

**Pansophia Academy**

Financial Report  
With Supplemental Information

Year Ended June 30, 2022

**Independent Auditors' Report** ..... i – iii

**Management's Discussion and Analysis** ..... iv-xi

**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

    Notes to Financial Statements ..... 7-15

**Required Supplementary Information**

    Budgetary Comparison Schedule - General Fund ..... 16

**Other Supplementary Information**

    Balance Sheet – Nonmajor Governmental Funds ..... 17

    Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor  
    Governmental Funds ..... 18

    Schedule of Long-Term Debt ..... 19

**Federal Awards Supplementary Information** ..... Issued Under Separate Cover



**WILLIS & JURASEK**

CPAS AND CONSULTANTS

## **Independent Auditors' Report**

Board of Directors  
Pansophia Academy  
Coldwater, Michigan

### **Opinions**

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

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

### **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*, issues by the Comptroller General of the United State of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pansophia Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As discussed in Note 13 to the financial statements, in the fiscal year ended June 30, 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 Pansophia Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' 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 auditors' 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 Pansophia Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pansophia Academy's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

## **Supplementary 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 other supplementary information, listed in the Table of Contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information 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 other supplementary information 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 (under separate cover) dated October 18, 2022, 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.

October 18, 2022

**Pansophia Academy**  
Management's Discussion and Analysis

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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, 2022.

**FINANCIAL HIGHLIGHTS OF THE ACADEMY**

	<b>Current Fiscal Year</b>	<b>Prior Fiscal Year</b>
State Aid Funding Per Pupil	\$8,700	\$8,111
Enrollment	402	361
General Fund Balance Increase/(Decrease)	(\$128,746)	197,367
General Fund Balance as percent of Unrestricted State Aid Revenue	30%	39%

**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.

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 and Analysis

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### 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**

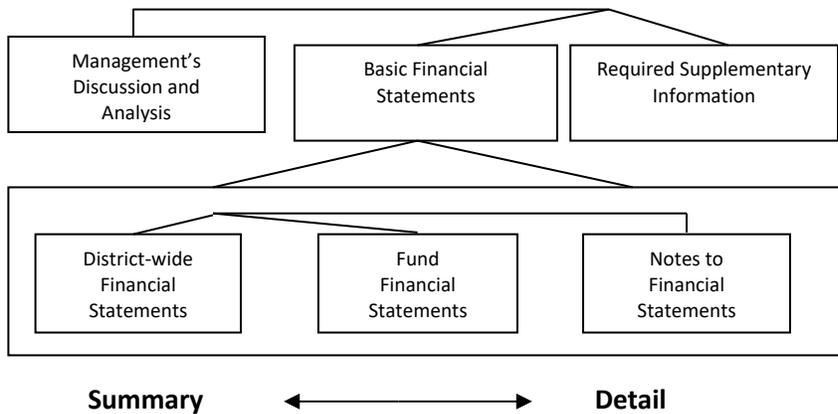


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

**Pansophia Academy**  
Management's Discussion and Analysis

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

	<b>Academy-wide statements</b>	<b>Fund Financial Statements</b>
<b>Scope</b>	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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

**FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE**

	<b>Current Fiscal Year</b>	<b>Prior Fiscal Year</b>
Ending General Fund Balance	\$1,055,492	\$1,184,238
Total General Fund Revenue	\$4,545,244	\$4,120,129
State Aid Foundation Allowance as percent of Academy Revenues	78%	74%
Total Cost of Instructional Programs	\$2,401,640	\$2,007,252
Instructional Expenditures as percent of Total Expenditures	52%	51%
Total Cost of Support/Operational Services	\$2,222,991	\$1,605,338
Support/Operational Services as percent of Total Expenditures	46%	41%
Total Expenditures transferred to Debt Service	\$148,246	\$264,303
Transfer to Debt Service as percent of Total Expenditures	3%	8%

**Pansophia Academy**  
Management's Discussion and Analysis

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**ACADEMY GOVERNMENTAL ACTIVITIES**

