

Pansophia Academy

Financial Report
With Supplemental Information

Year Ended June 30, 2020

Independent Auditors' Report..... i – ii

Management's Discussion and Analysis iii-x

Basic Financial Statements

Government-Wide Financial Statements:

 Statement of Net Position..... 1

 Statement of Activities 2

Fund Financial Statements:

 Governmental Funds:

 Balance Sheet 3

 Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds
 to Net Position of Governmental Activities on the Statement of Net Position 4

 Statement of Revenues, Expenditures, and Changes in Fund Balances..... 5

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 6

Fiduciary Fund - Statement of Fiduciary Net Position 7

 Notes to Financial Statements..... 8-16

Required Supplementary Information

 Budgetary Comparison Schedule - General Fund 17

Other Supplementary Information

 Schedule of Certificates of Participation 18

**Independent Auditors' 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*** 19-20



WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Directors
Pansophia Academy
Coldwater, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pansophia Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pansophia Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pansophia Academy as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pansophia Academy's basic financial statements. The schedule of certificates of participation is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of certificates of participation is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of certificates of participation is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Pansophia Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Pansophia Academy's internal control over financial reporting and compliance.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2020

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

Pansophia Academy (the Academy) is a Kindergarten through 12 grade Public School Academy located in Coldwater, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Pansophia Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$7,936	\$7,871
Enrollment	354	392
General Fund Balance Increase/(Decrease)	\$(343,437)	\$29,972
General Fund Balance as percent of Unrestricted State Aid Revenue	32%	44%

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds or Debt Service Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The Academy has one kind of fund:

Governmental fund – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 differences) between them.

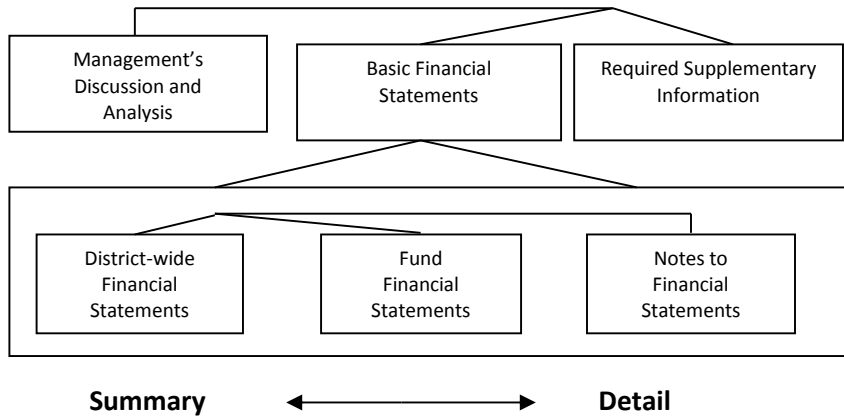
Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

ACADEMY WIDE FINANCIAL STATEMENTS:

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

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-1 Organization of Pansophia Academy Annual Financial Report



Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

Figure A-2 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.

Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
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

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$986,871	\$1,330,308
Total General Fund Revenue	\$3,424,874	\$3,690,109
State Aid Foundation Allowance as percent of Academy Revenues	81%	82%
Total Cost of Instructional Programs	\$1,849,503	\$1,868,263
Instructional Expenditures as percent of Total Expenditures	53%	51%
Total Cost of Support/Operational Services	\$1,427,062	\$1,493,095
Support/Operational Services as percent of Total Expenditures	41%	41%
Total Expenditures transferred to Debt Service	\$264,303	\$266,022
Transfer to Debt Service as percent of Total Expenditures	7.0%	7.3%

