

**FOSTERING LEADERSHIP ACADEMY**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**

# FOSTERING LEADERSHIP ACADEMY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Fostering Leadership Academy  
Redford, Michigan

### Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Academy, as of June 30, 2022, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government auditing standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and government auditing standards, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 7, 2022 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.

*Alan C. Young & Assoc.*

Detroit Michigan

October 7, 2022

(Except for Note 7 as to which the date is November 10, 2022)

# FOSTERING LEADERSHIP ACADEMY

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Management's Discussion and Analysis  
June 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

## FINANCIAL HIGHLIGHTS

- The 2021-22 school year was the Academy's second year of operations.
- The Academy's enrollment was 21 students for fiscal 2022 as compared to 25 students for fiscal 2021.
- The General Fund received \$815,209 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 \$725,674 in General Fund expenditures.

## 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, 2022

## 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 \$193,984 as of June 30, 2022. This represents an increase in net position of \$107,881 since the beginning of this year.

### Net Position as of June 30, 2022 and 2021

The following shows a comparison of the Academy's statements of net position as of June 30, 2022 and 2021.

	Governmental Activities June 30	
	2022	2021
<b>Assets</b>		
Current Assets	\$ 393,729	\$ 298,646
<b>Total Assets</b>	<u>393,729</u>	<u>298,646</u>
<b>Liabilities</b>		
Current Liabilities	<u>199,745</u>	<u>212,543</u>
<b>Total Liabilities</b>	<u>199,745</u>	<u>212,543</u>
<b>Net Position</b>		
Restricted Food Service	18,346	-
Unrestricted	<u>175,638</u>	<u>86,103</u>
<b>Total Net Position</b>	<u>\$ 193,984</u>	<u>\$ 86,103</u>

# FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)  
June 30, 2022

## 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 \$193,984 at June 30, 2022. The unrestricted 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 unrestricted net position from year to year.

### Change in Net Position for the years ending June 30, 2022 and 2021

	Governmental Activities	
	Year Ended June 30	
	2022	2021
<b>Revenue</b>		
Program Revenue:		
Federal Grants and Entitlements	\$ 61,654	\$ 4,801
State Categoricals	141,837	25,003
Operating Grants	500	36,083
General Revenue:		
Private Contribution	495,301	569,200
State Foundation Allowance	145,628	197,493
Other	-	233
<b>Total Revenue</b>	<u>844,920</u>	<u>832,813</u>
<b>Functions/Program Expenses</b>		
Instruction	313,590	419,140
Support Services	412,084	312,364
Food Services	11,365	15,206
<b>Total Functions/Program Expenses</b>	<u>737,039</u>	<u>746,710</u>
<b>Change in Net Position</b>	<u>\$ 107,881</u>	<u>\$ 86,103</u>

As reported in the statement of activities, the cost of all our governmental activities this year was \$737,039. Certain activities were partially funded by governmental agencies and organizations that subsidized certain programs with grants totaling \$203,991. We paid for the remaining "public benefit" portion of our governmental activities with private contributions of \$495,301 and general revenues, including state foundation allowance of \$145,628.

The Academy experienced an increase in net position of \$107,881 in this year.

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.



# FOSTERING LEADERSHIP ACADEMY

Management's Discussion and Analysis (Continued)  
June 30, 2022

## 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 \$193,984 which is an increase of \$107,881 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 \$0 at June 30, 2022. 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 \$47,913 in assigned net position at June 30, 2022 of which \$35,000 was assigned for fiscal stability and \$12,913 was assigned for board spending. \$18,346 was restricted for the food service fund and the remaining \$127,725 was unassigned.

### Comments on Budget Comparisons

- The Academy's total general fund revenues for the fiscal year ended June 30, 2022 were \$815,209
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$20,144 less than the final budget.
- The total cost of all programs and services of General Fund was \$725,674.
- 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 the required supplemental information of these financial statements. The Academy exceeded the expenditure budget for pupil support by \$20,800. Total expenditures were \$20,681 less than the final budget.
- During the 2021-2022 year, the Academy's General Fund's fund balance increased by \$89,535. The Academy will continue to strive to ensure that each year the Academy improves its financial position in the midst of an uncertain economic environment.

### Economic Factors and Next Year's Budgets and Rates

The Academy considers many factors when setting the Academy's 2022-2023 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 2022-23 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 2022.