**Summary of Net Position:**

The following summarizes the net position at fiscal year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021*</u>
Assets:		
Current Assets	\$ 1,259,672	\$ 1,334,646
Capital Assets	3,816,170	3,536,184
Less: Accumulated Depreciation	(1,794,960)	(1,707,845)
Capital Assets, Net Book Value	<u>2,021,210</u>	<u>1,828,339</u>
Total Assets and Deferred Outflows	<u>\$ 3,280,882</u>	<u>\$ 3,162,985</u>
Liabilities:		
Current Liabilities	\$ 175,531	\$ 83,184
Long-term Liabilities	<u>885,541</u>	<u>920,417</u>
Total Liabilities and Deferred Inflows	<u>\$ 1,061,072</u>	<u>\$ 1,003,601</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt (Deficit)	\$ 1,135,669	\$ 907,922
Restricted for Food Service	18,522	51,591
Restricted for Debt Service	-	31
Restricted for Student Activities	10,127	15,602
Unrestricted	<u>1,055,492</u>	<u>1,184,238</u>
Total Net Position	<u>\$ 2,219,810</u>	<u>\$ 2,159,384</u>

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

**Pansophia Academy**  
Management's Discussion and Analysis

**Results of Operations:**

For the fiscal year ended June 30, 2022 and 2021, the Academy wide results of operations were:

	<b>2022</b>		<b>2021*</b>	
	Amount	% of Total	Amount	% of Total
<b>General Revenue:</b>				
State of Michigan Aid - All Sources	\$ 3,552,922	74.32%	\$ 3,081,015	69.03%
Other	16,495	0.35%	25,917	0.58%
Total General Revenue	<u>3,569,417</u>	<u>74.67%</u>	<u>3,106,932</u>	<u>69.61%</u>
<b>Program Revenue:</b>				
Charges for Services	34,074	0.71%	25,402	0.57%
Operating Grants - Federal and State	1,177,023	24.62%	1,331,047	29.82%
Total Program Revenue	<u>1,211,097</u>	<u>25.33%</u>	<u>1,356,449</u>	<u>30.39%</u>
Total Revenue	<u>4,780,514</u>	<u>100.00%</u>	<u>4,463,381</u>	<u>100.00%</u>
<b>Expenses:</b>				
Instruction and Instructional Services	2,397,742	50.80%	1,991,887	47.78%
Support Services	1,887,937	40.00%	1,515,364	36.35%
Food Service	227,779	4.83%	331,656	7.95%
Student Activities	39,549	0.84%	23,015	0.55%
Community Services	58	0.00%	162	0.00%
Other	-	0.00%	18,500	0.44%
Principal & Interest on Long-term Debt	31,432	0.67%	129,443	3.10%
Capital Outlay	18,411	0.39%	89,867	2.16%
Unallocated Depreciation	116,689	2.47%	69,333	1.66%
Total Expenses	<u>4,719,597</u>	<u>100.00%</u>	<u>4,169,227</u>	<u>100.00%</u>
Change in Net Position	<u>\$ 60,917</u>		<u>\$ 294,154</u>	

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

During the fiscal year ended June 30, 2022, the Academy's net position increased by \$60,917 as compared to a net increase of \$294,154 in the prior fiscal year. The most significant difference between prior year and current year is the timing of the grant draws. Additional factors affecting the change in net position during the year are discussed below:

## **Pansophia Academy** Management's Discussion and Analysis

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### **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 \$8,700.
- Student Enrollment: The Academy's student enrollment for the fall count of 2021-22 was 397 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 2.06 FTE or \$17,922.
- The Academy continues to receive federal monies in the way of ESSER Act funding. These funds are to be used to deliver a continued high-quality academic program and response to COVID-19. Additional federal funding is available during the 2022-23 and 2023-24 fiscal years.

Subsequent to year end June 30, 2022, preliminary student enrollments for 2022-23 indicate that the 2022 fall student enrollment should remain close to 2021-22 levels.

**Pansophia Academy**  
Management's Discussion and Analysis

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**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 changes 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 \$128,746 for the fiscal year ended June 30, 2022.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

The Academy's net investment in capital assets increased by \$163,297 during the fiscal year. This can be summarized as follows:

	Beginning Balance 6/30/21	Additions	Disposals	Ending Balance 6/30/22
Depreciable Capital Assets	\$ 3,371,176	\$ 279,986	\$ 59,149	\$ 3,592,013
Non-Depreciable Capital Assets (Land)	224,157	-	-	224,157
Less: Accumulated Depreciation	<u>1,737,420</u>	<u>116,689</u>	<u>59,149</u>	<u>1,794,960</u>
Net Investment in Capital Assets	<u>\$ 1,857,913</u>	<u>\$ 163,297</u>	<u>\$ -</u>	<u>\$ 2,021,210</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, 2022, the net increase in accumulated depreciation was \$116,689.