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	<u>\$ 1,462,862</u>	<u>\$ 1,778,180</u>
Capital Assets	3,520,874	3,520,874
Less: Accumulated Depreciation	<u>(1,638,512)</u>	<u>(1,566,918)</u>
Capital Assets, Net Book Value	<u>1,882,362</u>	<u>1,953,956</u>
Total Assets and Deferred Outflows	<u>3,345,224</u>	<u>3,732,136</u>
Liabilities		
Current Liabilities	88,230	81,289
Long-term Liabilities	<u>1,405,000</u>	<u>1,560,000</u>
Total Liabilities and Deferred Inflows	<u>1,493,230</u>	<u>1,641,289</u>
Net Position		
Invested in Capital Assets, Net of Related Debt (Deficit)	477,362	393,956
Restricted for Food Service	65,427	48,013
Restricted for Debt Service	322,334	318,570
Unrestricted	<u>986,871</u>	<u>1,330,308</u>
Total Net Position	<u><u>\$ 1,851,994</u></u>	<u><u>\$ 2,090,847</u></u>

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

Results of Operations:

For the fiscal year ended June 30, 2020 and 2019, the Academy wide results of operations were:

State of Michigan Aid - All Sources	\$ 2,778,484	74.95%	\$ 3,026,955	76.98%
Other	6,141	0.17%	11,117	0.28%
	<u>2,784,625</u>	<u>75.12%</u>	<u>3,038,072</u>	<u>77.26%</u>
Total General Revenue				
Program Revenue:				
Charges for Services	129	0.00%	1,281	0.03%
Operating Grants - Federal and State	922,401	24.88%	892,678	22.70%
	<u>922,530</u>	<u>24.88%</u>	<u>893,959</u>	<u>22.73%</u>
Total Program Revenue				
Total Revenue				
	<u>3,707,155</u>	<u>100.00%</u>	<u>3,932,031</u>	<u>100.00%</u>
Expenses:				
Instruction and Instructional Services	1,849,503	46.87%	1,868,263	49.45%
Support Services	1,416,642	35.90%	1,484,473	39.29%
Food Service	275,950	6.99%	227,890	6.03%
Community Services	238	0.01%	-	0.00%
Interest on Long-term Debt	109,551	2.78%	125,398	3.32%
Capital Outlay	222,530	5.64%	-	0.00%
Unallocated Depreciation	71,594	1.81%	72,439	1.92%
	<u>3,946,008</u>	<u>100.00%</u>	<u>3,778,463</u>	<u>100.00%</u>
Total Expenses				
Change in Net Position	<u>\$ (238,853)</u>		<u>\$ 153,568</u>	

During the fiscal year ended June 30, 2020, the Academy's net position decreased by \$238,853 as compared to a net increase of \$153,568 in the prior fiscal year. The most significant difference between prior year and current year is the total general fund revenue decreased while total general fund expenditures increased. Additional factors affecting the change in net position during the year are discussed below:

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Pansophia Academy foundation allowance was \$7,936.
- Student Enrollment: The Academy's student enrollment for the fall count of 2019-20 was 342 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.
- Total Section 25 adjustment was 2.98FTE or (\$23,649).
- In mid-March, an executive order was issued from the Governor of the State of Michigan which closed all K-12 schools due to the Coronavirus (COVID-19) pandemic. The Academy moved to a strictly virtual learning platform put together by the Academy's leadership team. This executive order remained in place for the remainder of the 2019-2020 academic school year.
- As a result of the COVID-19 pandemic and significantly reduced state revenues (primarily sales tax and delay in collecting income tax due to extended filing deadlines), the school aid fund reduced the foundation allowance in August 2020 by \$175 per pupil.
- With the reduction in state aid revenues, the Academy received federal monies in the way of CARES Act funding. These funds are to be used to deliver a continued high quality academic program.

Subsequent to year end June 30, 2020, preliminary student enrollments for 2020-21 indicate that the 2020 fall student enrollment should remain at 2019-20 levels.

