

**BLENDED LEARNING ACADEMIES CREDIT
RECOVERY HIGH SCHOOL**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blended Learning Academies Credit Recovery High School

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Blended Learning Academies Credit Recovery High School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Blended Learning Academies Credit Recovery High School'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 and each major fund of Blended Learning Academies Credit Recovery High School as of June 30, 2022, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2022 the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Blended Learning Academies Credit Recovery High School'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 Blended Learning Academies Credit Recovery High School'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 Blended Learning Academies Credit Recovery High School'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 other required supplementary information, as identified in the table of contents, 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 September 8, 2022 on our consideration of Blended Learning Academies Credit Recovery High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Blended Learning Academies Credit Recovery High School'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 Blended Learning Academies Credit Recovery High School's internal control over financial reporting and compliance.

Maney Costeiran PC

September 8, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Blended Learning Academies Credit Recovery High School’s (the Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Financial Highlights

- The Academy’s general fund balance at the beginning of the year was \$472,866 and increased by \$20,341 to \$493,207 at the end of the 2021 - 2022 year.
- The Academy’s capital projects fund balance at the beginning of the year was \$433,600 and increased by \$100,725 to \$534,325 at the end of the 2021 - 2022 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Academy, reporting the Academy’s operations in *more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

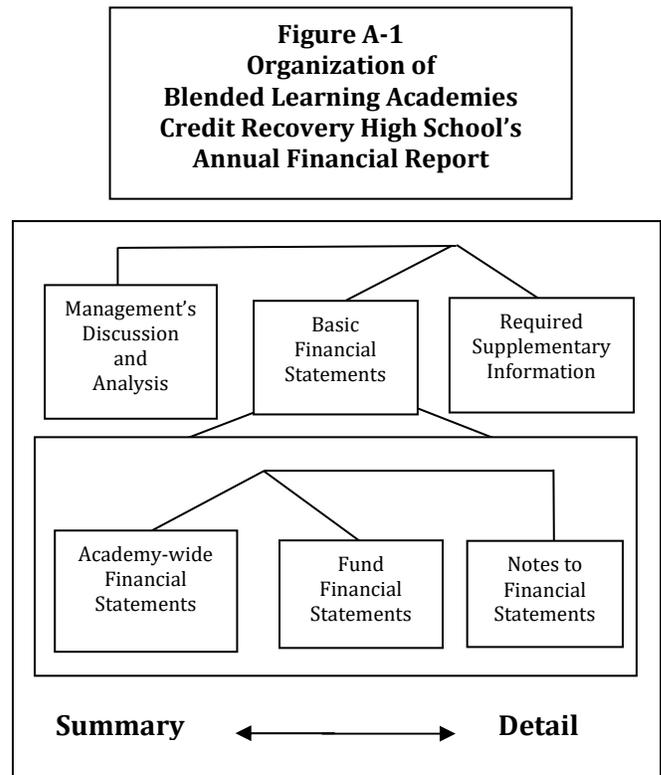


Figure A-2 below summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

	Academy-wide Statements	Governmental Funds
Scope	Entire Academy	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Academy-wide Statements

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

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

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

Governmental activities - The Academy’s basic services are included in here, such as regular education and special education, and administration. State foundation aid finances most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by debt agreements.
- The Academy can establish other funds to control and manage money for particular purposes.

All of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or difference) between them.

Financial Analysis of the Academy as a Whole

Net position - the Academy’s combined net position of \$1,174,767 increased by \$177,957 during the year.

The total revenues increased by 7.1% to \$1,579,036. This was due to an increase in state funding related to an increase in pupil count and foundation allowance. State aid foundation allowance included in revenue from state sources accounts for 77% of the Academy’s revenues in 2022.

The total cost of instruction increased by 52.7%, or \$181,798, to \$526,875. Total support services decreased by 5.2%, or \$39,280, to \$719,330.

See figures A-3 and A-4.

Academy Governmental Activities

Figure A-3		
Blended Learning Academies Credit Recovery High School's Net Position		
	2022	2021*
Current and other	\$ 1,249,989	\$ 1,114,645
Capital assets	410,431	90,344
Total assets	<u>1,660,420</u>	<u>1,204,989</u>
Other liabilities	222,457	208,179
Noncurrent liabilities	263,196	-
Total liabilities	<u>485,653</u>	<u>208,179</u>
Net position		
Net investment in capital assets	147,235	90,344
Unrestricted	<u>1,027,532</u>	<u>906,466</u>
Total net position	<u><u>\$ 1,174,767</u></u>	<u><u>\$ 996,810</u></u>

*The 2021 figures have not been updated for the adoption of GASB 87.