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 and Analysis

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**Debt, Principal Payments**

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

	Balance 6/30/2021	New Financings	Principal Payments	Balance 6/30/2022
Notes Payable	\$ 920,417	\$ -	\$ 117,500	\$ 802,917
Lease Payable	30,065	98,887	46,328	82,624
Total Long-term Obligations	<u>\$ 950,482</u>	<u>\$ 98,887</u>	<u>\$ 163,828</u>	<u>\$ 885,541</u>

**ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE**

The Preliminary Budget for the 2022-23 Fiscal Year was adopted by the Board of Directors in June 2022. 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 2022-23 budget preparation process include:

- State foundation allowance was estimated to be \$9,100. The state has now adopted a per pupil allowance of \$9,150 for 2022-23.
- Student enrollment of 390

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, 2022

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 355,529
Receivables:	
Due from other governmental units	739,500
Prepaid expenditures	164,643
Capital assets less accumulated depreciation/amortization of \$1,794,960	2,021,210
Total assets	3,280,882
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	138,678
Short-term borrowings	36,853
Long-term liabilities:	
Due within one year:	
Notes payable	149,551
Due in more than one year:	
Notes payable	735,990
Total liabilities	1,061,072
 <b>Net Position:</b>	
Net investment in capital assets	1,135,669
Restricted for:	
Food service	18,522
Student activities	10,127
Unrestricted	1,055,492
Total net position	\$ 2,219,810

**Pansophia Academy**  
Statement of Net Position  
June 30, 2022

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Governmental</u>
	<u>Expenses</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>
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 2,397,742	\$ -	\$ 975,827	\$ (1,421,915)
Support services	1,887,937	-	-	(1,887,937)
Food service activities	227,779	-	201,196	(26,583)
Student activities	39,549	34,074	-	(5,475)
Community services	58	-	-	(58)
Interest on long-term debt	31,432	-	-	(31,432)
Capital outlay	18,411	-	-	(18,411)
Depreciation/amortization (unallocated)	116,689	-	-	(116,689)
Total governmental activities	<u>\$ 4,719,597</u>	<u>\$ 34,074</u>	<u>\$ 1,177,023</u>	<u>(3,508,500)</u>
<b>General Revenues:</b>				
				3,552,922
State aid not restricted to specific purposes				14
Unrestricted investment earnings				16,481
Other				<u>3,569,417</u>
Total general revenues				<u>3,569,417</u>
<b>Change in Net Position</b>				60,917
<b>Net Position - Beginning of Year</b>				<u>2,158,893</u>
<b>Net Position - End of Year</b>				<u>\$ 2,219,810</u>

**Pansophia Academy**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2022

<u>Assets</u>	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 324,469	\$ 31,060	\$ 355,529
Due from other funds	20,933	18,522	39,455
Receivable from other governments	739,500	-	739,500
Prepaid expenditures	164,643	-	164,643
Total assets	<u>\$ 1,249,545</u>	<u>\$ 49,582</u>	<u>\$ 1,299,127</u>
 <b><u>Liabilities and Fund Balances</u></b>  			
<b>Liabilities:</b>			
Accounts payable	\$ 118,919	\$ -	\$ 118,919
Accrued expenditures	19,759	-	19,759
Due to other funds	18,522	20,933	39,455
Short-term notes payable	36,853	-	36,853
Total liabilities	<u>194,053</u>	<u>20,933</u>	<u>214,986</u>
 <b>Fund Balances:</b>			
Nonspendable:			
Prepaid expenditures	164,643	-	164,643
Restricted:			
Food service	-	18,522	18,522
Student activities	-	10,127	10,127
Committed	225,000	-	225,000
Unassigned	665,849	-	665,849
Total fund balances	<u>1,055,492</u>	<u>28,649</u>	<u>1,084,141</u>
Total liabilities and fund balances	<u>\$ 1,249,545</u>	<u>\$ 49,582</u>	<u>\$ 1,299,127</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, 2022

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**Total Fund Balances - Governmental Funds** \$ 1,084,141

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	\$ 3,816,170	
Accumulated depreciation/amortization is	<u>(1,794,960)</u>	2,021,210

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

Notes payable	(802,917)	
Leases payable	<u>(82,624)</u>	(885,541)