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account for change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's expenditures from General Fund operations exceeded revenues by \$343,437 for the fiscal year ended June 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Academy's net investment in capital assets decreased by \$71,594 during the fiscal year. This can be summarized as follows:

	<u>Beginning Balance 7/1/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance 6/30/20</u>
Depreciable Capital Assets	\$ 3,296,717	\$ -	\$ -	\$ 3,296,717
Non-Depreciable Capital Assets (Land)	224,157	-	-	224,157
Less: Accumulated Depreciation	<u>1,566,918</u>	<u>71,594</u>	<u>-</u>	<u>1,638,512</u>
Net Investment in Capital Assets	<u>\$ 1,953,956</u>	<u>\$ (71,594)</u>	<u>\$ -</u>	<u>\$ 1,882,362</u>

Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2020, the net increase in accumulated depreciation was \$71,594.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

Pansophia Academy
Management's Discussion & Analysis
June 30, 2020

Debt, Principal Payments

A summary of long-term debt service activities is as follows.

	<u>Balance 7/1/2019</u>	<u>New Financings</u>	<u>Principal Payments</u>	<u>Balance 6/30/2020</u>
Certificates of Participation	<u>\$ 1,560,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 1,405,000</u>
Total Long-term Obligations	<u><u>\$ 1,560,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 155,000</u></u>	<u><u>\$ 1,405,000</u></u>

ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2020-21 Fiscal Year was adopted by the Board of Directors in June 2020. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2020-21 budget preparation process include:

- State foundation allowance of \$7,786
- Student enrollment of 350

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 revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

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 52 Abbott Ave, Coldwater, MI 49036.

Pansophia Academy
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Cash and investments	\$ 818,023
Receivables:	
Due from other governmental units	545,182
Prepaid expenditures	99,657
Capital assets less accumulated depreciation of \$1,638,512	1,882,362
Total assets	3,345,224
Liabilities:	
Accounts payable and accrued expenses	45,843
Internal balances	2,144
Accrued interest	8,214
Unearned revenue	32,029
Long-term liabilities:	
Due within one year:	
Certificates of participation	230,000
Due in more than one year:	
Certificates of participation	1,175,000
Total liabilities	1,493,230
Net Position:	
Net investment in capital assets	477,362
Restricted for:	
Debt service	322,334
Food service	65,427
Unrestricted	986,871
Total net position	\$ 1,851,994

Pansophia Academy
Statement of Activities
Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expenses)</u>
			<u>Contributions</u>	<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Position</u>
Primary Government				
Governmental activities:				
Instruction	\$ 1,849,503	\$ -	\$ 629,166	\$ (1,220,337)
Support services	1,431,737	-	-	(1,431,737)
Food service activities	275,950	129	293,235	17,414
Community services	238	-	-	(238)
Interest on long-term debt	109,551	-	-	(109,551)
Capital outlay	222,530	-	-	(222,530)
Depreciation (unallocated)	71,594	-	-	(71,594)
Total governmental activities	<u>\$ 3,961,103</u>	<u>\$ 129</u>	<u>\$ 922,401</u>	<u>(3,038,573)</u>
General Revenues:				
				2,778,484
State aid not restricted to specific purposes				4,019
Unrestricted investment earnings				17,217
Other				<u>2,799,720</u>
Total general revenues				<u>2,799,720</u>
Change in Net Position				(238,853)
Net Position - Beginning of Year				<u>2,090,847</u>
Net Position - End of Year				<u><u>\$ 1,851,994</u></u>

Pansophia Academy

Balance Sheet
Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Fund - Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 487,475	\$ 330,548	\$ -	\$ 818,023
Due from other funds	-	-	65,427	65,427
Receivable from other governments	545,182	-	-	545,182
Prepaid expenditures	99,657	-	-	99,657
Total assets	<u>\$ 1,132,314</u>	<u>\$ 330,548</u>	<u>\$ 65,427</u>	<u>\$ 1,528,289</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 30,218	\$ -	\$ -	\$ 30,218
Accrued expenditures	15,625	-	-	15,625
Due to other funds	67,571	-	-	67,571
Unearned revenue	32,029	-	-	32,029
Total liabilities	<u>145,443</u>	<u>-</u>	<u>-</u>	<u>145,443</u>
Fund Balances:				
Nonspendable:				
Prepaid expenditures	99,657	-	-	99,657
Restricted:				
Food service	-	-	65,427	65,427
Debt service	-	330,548	-	330,548
Committed	225,000	-	-	225,000
Assigned	163,023	-	-	163,023
Unassigned	499,191	-	-	499,191
Total fund balances	<u>986,871</u>	<u>330,548</u>	<u>65,427</u>	<u>1,382,846</u>
Total liabilities and fund balances	<u>\$ 1,132,314</u>	<u>\$ 330,548</u>	<u>\$ 65,427</u>	<u>\$ 1,528,289</u>

