the Academy will be eligible to receive when the lease expires, and deposits that will apply to the invoice payment after the goods are received. These items are recorded as prepaid costs in both Academy-Wide and fund financial statements. The Academy's prepaid costs balance at June 30, 2021 is \$40,867.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fixed Assets – Fixed assets which include land, building, improvements, furniture and equipment should be reported in the applicable governmental column in the Academy-wide financial statements. Fixed assets are defined by the Academy as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated fixed assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Fixed assets are depreciated using the straight-line method over the estimated useful lives. As of June 30, 2021, the Academy does not have any fixed assets as of June 30, 2021.

Fund Balance – In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact. The Academy had \$40,867 in nonspendable fund balance at June 30, 2021.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use of a specific purpose.

Committed – Amounts that have been formally set aside by the Board of Directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Directors.

Assigned – Intent to spend resources on specific purposes expressed by the Board of Directors or director of budget and finance, who is authorized by resolution, and approved by the Board of Directors to make assignments. The Academy had \$35,000 assigned for fiscal stability and \$10,000 assigned for board spending at June 30, 2021.

Unassigned – Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund.

Net Position – Net position of the Academy is classified in three components. Net Investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. The Academy had no capital assets at June 30, 2021. Restricted net position consists of assets with legislative or legal requirements regarding their use. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted. All of the Academy's net position is classified as unrestricted at June 30, 2021.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no deferred outflows of resources at year-end.

Deferred Inflows of Resources – The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not recognized as an inflow of resources (revenue) until that time. The Academy has no deferred inflows of resources at year-end.

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

Use of Estimates – The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

2) 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. The Academy adjusted budgeted amounts during the year in response to actual and projected activity.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Central Services	\$ -	\$ 2,238	\$ 2,238

In total, general fund expenditures were \$38,824 below the final budget.

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy’s opinion, any disallowed claims will not have a material effect on the financial statements as of and for the year June 30, 2021.

3) DEPOSITS AND INVESTMENTS

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

The Academy has designated KeyBank for the deposit of its funds and adopted a formal investment policy. The Academy’s cash is subject to custodial credit risk.

Custodial Credit Risk of Bank Deposit- Custodial credit risk is the risk that, in the event of a bank failure, the Academy’s deposit may not be refunded to it. The Academy’s deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the Academy’s deposit. The Academy’s deposit balance was \$205,510 at June 30, 2021, all of which was insured by the FDIC.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

4) RECEIVABLES AND UNEARNED REVENUE

Receivables at June 30, 2021 consist primarily of state school aid due from the State of Michigan and grant payments from the federal government. There are no applicable allowances for uncollectible accounts. A breakdown is presented as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Due from other Governmental Units			
Federal	\$ -	\$ 1,460	\$ 1,460
State	47,418	-	47,418
Total	<u>\$ 47,418</u>	<u>\$ 1,460</u>	<u>\$ 48,878</u>

5) MANAGEMENT AGREEMENT

The Academy has entered into a service agreement with Methodist Children's Home Society (the management company) effective through July 31, 2027. The management company is responsible for all the management, operation, administration, and education at the Academy. In addition, the Academy subcontracts all employees from the Management Company.

According to the service agreement, the management company shall allocate an amount equal to the lesser of: (i) 2% of state per pupil aid reflected in the Budget for that respective school year, or (ii) \$10,000 to the Board Spending Account. The Academy shall budget \$35,000 each year to go into a special fund in the Academy's general fund as the Fiscal Stability Fund. The management company shall receive all revenues, net the Fiscal Stability Fund deposits of \$35,000, as its service fee, from which it shall pay all operating costs of the Academy as detailed in the Budget. The operating costs may include an administrative fee payable to the Grand Valley State University as mentioned in Note 1.

In the year ended June 30, 2021, the management company deposited \$10,000 to the Board Spending Account and contributed \$569,200 to support the Academy's operation.

At June 30, 2021 the Academy owes \$211,333 to the management company for operating costs.

6) RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. Claims have not exceeded coverage less retained risk deductible amounts since inception.

FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2021

7) SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 25, 2021 the date the financial statements were available to be issued. No items were noted that were required to be recorded or disclosed.



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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
Fostering Leadership Academy
Redford, Michigan

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, the major fund and the aggregate remaining fund information of Fostering Leadership Academy (the Academy) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control over Financial Reporting

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

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

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

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 (Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Alan C. Young, Assoc.

Detroit, Michigan
October 25, 2021

REQUIRED SUPPLEMENTAL INFORMATION

FOSTERING LEADERSHIP ACADEMY

Required Supplemental Information Budgetary Comparison Schedule-General Fund Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local Sources	\$ 266,580	\$ 577,830	\$ 605,283	\$ 27,453
State Sources	390,550	214,006	222,496	8,490
Federal Sources	25,000	35,000	-	(35,000)
Total Revenue	<u>682,130</u>	<u>826,836</u>	<u>827,779</u>	<u>943</u>
Expenditures				
<u>Instruction</u>				
Basic Program	277,853	329,000	312,973	(16,027)
Added Needs	69,135	110,000	106,167	(3,833)
<u>Support Services</u>				
Pupil Support	20,000	100,000	99,170	(830)
Instructional Staff	80,326	1,500	1,500	-
General Administration	18,701	12,000	11,698	(302)
School Administration	142,903	155,000	147,469	(7,531)
Business	-	45,000	42,637	(2,363)
Maintenance & Operations	24,997	10,000	7,247	(2,753)
Transportation	1,284	3,000	405	(2,595)
Central	-	-	2,238	2,238
Total Operating Expenditures	<u>635,199</u>	<u>765,500</u>	<u>731,504</u>	<u>(33,996)</u>
Other Financing Uses - Transfers Out				
Transfer out to Food Service Fund	41,931	15,000	10,172	(4,828)
Total Other Financing Uses - Transfers Out	<u>41,931</u>	<u>15,000</u>	<u>10,172</u>	<u>(4,828)</u>
Total Expenditures and Transfers	<u>677,130</u>	<u>780,500</u>	<u>741,676</u>	<u>(38,824)</u>
Net Changes in Fund Balances	5,000	46,336	86,103	39,767
Fund Balances - July 1, 2020	-	-	-	-
Fund Balances - June 30, 2021	<u>\$ 5,000</u>	<u>\$ 46,336</u>	<u>\$ 86,103</u>	<u>\$ 39,767</u>