**Total Net Position - Governmental Activities** \$ 2,219,810

**Pansophia Academy**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Local sources	\$ 10,829	\$ 34,074	\$ 44,903
State sources	3,905,429	17,176	3,922,605
Federal sources	623,320	301,171	924,491
Other	5,666	-	5,666
Total revenues	<u>4,545,244</u>	<u>352,421</u>	<u>4,897,665</u>
<b>Expenditures:</b>			
Instruction	2,401,640	-	2,401,640
Support services	2,138,306	-	2,138,306
Athletic activities	19,233	-	19,233
Community services	58	-	58
Food service activities	-	351,416	351,416
Student activities	-	39,549	39,549
Debt service:			
Principal	46,328	117,500	163,828
Interest and other charges	655	30,777	31,432
Capital outlay	18,411	-	18,411
Total expenditures	<u>4,624,631</u>	<u>539,242</u>	<u>5,163,873</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(79,387)</u>	<u>(186,821)</u>	<u>(266,208)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from leases	98,887	-	98,887
Transfers in	-	148,246	148,246
Transfers out	(148,246)	-	(148,246)
Total other financing sources (uses)	<u>(49,359)</u>	<u>148,246</u>	<u>98,887</u>
<b>Net Changes in Fund Balances</b>	(128,746)	(38,575)	(167,321)
<b>Fund Balances - Beginning of Year</b>	<u>1,184,238</u>	<u>67,224</u>	<u>1,251,462</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,055,492</u>	<u>\$ 28,649</u>	<u>\$ 1,084,141</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, 2022

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**Net Change in Fund Balances - Total Governmental Funds** \$ (167,321)

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.

Depreciation/amortization expense	\$ (116,689)	
Capital outlay	<u>279,986</u>	163,297

Bond and notes payable 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.

Proceeds:		
Leases payable		(98,887)

Repayments:		
Notes payable	117,500	
Leases payable	<u>46,328</u>	<u>163,828</u>

**Change in Net Position of Governmental Activities** \$ 60,917

**Pansophia Academy**  
Notes to Financial Statements

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**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.

**Pansophia Academy**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**Government-Wide and Fund Financial Statements (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the academy-wide 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 fund:

**General Fund** – The General Fund is the Academy’s primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

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

**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 Funds maintained by the Academy are the Food Service Fund and the Student Activities Fund.

**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, 2022, the foundation allowance was based on pupil membership counts.

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.

**Pansophia Academy**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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.

**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. 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.

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
Right to use – leased buses	2 – 3 years

**Pansophia Academy**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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.

**Leases** – The Academy recognizes lease liabilities and a intangible right-to-use assets in the government-wide financial statements with an initial individual value of \$10,000 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 the 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 the 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 asset 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 liabilities and remeasures lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Lease assets are reported with other capital assets, and lease liabilities are reported with long-term obligations on the Statement of Net Position.

**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.

**Pansophia Academy**  
Notes to Financial Statements

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**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.
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:

	<b>Governmental Activities</b>
Cash	<u>\$ 355,529</u>

The breakdown for deposits for the Academy is as follows:

Deposits (checking, savings and U.S. Treasury accounts)	<u>\$ 355,529</u>
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**Pansophia Academy**  
Notes to Financial Statements

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**Note 3 – Cash and Investments (Continued)**

**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 \$372,482 had \$0 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.

**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, 2022 consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 739,500
Total receivables	\$ 739,500

**Pansophia Academy**  
Notes to Financial Statements

**Note 5 – Capital Assets**

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

	<b>Beginning Balance, as restated</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Year-End Balance</b>
Assets not being depreciated - land	\$ 224,157	\$ -	\$ -	\$ 224,157
Capital assets being depreciated/amortized:				
Buildings & improvements	2,787,804	174,612	-	2,962,416
Land improvements	38,259	-	-	38,259
Computers	144,822	-	-	144,822
Equipment	190,000	-	-	190,000
Furniture & fixtures	105,196	6,487	-	111,683
Vehicles	45,946	-	-	45,946
Right to use - leased buses	59,149	98,887	59,149	98,887
Subtotal	<u>3,371,176</u>	<u>279,986</u>	<u>59,149</u>	<u>3,592,013</u>
Accumulated depreciation/amortization:				
Buildings & improvements	1,242,354	64,316	-	1,306,670
Land improvements	9,182	3,370	-	12,552
Computers	144,822	-	-	144,822
Equipment	174,264	4,414	-	178,678
Furniture & fixtures	93,227	1,493	-	94,720
Vehicles	43,996	1,300	-	45,296
Right to use - leased buses	29,575	41,796	59,149	12,222
Subtotal	<u>1,737,420</u>	<u>116,689</u>	<u>59,149</u>	<u>1,794,960</u>
Net capital assets being depreciated/amortized	<u>1,633,756</u>	<u>163,297</u>	<u>-</u>	<u>1,797,053</u>
Net capital assets	<u>\$ 1,857,913</u>	<u>\$ 163,297</u>	<u>\$ -</u>	<u>\$ 2,021,210</u>

Depreciation/amortization expense for the fiscal year was \$116,689. The Academy determined that it was impractical to allocate depreciation/amortization to various governmental activities as the assets serve multiple functions.