Pansophia Academy

Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to Net Position
of Governmental Activities on the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds		\$ 1,382,846
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
The cost of capital assets is	\$ 3,520,874	
Accumulated depreciation is	<u>(1,638,512)</u>	1,882,362
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	(1,405,000)	
Accrued interest payable	<u>(8,214)</u>	<u>(1,413,214)</u>
Total Net Position - Governmental Activities		<u><u>\$ 1,851,994</u></u>

Pansophia Academy
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Fund - Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local sources	\$ 2,129	\$ 4,012	\$ 129	\$ 6,270
State sources	3,111,008	-	3,620	3,114,628
Federal sources	296,642	-	289,615	586,257
Other	15,095	-	-	15,095
Total revenues	<u>3,424,874</u>	<u>4,012</u>	<u>293,364</u>	<u>3,722,250</u>
Expenditures:				
Instruction	1,849,503	-	-	1,849,503
Support services	1,427,062	-	-	1,427,062
Athletic activities	4,675	-	-	4,675
Community services	238	-	-	238
Food service activities	-	-	275,950	275,950
Debt service:				
Principal	-	155,000	-	155,000
Interest and other charges	-	110,550	-	110,550
Capital outlay	222,530	-	-	222,530
Total expenditures	<u>3,504,008</u>	<u>265,550</u>	<u>275,950</u>	<u>4,045,508</u>
Revenues Over (Under) Expenditures	<u>(79,134)</u>	<u>(261,538)</u>	<u>17,414</u>	<u>(323,258)</u>
Other Financing Sources (Uses):				
Transfers in	-	264,303	-	264,303
Transfers out	(264,303)	-	-	(264,303)
Total other financing sources (uses)	<u>(264,303)</u>	<u>264,303</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(343,437)	2,765	17,414	(323,258)
Fund Balances - Beginning of Year	<u>1,330,308</u>	<u>327,783</u>	<u>48,013</u>	<u>1,706,104</u>
Fund Balances - End of Year	<u>\$ 986,871</u>	<u>\$ 330,548</u>	<u>\$ 65,427</u>	<u>\$ 1,382,846</u>

Pansophia Academy

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (323,258)

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.

Depreciation expense	<u>\$ (71,594)</u>	(71,594)
----------------------	--------------------	----------

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	999
--	-----

Bond and capital lease proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.

Repayments:

Certificates of participation	<u>155,000</u>
-------------------------------	----------------

Change in Net Position of Governmental Activities \$ (238,853)

Pansophia Academy
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Agency Fund Student Activities
Assets:	
Cash and cash equivalents	\$ 11,369
Due from others	1,679
Due from other funds	2,144
Total assets	<u>\$ 15,192</u>
Liabilities:	
Due to others	\$ 15,192
Total liabilities	<u>\$ 15,192</u>

Pansophia Academy
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Pansophia Academy (“The Academy”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy’s accounting policies are described below.

Reporting Entity

The Academy was established under the provisions of the State of Michigan as a Public School Academy. Public School Academies are formed pursuant to the Michigan School Code of 1976 as amended by Act Number 416 of the Public Acts of 1994; Act Number 416 became effective March 30, 1995. The Academy has contracted with Central Michigan University’s Board of Trustees to charter a Public School Academy. The Academy operates under an appointed Board of Directors and provides education needs for grades K – 12.