Figure A-4		
Change in Blended Learning Academies Credit Recovery High School's Net Position		
	<u>2022</u>	<u>2021*</u>
Revenues		
Program revenues		
Operating grants	\$ 267,494	\$ 305,182
General revenues		
Investment earnings	675	587
State sources - unrestricted	1,219,479	1,074,012
ISD sources	91,088	89,961
Local sources	300	4,175
Total general revenues	<u>1,311,542</u>	<u>1,168,735</u>
Total revenues	<u>1,579,036</u>	<u>1,473,917</u>
Expenses		
Instruction	526,875	345,077
Support services	719,330	758,610
Interest and fees	5,901	-
Unallocated depreciation/amortization	148,973	17,236
Total expenses	<u>1,401,079</u>	<u>1,120,923</u>
Change in net position	<u>\$ 177,957</u>	<u>\$ 352,994</u>
*The 2021 figures have not been updated for the adoption of GASB 87.		

Financial Analysis of the Academy's Funds

The fund balance in the general fund increased by \$20,341, to \$493,207. The fund balance as a percentage of 2022 total general fund expenditures is approximately 34.1%.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both revenue and expenditures which reflected anticipated increases in state aid and actual salary figures for staff.

The Academy's final budget for the general fund anticipated revenues would exceed expenditures and other financial sources (uses) by \$3,048. The actual results for the year showed revenues \$20,341 higher than expenditures and other financing sources (uses).

Actual revenues were \$34,916 less than budgeted, a 2.2% variance. Other financing sources and uses were \$16,656 less than budgeted.

Actual expenditures and other financing uses were \$52,209 less than budgeted.

Capital asset and Debt Administration

Capital Assets

As of the year ended June 30, 2022, the Academy had invested \$410,431 in capital assets consisting primarily of technology and equipment and furniture and fixtures net of accumulated depreciation/amortization. This amount represents a net increase in capital assets of \$320,087 from the beginning of the year. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation/amortization expense for the year was \$148,973. The Academy's capital assets are as follows:

	2022			2021*
	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Technology and equipment	\$ 95,484	\$ 54,123	\$ 41,361	\$ 42,773
Furniture and fixtures	58,768	11,197	47,571	47,571
Leasehold improvements	63,368	2,904	60,464	-
Right to use - buildings	387,363	126,328	261,035	-
Total	\$ 604,983	\$ 194,552	\$ 410,431	\$ 90,344

*The 2021 figures have not been updated for the adoption of GASB 87.

Economic Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of existing circumstances that could significantly affect its financial health in the future.

- When developing the budget for 2022 - 2023, the Academy estimated an increase of \$300 in the per pupil foundation. Since adopting the budget, the State School Aid Budget has passed an increase of \$450 per pupil.
- The Academy has adopted a budget for the 2022 - 2023 fiscal year in which expenditures exceed revenues by \$2,678, when considering and additional ESSER expenditures.
- In addition, the Academy will be receiving ESSER II in the amount of \$107,244 and ESSER III in the amount of \$241,025 as part of the COVID-19 relief funding efforts passed in the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) and the American Rescue Plan Act (ARPA).

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 1754 Clark Road, Lansing, Michigan, 48906. Phone (517) 574-4667.

BASIC FINANCIAL STATEMENTS

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 914,514
Intergovernmental receivable	335,475
Capital assets, net of accumulated depreciation/amortization	410,431
TOTAL ASSETS	1,660,420
LIABILITIES	
Accounts payable	143,538
Accrued personnel costs and related items	58,193
Other accrued expenses	7,277
Unearned revenues	13,449
Noncurrent liabilities	
Due within one year	128,861
Due in more than one year	134,335
TOTAL LIABILITIES	485,653
NET POSITION	
Net investment in capital assets	147,235
Unrestricted	1,027,532
TOTAL NET POSITION	\$ 1,174,767