**Note 6 – Long-Term Debt**

Long-term obligation activity can be summarized as follows:

	<b>Beginning Balance, as restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Governmental activities:					
Notes payable	\$ 920,417	\$ -	\$ 117,500	\$ 802,917	\$ 107,708
Leases payable	30,065	98,887	46,328	82,624	41,843
Total governmental activities	<u>\$ 950,482</u>	<u>\$ 98,887</u>	<u>\$ 163,828</u>	<u>\$ 885,541</u>	<u>\$ 149,551</u>

**Pansophia Academy**  
Notes to Financial Statements

**Note 6 – Long-Term Debt (Continued)**

Annual debt service requirements on the above notes and leases payable are as follows:

Year Ending June 30	Notes Payable		Leases Payable		Total
	Principal	Interest	Principal	Interest	
2023	\$ 107,708	\$ 26,932	\$ 41,843	\$ 2,673	\$ 179,156
2024	117,500	22,822	40,781	990	182,093
2025	117,500	18,593	-	-	136,093
2026	460,209	13,326	-	-	473,535
Totals	<u>\$ 802,917</u>	<u>\$ 81,673</u>	<u>\$ 82,624</u>	<u>\$ 3,663</u>	<u>\$ 970,877</u>

Notes payable consist of:

Note Payable to Bank due in monthly installments of \$9,792 plus interest at 3.50%; matures April, 2026	<u>\$ 802,917</u>
Total notes payable	<u><u>\$ 802,917</u></u>

Leases payable consist of:

Lease Payable to Bank due in monthly installments of \$2,560 including interest at 4.00%; matures April, 2024	\$ 56,778
Lease Payable to Bank due in annual installments of \$13,703 including interest at 4.00%; matures September, 2023	<u>25,846</u>
Total notes payable	<u><u>\$ 82,624</u></u>

**Note 7 – Interfund Transfers**

During the current fiscal year, the General Fund transferred \$148,246 to the Debt Fund to fund the annual debt of the Academy for the year.

**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 \$357,734. The agreement was subsequently renewed for another five years effective July 1, 2022.

**Pansophia Academy**  
Notes to Financial Statements

**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. Effective July 1, 2022, the agreement was renewed for another five years. 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, 2022, the Academy incurred an expense of \$106,503 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.

**Note 12 – 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 13 – Change in Accounting Principle**

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 a government's 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 established a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under the 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 a government's leasing activities.

The restatement of the beginning of the year had the following impact on capital assets, long-term obligations, and net position:

	<b>Capital Assets</b>	<b>Long-term Obligations</b>	<b>Net Position</b>
Balances as of July 1, 2021, as previously stated	\$ 1,828,339	\$ 920,417	\$ 2,159,384
Adoption of GASB Statement No. 87	<u>29,574</u>	<u>30,065</u>	<u>(491)</u>
Balances as of July 1, 2021, as restated	<u>\$ 1,857,913</u>	<u>\$ 950,482</u>	<u>\$ 2,158,893</u>

## **Required Supplementary Information**

**Pansophia Academy**  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2022

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Local sources	\$ 2,910	\$ 5,015	\$ 10,829
State sources	3,338,226	3,888,440	3,905,429
Federal sources	901,324	1,007,136	623,320
Interdistrict and other	11,000	11,000	5,666
Total revenues	<u>4,253,460</u>	<u>4,911,591</u>	<u>4,545,244</u>
<b>Expenditures:</b>			
Instruction:			
Basic programs	1,803,431	1,793,325	1,885,206
Added needs	502,681	559,081	516,434
Support services:			
Pupil	156,672	210,322	187,201
Instructional staff	161,483	129,196	120,468
General administration	456,704	531,963	533,992
School administration	368,546	458,962	465,592
Business	12,000	4,643	4,558
Operation & maintenance	408,805	422,731	413,646
Pupil transportation	213,854	230,303	284,758
Central services	136,000	133,000	128,091
Athletic activities	13,000	19,000	19,233
Community activities	200	200	58
Debt service			
Principal	-	-	46,328
Interest and other charges	-	-	655
Capital outlay	-	-	18,411
Total expenditures	<u>4,233,376</u>	<u>4,492,726</u>	<u>4,624,631</u>
<b>Revenues Over (Under) Expenditures</b>	<u>20,084</u>	<u>418,865</u>	<u>(79,387)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from leases	-	-	98,887
Transfers out	(272,288)	(202,547)	(148,246)
Total other financing sources (uses)	<u>(272,288)</u>	<u>(202,547)</u>	<u>(49,359)</u>
<b>Net Changes in Fund Balances</b>	(252,204)	216,318	(128,746)
<b>Fund Balances - Beginning of Year</b>	<u>1,184,238</u>	<u>1,184,238</u>	<u>1,184,238</u>
<b>Fund Balances - End of Year</b>	<u>\$ 932,034</u>	<u>\$ 1,400,556</u>	<u>\$ 1,055,492</u>