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 a 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fund Financial Statements

Academy-Wide 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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and 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’s government-wide activities are considered governmental activities. The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents all governmental activities on a consolidated basis. The Statement of Net Position reports all assets and liabilities including those of a long-term nature. The net difference is reported as net position. Net position is categorized as net investment in capital assets, restricted net position, and unrestricted net position. It is the Academy’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. 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.

As a general rule, the effect of interfund activity has been eliminated from the academy-wide financial statements.

Pansophia Academy
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Government-Wide and Fund Financial Statements

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, when applicable. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

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 government 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. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

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.

Debt Service Fund – The Debt Service Fund accounts for the activities involved with servicing general long-term debt.

Additionally, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Fund maintained by the Academy is the Food Service Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the Academy-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The Academy presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents.

Pansophia Academy
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenues, Assets, Liabilities, and Net Position or Equity

State Revenue – The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation allowance 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 school districts based on information supplied by the districts. For the year ended June 30, 2020, the foundation allowance was based on pupil membership counts taken in February 2019 and October 2019.

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 categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Academy reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

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. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

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."

Trade receivables are shown net of an allowance for uncollectible amounts. The Academy has determined the uncollectible amounts are immaterial and no provision has been recorded.

Inventories and Prepaid Items – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both academy-wide and fund financial statements.

Pansophia Academy
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital 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 lives are not capitalized. The Academy does not have infrastructure type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	7 – 40 years
Land improvements	15 years
Computers	5 – 10 years
Equipment	5 – 20 years
Furniture & fixtures	10 – 20 years
Vehicles	8 – 10 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Fund Equity – The Academy has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the Board of Directors) through adoption of a resolution and may only be removed by the Board of Directors through a rescindment resolution; *assigned* amounts that have an intended purpose but no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the Academy's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Use of Estimates – 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 expenditures. 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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

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

1. The contracted management company (see Note 8) submits to the School 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.
2. Public hearings are conducted to obtain public comment.

Pansophia Academy
Notes to Financial Statements

Note 2 – Stewardship, Compliance, and Accountability (Continued)

3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). 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, for the General Fund, are noted in the required supplementary information section.
4. The management company is authorized to transfer 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.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to fiscal year-end.

Note 3 – Cash and Investments

At year-end, the Academy's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 818,023	\$ 11,369	\$ 829,392

The breakdown for deposits for the School Academy is as follows:

Deposits (checking, savings and U.S. Treasury accounts)	\$ 829,392
---	------------

Investment and Deposit Risk – The Academy's cash and investments are subject to several types of risk, as noted below.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. At year-end, the Academy's deposit balance of \$846,078 had \$299,048 of bank deposits that were exposed to custodial credit risk because they were uninsured and uncollateralized.

Custodial Credit Risk – Investments – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have an investment policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Academy's investment policy does not have specific limits in excess of State law on investment credit risk.

Pansophia Academy
Notes to Financial Statements

Note 3 – Cash and Investments (Continued)

Concentration of Credit Risk – The Academy’s investment policy does not limit investments with individual issuers.

Foreign Currency Risk – The Academy does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

Note 4 – Receivables

Receivables at June 30, 2020 consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 545,182
Total receivables	\$ 545,182

Note 5 – Capital Assets

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

	Beginning Balance	Additions	Disposals and Adjustments	Year-End Balance
Assets not being depreciated - land	\$ 224,157	\$ -	\$ -	\$ 224,157
Capital assets being depreciated:				
Buildings & improvements	2,787,804	-	-	2,787,804
Land improvements	22,949	-	-	22,949
Computers	144,822	-	-	144,822
Equipment	190,000	-	-	190,000
Furniture & fixtures	105,196	-	-	105,196
Vehicles	45,946	-	-	45,946
Subtotal	3,296,717	-	-	3,296,717
Accumulated depreciation:				
Buildings & improvements	1,128,177	57,088	-	1,185,265
Land improvements	6,036	1,530	-	7,566
Computers	144,822	-	-	144,822
Equipment	159,696	8,178	-	167,874
Furniture & fixtures	86,791	3,498	-	90,289
Vehicles	41,396	1,300	-	42,696
Subtotal	1,566,918	71,594	-	1,638,512
Net capital assets being depreciated	1,729,799	(71,594)	-	1,658,205
Net capital assets	\$ 1,953,956	\$ (71,594)	\$ -	\$ 1,882,362