See notes to financial statements.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 526,875	\$ -	\$ 239,027	\$ (287,848)
Support services	719,330	-	28,467	(690,863)
Interest and fees	5,901	-	-	(5,901)
Unallocated depreciation/amortization	148,973	-	-	(148,973)
Total governmental activities	<u>\$ 1,401,079</u>	<u>\$ -</u>	<u>\$ 267,494</u>	<u>(1,133,585)</u>
General revenues				
Investment earnings				675
State sources - unrestricted				1,219,479
ISD sources				91,088
Local sources				<u>300</u>
Total general revenues				<u>1,311,542</u>
CHANGE IN NET POSITION				177,957
NET POSITION, beginning of year				<u>996,810</u>
NET POSITION, end of year				<u>\$ 1,174,767</u>

See notes to financial statements.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 914,514	\$ -	\$ 914,514
Receivables			
Intergovernmental	335,475	-	335,475
Due from other funds	-	534,325	534,325
TOTAL ASSETS	\$ 1,249,989	\$ 534,325	\$ 1,784,314
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 143,538	\$ -	\$ 143,538
Accrued personnel costs and related items	58,193	-	58,193
Other accrued expenses	7,277	-	7,277
Unearned revenue	13,449	-	13,449
Due to other funds	534,325	-	534,325
TOTAL LIABILITIES	756,782	-	756,782
FUND BALANCES			
Assigned for:			
Capital projects	-	534,325	534,325
Subsequent years expenditures	2,678	-	2,678
Unassigned	490,529	-	490,529
TOTAL FUND BALANCES	493,207	534,325	1,027,532
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,249,989	\$ 534,325	\$ 1,784,314

Total governmental fund balances **\$ 1,027,532**

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

The cost of the capital assets is	\$ 604,983	
Accumulated depreciation/amortization is	<u>(194,552)</u>	
		410,431

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Direct borrowing and direct placement	(263,196)
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Net position of governmental activities **\$ 1,174,767**

See notes to financial statements.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Investment earnings	\$ 675	\$ -	\$ 675
Local sources	300	-	300
State sources	1,325,951	-	1,325,951
Federal sources	161,022	-	161,022
Intermediate sources	91,088	-	91,088
TOTAL REVENUES	1,579,036	-	1,579,036
EXPENDITURES			
Instruction			
Basic programs	414,629	-	414,629
Added needs	112,246	-	112,246
Total instruction	526,875	-	526,875
Support services			
Pupil	223,554	-	223,554
Instructional staff	104,867	-	104,867
General administration	60,354	-	60,354
Business	54,209	-	54,209
Operation and maintenance	103,543	-	103,543
Central support services	239,161	-	239,161
Other support services	2,246	-	2,246
Total support services	787,934	-	787,934
Capital outlay	-	63,368	63,368
Debt service			
Principal retirement	124,167	-	124,167
Interest and fiscal charges	5,901	-	5,901
Total debt service	130,068	-	130,068
TOTAL EXPENDITURES	1,444,877	63,368	1,508,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	134,159	(63,368)	70,791
OTHER FINANCING SOURCES (USES)			
Proceeds from leases	50,275	-	50,275
Transfers out	(164,093)	-	(164,093)
Transfers in	-	164,093	164,093
TOTAL OTHER FINANCING SOURCES (USES)	(113,818)	164,093	50,275
NET CHANGE IN FUND BALANCES	20,341	100,725	121,066
FUND BALANCES			
Beginning of year	472,866	433,600	906,466
End of year	\$ 493,207	\$ 534,325	\$ 1,027,532

See notes to financial statements.

**BLENDLED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances total governmental funds \$ 121,066

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

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation/amortization expense:

Depreciation/amortization expense	(148,973)
Capital outlay	131,972

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Proceeds from leases	(50,275)
Payments on notes from direct borrowings and direct placement	124,167

Change in net position of governmental activities \$ 177,957

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Academy. The Academy currently does not have fiduciary activities. *Governmental activities* normally are supported by intergovernmental revenues.

Reporting Entity

Blended Learning Academies Credit Recovery High School (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. The Academy was incorporated in April 2014. Ferris State University is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school through June 2024. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

As a general rule, the effect of interfund activity (if any) has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. The emphasis of fund financial statements is on major governmental funds. The Academy currently operates two funds, the general fund and the capital projects fund, while the general fund is the only major governmental fund of the Academy.