## **Other Supplementary Information**

**Pansophia Academy**  
Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

	<b>Special Revenue</b>		<b>Debt Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<u><b>Assets</b></u>	<b>Food Service Fund</b>	<b>Student Activities Fund</b>	<b>Debt Service Fund</b>	<b>Funds</b>
Cash and investments	\$ -	\$ 31,060	\$ -	\$ 31,060
Due from other funds	18,522	-	-	18,522
Total assets	\$ 18,522	\$ 31,060	\$ -	\$ 49,582
<b><u>Fund Balances</u></b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 20,933	\$ -	\$ 20,933
Total liabilities	-	20,933	-	20,933
<b>Fund Balances:</b>				
Restricted for student activities	-	10,127		10,127
Restricted for food service	18,522	-	-	18,522
Total fund balances	18,522	10,127	-	28,649
Total liabilities and fund balances	\$ 18,522	\$ 31,060	\$ -	\$ 49,582

**Pansophia Academy**  
Statement of Revenues, Expenditures and Change in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2022

	<u>Special Revenue</u>		<u>Debt Fund</u>	<b>Total Nonmajor Governmental Funds</b>
	<u>Food Service Fund</u>	<u>Student Activities Fund</u>	<u>Debt Service Fund</u>	
<b>Revenues:</b>				
Local sources	\$ -	\$ 34,074	\$ -	\$ 34,074
State sources	17,176	-	-	17,176
Federal sources	301,171	-	-	301,171
Total revenues	<u>318,347</u>	<u>34,074</u>	<u>-</u>	<u>352,421</u>
<b>Expenditures:</b>				
Food service activities	351,416	-	-	351,416
Student activities	-	39,549	-	39,549
Debt service:				
Principal	-	-	117,500	117,500
Interest and other charges	-	-	30,777	30,777
Capital outlay	-	-	-	-
Total expenditures	<u>351,416</u>	<u>39,549</u>	<u>148,277</u>	<u>539,242</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(33,069)</u>	<u>(5,475)</u>	<u>(148,277)</u>	<u>(186,821)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	148,246	148,246
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>148,246</u>	<u>148,246</u>
<b>Net Changes in Fund Balances</b>	(33,069)	(5,475)	(31)	(38,575)
<b>Fund Balances - Beginning of Year</b>	51,591	15,602	31	67,224
<b>Fund Balances - End of Year</b>	<u>\$ 18,522</u>	<u>\$ 10,127</u>	<u>\$ -</u>	<u>\$ 28,649</u>

**Pansophia Academy**  
Schedule of Long-Term Debt  
June 30, 2022

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	<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>Loans Outstanding June 30, 2022</u>
<b>Huntington Bank</b>	\$ 940,000	3.500%	06/30/23	\$ 26,932	\$ 107,708	\$ 107,708
		3.500%	06/30/24	22,822	117,500	117,500
		3.500%	06/30/25	18,593	117,500	117,500
		3.500%	04/30/26	13,326	460,209	460,209
						<u>\$ 802,917</u>

**Pansophia Academy**

Single Audit Report

Year Ended June 30, 2022

## Contents

	<u>Page</u>
<b>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 <i>Government Auditing Standards</i> .....</b>	<b>1 - 2</b>
<b>Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....</b>	<b>3 - 5</b>
Schedule of Expenditures of Federal Awards .....	6 - 7
Schedule of Reconciliation of Revenues with Schedule of Expenditures of Federal Awards.....	8
Notes to Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs .....	10
Comments on Resolution of Findings from June 30, 2021 .....	11



**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 Education  
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, 2022, and the related notes to the financial statements, which collectively comprise Pansophia Academy's basic financial statements, and have issued our report thereon dated October 18, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

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

Board of Education  
Pansophia Academy  
Coldwater, Michigan

### **Report on 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 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.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

October 18, 2022



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Pansophia Academy  
Coldwater, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Pansophia Academy's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pansophia Academy's major federal programs for the year ended June 30, 2022. Pansophia Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pansophia Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under these standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pansophia Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pansophia Academy's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pansophia Academy's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pansophia Academy's compliance based on our audit.