Depreciation expense for the fiscal year was \$71,594. The Academy determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Pansophia Academy
Notes to Financial Statements

Note 6 – Long-Term Debt

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Certificates of participation	\$ 1,560,000	\$ -	\$ 155,000	\$ 1,405,000	\$ 230,000
Total governmental activities	<u>\$ 1,560,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 1,405,000</u>	<u>\$ 230,000</u>

Annual debt service requirements on the above certificates of participation are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 230,000	\$ 98,567	\$ 328,567
2022	115,000	82,250	197,250
2023	125,000	74,200	199,200
2024	130,000	65,450	195,450
2025	140,000	56,350	196,350
2026-2029	<u>665,000</u>	<u>120,400</u>	<u>785,400</u>
Total	<u>\$ 1,405,000</u>	<u>\$ 497,217</u>	<u>\$ 1,902,217</u>

Certificates of participation consist of:

Certificates of participation due in installments of \$55,000 to \$125,000 through June 1, 2021 plus interest at 7.75%	\$ 125,000
Certificates of participation due in installments of \$100,000 to \$185,000 through June 1, 2029 plus interest at 7.00%	<u>1,280,000</u>
Total certificates of participation	<u>\$ 1,405,000</u>

Note 7 – Interfund Transfers

During the current fiscal year, the General Fund transferred \$264,303 to the Debt Fund to fund the annual debt of the Academy for the year.

Pansophia Academy
Notes to Financial Statements

Note 8 – Management Company

Effective July 1, 2019, the Academy renewed its contract with CS Partners, LLC for a term of three years to provide various management services. The services to be provided include – educational management, business/finance, human resource services, and compliance services. Fees for these services are to be 10% of total State Aid (or \$80,000, whichever is higher) received from the State of Michigan pursuant to the State School Aid Act of 1979, as amended for the 2019-20, 2020-21 and the 2021-22 years. Total fees for the year were \$283,804.

Note 9 – Purchased Services

Effective July 1, 2019, the Academy has renewed its lease for employee services for a term of three years, to include all services related to human resources. Staff working at the Academy are employed by Partner Solutions, a wholly owned subsidiary of CS Partners, LLC.

Note 10 – Oversight Fees

The Academy pays an administrative oversight fee of 3% of its State School Aid discretionary payments to Central Michigan University, as set forth by contract, to reimburse the University 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, 2020, the Academy incurred an expense of \$86,467 for oversight fees.

Note 11 – Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors, and omissions. The Academy has purchased commercial insurance for general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

COVID-19 Risk Considerations – Recent events, both in the U.S. and globally in regards to the outbreak of the coronavirus (COVID-19) and its consideration by health officials to be a pandemic have made evaluation of the future uncertain. Areas that may be affected by the change in daily lives and work include investment values, levels of sales and services, availability of cash, supply chains, etc. As a result, funding to schools from the State and federal governments is subject to risk and potential change. Because of the uncertainty of the full impact, no amounts can be estimated and have not been reflected in these financial statements.

Note 12 – Operating Leases

The Academy leases two modular classroom buildings, several buses, and various copiers under several short- and long-term lease agreements. The modular systems are leased on a month to month basis; the buses are leased under two-year agreements; and the copiers are leased under a 63-month agreement. Total lease expense for the year was \$109,893. Minimum future lease payments are as follows:

2021	\$ 56,808
2022	34,124
2023	5,964
2024	5,964
2025	4,970
	<u>\$ 107,830</u>

Pansophia Academy
Notes to Financial Statements

Note 13 – Federal and State Grants

The Academy has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements would not be material.