The Academy reports the following *Major Governmental Funds*:

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.

The *Capital Projects Fund* accounts for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are generally 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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Head of School submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2022. The Academy does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Academy or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as summarized below are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Academy are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Technology and equipment	5
Furniture and fixtures	20
Leasehold improvements	20
Right to use - buildings	3

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, 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*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Leases

The Academy is a lessee for a noncancelable lease of buildings. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 2 - CASH DEPOSITS - CREDIT RISK

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2022, a total of \$672,411 of the Academy's bank balance of \$922,411 was exposed to custodial credit risk because it was fully covered by FDIC insurance. These deposits have a carrying value of \$914,514.

Fair Value Measurement

The Academy is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Academy's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

A summary of changes in the Academy's capital assets follows:

	As Restated Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Governmental activities				
Capital assets being depreciated/amortized				
Technology and equipment	\$ 96,945	\$ 18,329	\$ 19,790	\$ 95,484
Furniture and fixtures	58,768	-	-	58,768
Leasehold improvements	-	63,368	-	63,368
Right to use - buildings	337,088	50,275	-	387,363
	<u>492,801</u>	<u>131,972</u>	<u>19,790</u>	<u>604,983</u>
Total capital assets being depreciated/amortized				
	<u>492,801</u>	<u>131,972</u>	<u>19,790</u>	<u>604,983</u>
Accumulated depreciation/amortization				
Technology and equipment	54,172	19,741	19,790	54,123
Furniture and fixtures	11,197	-	-	11,197
Leasehold improvements	-	2,904	-	2,904
Right to use - buildings	-	126,328	-	126,328
	<u>65,369</u>	<u>148,973</u>	<u>19,790</u>	<u>194,552</u>
Total accumulated depreciation/amortization				
	<u>65,369</u>	<u>148,973</u>	<u>19,790</u>	<u>194,552</u>
Net governmental capital assets	<u>\$ 427,432</u>	<u>\$ (17,001)</u>	<u>\$ -</u>	<u>\$ 410,431</u>

Depreciation/amortization for the fiscal year ended June 30, 2022 amounted to \$148,973. The Academy determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables due from intergovernmental sources at June 30, 2022 consist of the following:

State aid	\$ 242,879
Federal sources	88,201
Other	<u>4,395</u>
	<u>\$ 335,475</u>

Receivables due from intergovernmental sources include amounts due from federal and state sources for various projects and programs.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2022 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 534,325
Capital projects fund	534,325	-
Total	\$ 534,325	\$ 534,325

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2022:

	Notes from Direct Borrowings and Direct Placements
Balance, July 1, 2021, as restated	\$ 337,088
Additions	50,275
Repayments	(124,167)
Balance, June 30, 2022	263,196
Due within one year	128,861
Due in more than one year	\$ 134,335

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Long-term obligations at June 30, 2022 are comprised of the following issues:

Direct Borrowing and Direct Placement

During the 2019 fiscal year, Blended Learning Academy entered into a five-year lease agreement as lessee for the use of a building and its facilities. An initial lease liability was recorded in the amount of \$337,088 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$226,585. Future minimum lease payments run through June 30, 2024, and are based off of 10% of full time equivalent (FTE) state aid per pupil. The lease liability as of June 30, 2022 is based on most recent student count. The lease has an interest rate of 2%. \$ 226,585

During the 2022 fiscal year, Blended Learning Academy entered into a three-year lease agreement as lessee for the use of classrooms. An initial lease liability was recorded in the amount of \$50,275 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$36,611. Blended Learning Academy is required to make monthly principal and interest payments of \$1,440. The lease has an interest rate of 2%. 36,611

Total direct borrowing and direct placement \$ 263,196

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$263,196 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding, including interest of \$5,580, as of June 30, 2022, are as follows:

Year Ending June 30,	Direct Borrowing and Direct Placement		Total
	Principal	Interest	
2023	\$ 128,861	\$ 4,087	\$ 132,948
2024	131,462	1,486	132,948
2025	2,873	7	2,880
	<u>\$ 263,196</u>	<u>\$ 5,580</u>	<u>\$ 268,776</u>

Interest expense (all funds) for the year ended June 30, 2022 was \$5,901.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - TRANSFERS

Transfers between the governmental funds were as follows:

	Transfers Out		Transfers In
General fund	<u>\$ 164,093</u>	Capital projects	<u>\$ 164,093</u>

The transfer from the general fund to the capital projects fund was to set aside funds for future facility related expenses.