Board of Education  
Pansophia Academy  
Coldwater, Michigan

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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pansophia Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pansophia Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pansophia Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pansophia Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Board of Education  
Pansophia Academy  
Coldwater, Michigan

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited 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, 2022 and the related notes to the financial statements, which collectively comprise Pansophia Academy's basic financial statements. We issued our report thereon dated October 18, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

October 18, 2022

**Pansophia Academy**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal ALN</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Unearned) Revenue 7/1/2021</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Prior Year Adjustments</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2022</u>
<b><u>U.S. Department of Agriculture</u></b>									
Child Nutrition Cluster:									
Passed through MI Department of Education:									
Non-cash Assistance (Commodities):									
National School Lunch Program - Regular	10.555		\$ 6,755	\$ -	\$ -	\$ -	\$ 6,755	\$ 6,755	\$ -
Cash Assistance:									
COVID-19 National School Lunch Program	10.555	211961	23,893	-	-	-	23,893	23,893	-
COVID-19 National School Lunch Program	10.555	221961	166,003	-	-	-	166,003	166,003	-
			<u>189,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,896</u>	<u>189,896</u>	<u>-</u>
COVID-19 School Breakfast Program	10.553	211971	10,104	-	-	-	10,104	10,104	-
COVID-19 School Breakfast Program	10.553	221971	68,848	-	-	-	68,848	68,848	-
			<u>78,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,952</u>	<u>78,952</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	220950-202201	12,027	-	-	-	2,914	3,248	334
			<u>12,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,914</u>	<u>3,248</u>	<u>334</u>
COVID-19 Summer Food Service Program	10.559	200900	28,027	-	28,027	(323)	(323)	-	-
COVID-19 Summer Food Service Program	10.559	210904	22,029	-	-	-	22,029	22,029	-
			<u>50,056</u>	<u>-</u>	<u>28,027</u>	<u>(323)</u>	<u>21,706</u>	<u>22,029</u>	<u>-</u>
Total Cash Assistance			<u>330,931</u>	<u>-</u>	<u>28,027</u>	<u>(323)</u>	<u>293,468</u>	<u>294,125</u>	<u>334</u>
Total Child Nutrition Cluster			<u>337,686</u>	<u>-</u>	<u>28,027</u>	<u>(323)</u>	<u>300,223</u>	<u>300,880</u>	<u>334</u>
COVID-19 Pandemic EBT Local Level Costs	10.649	210980	614	-	-	-	614	614	-
			<u>614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>614</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>338,300</u>	<u>-</u>	<u>28,027</u>	<u>(323)</u>	<u>300,837</u>	<u>301,494</u>	<u>334</u>
<b><u>U.S. Department of Education:</u></b>									
Passed through MI Department of Education:									
Title I Grants to Local Educational Agencies	84.010	211530-2021	255,774	73,975	236,642	-	73,975	-	-
Title I Grants to Local Educational Agencies		221530-2122	244,242	-	-	-	242,181	244,242	2,061
			<u>500,016</u>	<u>73,975</u>	<u>236,642</u>	<u>-</u>	<u>316,156</u>	<u>244,242</u>	<u>2,061</u>
English Language Acquisition Grants	84.365	210570	99	-	-	-	99	-	(99)
			<u>99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>(99)</u>
Rural Education	84.358	210660-2021	10,341	-	9,538	-	-	-	-
Rural Education		220660-2122	-	-	-	-	-	8,418	8,418
			<u>10,341</u>	<u>-</u>	<u>9,538</u>	<u>-</u>	<u>-</u>	<u>8,418</u>	<u>8,418</u>