# **FOSTERING LEADERSHIP ACADEMY**

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**Management's Discussion and Analysis (Continued)**  
**June 30, 2022**

## **Economic Factors and Next Year's Budgets and Rates (Continued)**

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, 2022

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 3)	\$ 351,774
Receivables (Note 4)	41,955
<b>Total Assets</b>	<u>393,729</u>
<b>Liabilities</b>	
Accounts Payable	1,044
Accounts Payable - MCHS (Note 5)	193,342
Unearned Revenue (Note 4)	5,359
<b>Total Liabilities</b>	<u>199,745</u>
<b>Net Position</b>	
Restricted for Food Service	18,346
Unrestricted	175,638
<b>Total Net Position</b>	<u>\$ 193,984</u>

*The accompanying notes are an integral part of these financial statements*

# FOSTERING LEADERSHIP ACADEMY

## Statement of Activities Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charge for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary Government-Governmental Activities:				
Instruction	\$ 313,590	\$ -	\$ 79,443	\$ (234,147)
Support Services	412,084	-	104,396	(307,688)
Food Services	11,365	-	20,152	8,787
<b>Total Primary Government-Governmental Activities</b>	<u>737,039</u>	<u>-</u>	<u>203,991</u>	<u>(533,048)</u>
<b>General Revenues</b>				
State Aid not Restricted to Specific Purposes				145,628
Contributions				495,301
			<b>Total General Revenues</b>	<u>640,929</u>
Change in Net Position				107,881
Net Position - Beginning of Year				<u>86,103</u>
<b>Net Position - End of Year</b>				<u><u>\$ 193,984</u></u>

The accompanying notes are an integral part of these financial statements

# FOSTERING LEADERSHIP ACADEMY

## Governmental Funds Balance Sheet June 30, 2022

	General Fund	Non-Major Fund Food Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash (Note 3)	\$ 328,902	\$ 22,872	\$ 351,774
Receivables - Net (Note 4)	40,296	1,659	41,955
<b>Total Assets</b>	<u>\$ 369,198</u>	<u>\$ 24,531</u>	<u>\$ 393,729</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 1,044	\$ -	\$ 1,044
Accounts Payable - MCHS (Note 5)	192,516	826	193,342
Unearned Revenue (Note 4)	-	5,359	5,359
<b>Total Liabilities</b>	<u>193,560</u>	<u>6,185</u>	<u>199,745</u>
<b>Fund Balances</b>			
Assigned (Note 1)	47,913	-	47,913
Unassigned	127,725	-	127,725
Restricted	-	18,346	18,346
<b>Total Fund Balances</b>	<u>175,638</u>	<u>18,346</u>	<u>193,984</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 369,198</u>	<u>\$ 24,531</u>	<u>\$ 393,729</u>

*The accompanying notes are an integral part of these financial statements*

# FOSTERING LEADERSHIP ACADEMY

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2022

	<u>Amount</u>
<b>Fund Balance - Total Governmental Funds</b>	<u>\$ 193,984</u>
<b>Net Position - Governmental Activities</b>	<u>\$ 193,984</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, 2022

	<b>General Fund</b>	<b>Non-Major Fund Food Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
Local Sources	\$ 486,242	\$ 9,559	\$ 495,801
State Sources	286,167	1,298	287,465
Federal Sources	42,800	18,854	61,654
<b>Total Revenue</b>	<b>815,209</b>	<b>29,711</b>	<b>844,920</b>
<b>Expenditures</b>			
Instruction	313,590	-	313,590
Support Services	412,084	-	412,084
Food Services	-	11,365	11,365
<b>Total Expenditures</b>	<b>725,674</b>	<b>11,365</b>	<b>737,039</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>89,535</b>	<b>18,346</b>	<b>107,881</b>
Fund Balances - Beginning of Year	86,103	-	86,103
<b>Fund Balances - End of Year</b>	<b>\$ 175,638</b>	<b>\$ 18,346</b>	<b>\$ 193,984</b>

*The accompanying notes are an integral part of these financial statements*

# **FOSTERING LEADERSHIP ACADEMY**

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## **Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2022**

	<u>Amount</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<u>\$ 107,881</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 107,881</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 fees for the year ended June 30, 2022 to the Grand Valley State University board of trustees were approximately \$5,000.

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, 2022

## 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, 2022

## 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, 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, 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 had no prepaid costs balance at June 30, 2022.

# FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 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, 2022, the Academy does not have any fixed assets.

**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 no nonspendable fund balance at June 30, 2022.

**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 \$12,913 assigned for board spending at June 30, 2022.

**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, 2022. Restricted net position consists of assets with legislative or legal requirements regarding their use. The Academy has \$18,346 of restricted net position for food service. The remaining \$175,638 of net position is unrestricted.

# FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 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 June 30, 2022.

**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 June 30, 2022.

**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.

**Adoption of New Accounting Pronouncement** – In June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy had no leases required to be recognized at June 30, 2022.

## 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.

# FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

### Budgetary Information (Continued)

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.

### 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>
Pupil Support	\$ 76,670	\$ 97,470	\$ 20,800
Business	1,400	1,465	65
Maintenance & Operations	61,185	61,186	1
Central Services	3,220	3,424	204

In total, general fund expenditures were \$20,681 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, 2022.

## 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 \$351,724 at June 30, 2022, of which \$250,000 was insured by the FDIC.

# FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 4) RECEIVABLES AND UNEARNED REVENUE

Receivables at June 30, 2022 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	\$ -	\$ 1,659	\$ 1,659
State	40,296	-	40,296
Total	<u>\$ 40,296</u>	<u>\$ 1,659</u>	<u>\$ 41,955</u>

Governmental funds report unavailable revenue (deferred inflow of resources) in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The Academy had no unavailable revenue at June 30, 2022. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Academy had unearned revenue of \$5,359 for the federal School Nutrition Programs USDA Supply Chain Assistance Funds.

## 5) MANAGEMENT AGREEMENT

The Academy has entered into a service agreement with Methodist Children's Home Society (MCHS, 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 also budget \$35,000 each year to go into a special fund in the Academy's general fund as the Fiscal Stability Fund if the fund balance is under 5% of the revenue. 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, 2022, the management company deposited \$2,913 to the Board Spending Account and contributed \$495,301 to support the Academy's operation. \$0 was added to the Fiscal Stability Fund during the year ended June 30, 2022.

At June 30, 2022 the Academy owes \$193,342 to the management company for operating costs.

# FOSTERING LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 5) MANAGEMENT AGREEMENT (Continued)

In 2022, a services agreement (the Agreement) was signed between the management company and Champion Education Network (CEN), which is effective as of July 1, 2022 and shall continue until June 30, 2027. According to the Agreement, MCHS subcontracts its performance of services under the Management Agreement to CEN with the consent of the Academy. MCHS shall pay CEN an annual fee for each school year during the term of the Agreement as follows:

<u>Time</u>	<u>Annual Fee</u>
July 1, 2022 - June 30, 2023	\$8,000 / month
July 1, 2023 - June 30, 2024	\$9,000 / month
July 1, 2024 - June 30, 2025	\$10,000 / month
July 1, 2025 - end of the Agreement	10% of Revenues, not to exceed \$120,000

## 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.

## 7) REPORT RE-ISSUANCE

Subsequent to the original issuance of the report, it was determined that \$44,304 classified as Federal revenue should have been classified as local revenue (\$43,414) and state revenue (\$980). Accordingly, these amounts have been reclassified. This had no affect on total revenue.

## 8) SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 7, 2022 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, 2022, 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 7, 2022.

### Report on 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)**

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

*Alan C. Young & Assoc.*

Detroit, Michigan  
October 7, 2022

**REQUIRED SUPPLEMENTAL INFORMATION**

# FOSTERING LEADERSHIP ACADEMY

## Required Supplemental Information Budgetary Comparison Schedule-General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local Sources	\$ 256,000	\$ 506,385	\$ 486,242	\$ (20,143)
State Sources	521,413	286,168	286,167	(1)
Federal Sources	67,500	42,800	42,800	-
<b>Total Revenue</b>	<b>844,913</b>	<b>835,353</b>	<b>815,209</b>	<b>(20,144)</b>
<b>Expenditures</b>				
<u>Instruction</u>				
Basic Program	361,396	325,856	313,590	(12,266)
Added Needs	159,989	21,000	-	(21,000)
<u>Support Services</u>				
Pupil Support	48,763	76,670	97,470	20,800
General Administration	19,417	95,000	94,312	(688)
School Administration	229,703	161,000	153,203	(7,797)
Business	-	1,400	1,465	65
Maintenance & Operations	24,997	61,185	61,186	1
Transportation	-	1,024	1,024	-
Central	-	3,220	3,424	204
<b>Total Operating Expenditures</b>	<b>844,265</b>	<b>746,355</b>	<b>725,674</b>	<b>(20,681)</b>
Net Changes in Fund Balances	648	88,998	89,535	537
Fund Balances - July 1, 2021	86,103	86,103	86,103	-
<b>Fund Balances - June 30, 2022</b>	<b>\$ 86,751</b>	<b>\$ 175,101</b>	<b>\$ 175,638</b>	<b>\$ 537</b>