Note 14 – Upcoming Accounting and Reporting Changes

GASB has issued Statement No. 84, *Fiduciary Activities*, to improve accounting and financial reporting over fiduciary activities. The Statement establishes criteria for identifying fiduciary activities and whether these identified fiduciary activities should be reported in a separate fiduciary fund in the basic financial statements. The Statement aims to enhance consistency and comparability for assessing government accountability and stewardship over fiduciary activities. Statement No. 84 will be effective for the Academy's fiscal year ending June 30, 2021.

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model based on the premise that leases are financings of the right to use the underlying asset. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the Academy's fiscal year ending June 30, 2022.

Required Supplementary Information

Pansophia Academy
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 14,650	\$ 410	\$ 2,129
State sources	3,434,615	3,090,667	3,111,008
Federal sources	301,093	342,129	296,642
Interdistrict and other	-	12,500	15,095
Total revenues	<u>3,750,358</u>	<u>3,445,706</u>	<u>3,424,874</u>
Expenditures:			
Instruction:			
Basic programs	1,389,956	1,368,814	1,343,126
Added needs	533,099	529,612	506,377
Support services:			
Pupil	92,980	126,624	106,541
Instructional staff	66,293	75,740	71,254
General administration	437,474	405,128	419,975
School administration	340,672	333,580	329,142
Business	16,000	13,000	13,719
Operation & maintenance	175,443	224,441	223,275
Pupil transportation	191,005	183,184	177,081
Central services	104,517	84,197	86,075
Athletic activities	10,438	6,000	4,675
Community activities	5,972	300	238
Capital outlay	-	-	222,530
Total expenditures	<u>3,363,849</u>	<u>3,350,620</u>	<u>3,504,008</u>
Revenues Over (Under) Expenditures	<u>386,509</u>	<u>95,086</u>	<u>(79,134)</u>
Other Financing Sources (Uses):			
Transfers out	(265,550)	(465,500)	(264,303)
Total other financing sources (uses)	<u>(265,550)</u>	<u>(465,500)</u>	<u>(264,303)</u>
Net Changes in Fund Balances	120,959	(370,414)	(343,437)
Fund Balances - Beginning of Year	<u>1,330,308</u>	<u>1,330,308</u>	<u>1,330,308</u>
Fund Balances - End of Year	<u>\$ 1,451,267</u>	<u>\$ 959,894</u>	<u>\$ 986,871</u>

Other Supplementary Information

Pansophia Academy
Schedule of Certificates of Participation
June 30, 2020

	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Fiscal Year Principal Requirements</u>	<u>Certificates Outstanding June 30, 2020</u>
Series 1999	\$ 2,405,000	7.000%	06/01/21	\$ 89,600	\$ 105,000	\$ 105,000
		7.000%	06/01/22	82,250	115,000	115,000
		7.000%	06/01/23	74,200	125,000	125,000
		7.000%	06/01/24	65,450	130,000	130,000
		7.000%	06/01/25	56,350	140,000	140,000
		7.000%	06/01/26	46,550	150,000	150,000
		7.000%	06/01/27	36,050	160,000	160,000
		7.000%	06/01/28	24,850	170,000	170,000
		7.000%	06/01/29	12,950	185,000	185,000
						<u>\$ 1,280,000</u>
Series 2001	\$ 685,000	7.750%	06/01/21	\$ 8,967	\$ 125,000	\$ 125,000
						<u>\$ 125,000</u>



WILLIS & JURASEK

CPAS AND CONSULTANTS

**Independent Auditors' 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**

Board of Directors
Pansophia Academy
Coldwater, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pansophia Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pansophia Academy's basic financial statements and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pansophia Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 over financial reporting 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 may exist that have not been identified.

Board of Directors
Pansophia Academy
Coldwater, Michigan

Compliance and Other Matters

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

Purpose of this Report

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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 30, 2020