**Pansophia Academy**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal ALN</u>	<u>Pass-through Grantor's Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Unearned) Revenue 7/1/2021</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Prior Year Adjustments</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2022</u>
<b><u>U.S. Department of Education (Continued):</u></b>									
Improving Teacher Quality State Grants	84.367	210520-2021	28,412	4,643	15,718	-	4,643	-	-
Improving Teacher Quality State Grants	84.367	220520-2122	34,618	-	-	-	14,462	27,560	13,098
			<u>63,030</u>	<u>4,643</u>	<u>15,718</u>	<u>-</u>	<u>19,105</u>	<u>27,560</u>	<u>13,098</u>
Student Support and Academic Enrichment Program	84.424A	210750-2021	36,711	4,921	8,209	-	4,921	-	-
Student Support and Academic Enrichment Program	84.424A	220750-2122	35,324	-	-	-	17,251	17,251	-
			<u>72,035</u>	<u>4,921</u>	<u>8,209</u>	<u>-</u>	<u>22,172</u>	<u>17,251</u>	<u>-</u>
Education Stabilization Fund:									
COVID-19 Governor's Emergency Education									
Relief Fund (GEER II - Teacher and Support Payments)	84.425C	211202-2122	11,000	-	-	-	11,000	11,000	-
COVID-19 Elementary and Secondary Education									
Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2022	560,966	-	-	-	244,582	560,966	316,384
COVID-19 Elementary and Secondary Education									
Emergency Relief Fund (ESSER II Summer Program K-8)	84.425D	213722-2122	85,800	-	-	-	50,475	50,475	-
COVID-19 Elementary and Secondary Education									
Emergency Relief Fund (ESSER II Before and After School)	84.425D	213752-2122	2,500	-	-	-	1,642	1,642	-
COVID-19 Elementary and Secondary Education									
Emergency Relief Fund (ESSER II Credit Recovery)	84.425D	213742-2122	18,150	-	-	-	18,150	18,150	-
			<u>678,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,849</u>	<u>642,233</u>	<u>316,384</u>
Total passed through MI Department of Education			<u>1,323,937</u>	<u>83,539</u>	<u>270,107</u>	<u>-</u>	<u>683,381</u>	<u>939,704</u>	<u>339,862</u>
Total U.S. Department of Education			<u>1,323,937</u>	<u>83,539</u>	<u>270,107</u>	<u>-</u>	<u>683,381</u>	<u>939,704</u>	<u>339,862</u>
			<u>\$ 1,662,237</u>	<u>\$ 83,539</u>	<u>\$ 298,134</u>	<u>\$ (323)</u>	<u>\$ 984,218</u>	<u>\$ 1,241,198</u>	<u>\$ 340,196</u>

**Pansophia Academy**  
Schedule of Reconciliation of Revenues with  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ 924,491
Revenue not requested within the 60 day availability period and not recorded as revenue in the financial statements	316,384
Adjustment to prior year	<u>323</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,241,198</u>

**Pansophia Academy**  
Notes to Schedule of Expenditures of Federal Awards

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Pansophia Academy (the "Academy") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pansophia Academy, it is not intended to and does not present the financial position or changes in net position of the Academy.

**Note 2 – Summary of Significant Explanations of Schedule**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the Academy's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenue is recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule with any differences being timing issues of when cash was received. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this Schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the Academy has not elected to use the 10 percent de minimis cost rate as permitted by Section 200.414 of the Uniform Guidance.

**Note 3 – Subrecipients**

No federal awards were passed through the Academy to any subrecipients during the year.

**Pansophia Academy**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2022

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted	_____ yes <u>  X  </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported

Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u>  X  </u> no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
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Auditee qualified as low-risk	_____ yes <u>  X  </u> no
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**Section II – Financial Statement Audit Findings**

None

**Section III – Federal Program Audit Findings**

None

**Pansophia Academy**  
Comments on Resolution of Findings from June 30, 2021

**Financial Statement Findings**

None reported.

**Federal Award Findings and Questioned Costs**

None reported.



**WILLIS & JURASEK**

CPAS AND CONSULTANTS

October 18, 2022

Board of Directors  
Pansophia Academy  
Coldwater, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pansophia Academy 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. We have communicated such information in our letter to you dated March 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pansophia Academy are described in Note 1 to the financial statements. As described in Note 1, the Academy, in accordance with Governmental Accounting Standards Board (GASB) standards, implemented GASB Statement 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. All significant transactions have been recognized in the financial statements in the proper period.

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 government-wide financial statements, were:

Management's estimate of accumulated depreciation on capitalized assets. Depreciation is based upon estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures 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 each opinion unit's 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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Board of Directors  
Pansophia Academy

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as per the audit report.

### *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 auditors' 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 Management's Discussion and Analysis and the Budgetary Comparison Schedule which are required supplementary information (RSI) that supplements 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.

We were engaged to report on the Schedule of Long-Term Debt and Nonmajor Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Recommendations

We recommend the Academy consider the following:

- For the Student Activities account, have an individual at the School with knowledge of student activities, review the account activity regularly to ensure accuracy and reconcile with the General Fund.

### Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Pansophia Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Willis & Jurasek, P.C.*

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