NOTE 8 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Ferris State University, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy’s compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2022, the Academy incurred expense of approximately \$37,000 for oversight fees.

NOTE 9 - MANAGEMENT AGREEMENT AND LEASED EMPLOYEES

The Academy currently has a management agreement with Instructional Technology Services Education Management Group (ITS EMG) for operations of the Academy through June 2024. Under the terms of the management agreement, ITS EMG’s compensation for operating the Academy was approximately \$142,000 for the fiscal year 2022. Of the \$142,000 total, approximately \$29,000 was payable to the management company related to management fees at June 30, 2022.

The Academy leases all of its employees from ITS EMG. Salaries, retirement, social security, health insurance and unemployment taxes are the responsibility of the management company. The amount payable to the management company related to leased employees for salaries and health insurance was approximately \$58,000 and \$7,300, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Academy incurred long-term obligations of \$226,585 for a leased building from a limited liability company (LLC) co-owned by the Academy’s founder (see Note 6).

The Academy also incurred approximately \$66,000 of expenses for technology support, software, and various technology expenses Instructional Technology Services, Inc., a related party of ITS EMG. The amount payable to the management company related to leased employees for salaries was approximately \$51,117.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees’ and natural disasters. To minimize the risk, the Academy carries commercial insurance.

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of year had no impact on net position. The change in capital assets and long-term obligations is as follows:

	Capital Assets	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ 90,344	\$ -
Adoption of GASB Statement 87	337,088	337,088
Balances as of July 1, 2021, as restated	\$ 427,432	\$ 337,088

REQUIRED SUPPLEMENTARY INFORMATION

**BLENDED LEARNING ACADEMIES CREDIT RECOVERY HIGH SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources	\$ 1,000	\$ 500	\$ 975	\$ 475
State sources	1,261,200	1,334,315	1,325,951	(8,364)
Federal sources	98,355	188,038	161,022	(27,016)
Intermediate sources	103,118	91,099	91,088	(11)
TOTAL REVENUES	1,463,673	1,613,952	1,579,036	(34,916)
EXPENDITURES				
Instruction				
Basic programs	406,639	429,322	414,629	14,693
Added needs	147,268	121,875	112,246	9,629
Total instruction	553,907	551,197	526,875	24,322
Support services				
Pupil	265,786	245,290	223,554	21,736
Instructional staff	109,649	109,555	104,867	4,688
General administration	55,603	58,144	60,354	(2,210)
Business	50,700	54,335	54,209	126
Operation and maintenance	162,622	198,590	103,543	95,047
Central support services	261,577	258,319	239,161	19,158
Other support services	19,600	5,000	2,246	2,754
Total support services	925,537	929,233	787,934	141,299
Debt service				
Principal retirement	-	-	124,167	(124,167)
Interest and fiscal charges	-	-	5,901	(5,901)
Total debt service	-	-	130,068	(130,068)
TOTAL EXPENDITURES	1,479,444	1,480,430	1,444,877	35,553
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,771)	133,522	134,159	637
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(130,474)	(164,093)	(33,619)
Proceeds from leases	-	-	50,275	50,275
TOTAL OTHER FINANCING SOURCES (USES)	-	(130,474)	(113,818)	16,656
NET CHANGE IN FUND BALANCE	\$ (15,771)	\$ 3,048	20,341	\$ 17,293
FUND BALANCE				
Beginning of year			472,866	
End of year			<u>\$ 493,207</u>	



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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
Blended Learning Academies Credit Recovery High School

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 Blended Learning Academies Credit Recovery High School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Blended Learning Academies Credit Recovery High School's basic financial statements, and have issued our report thereon dated September 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Maney Costerian PC

September 8, 2022



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September 8, 2022

To the Board of Education
Blended Learning Academies Credit Recovery High School

We have audited the financial statements of the governmental activities and each major fund of Blended Learning Academies Credit Recovery High School for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blended Learning Academies Credit Recovery High School are described in Note 1 to the financial statements. During fiscal year 2022, the Academy implemented Governmental Accounting Standard No. 87, *Leases*. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 8, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Blended Learning Academies Credit Recovery High School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC