

Pansophia Academy

Financial Report
With Supplemental Information

Year Ended June 30, 2023

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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, 2023, 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, 2023, and the respective changes in financial position 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*, issued 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.

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, 2023, 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, 2023

Pansophia Academy
Management's Discussion and Analysis

Pansophia Academy ("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, 2023.

FINANCIAL HIGHLIGHTS OF THE ACADEMY

	Current Fiscal Year	Prior Fiscal Year
State Aid Funding Per Pupil	\$9,150	\$8,700
Enrollment	424	402
General Fund Balance Increase/(Decrease)	\$186,917	(128,746)
General Fund Balance as percent of Unrestricted State Aid Revenue	32%	30%

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

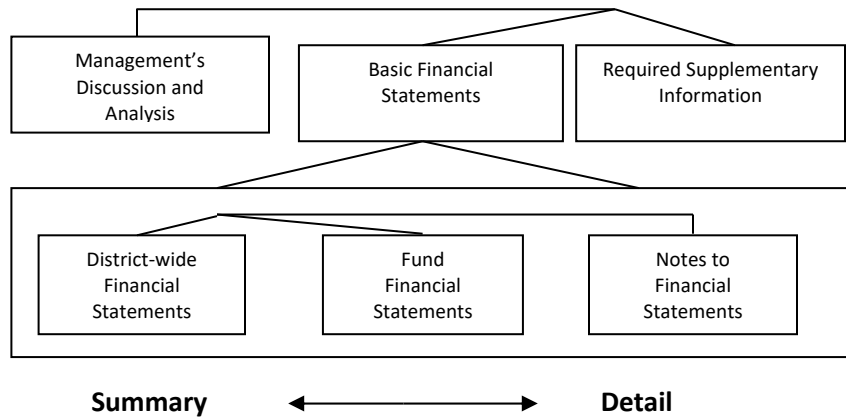
Management's Discussion and Analysis

ACADEMY-WIDE FINANCIAL STATEMENTS:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-1 Organization of Pansophia Academy Annual Financial Report



Pansophia Academy
Management's Discussion and Analysis

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

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

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

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

	Current Fiscal Year	Prior Fiscal Year
Ending General Fund Balance	\$1,242,409	\$1,055,492
Total General Fund Revenue	\$5,682,333	\$4,545,244
State Aid Foundation Allowance as percent of Academy Revenues	70%	78%
Total Cost of Instructional Programs	\$2,618,029	\$2,401,640
Instructional Expenditures as percent of Total Expenditures	52%	52%
Total Cost of Support/Operational Services	\$2,194,794	\$2,222,991
Support/Operational Services as percent of Total Expenditures	44%	46%
Total Expenditures transferred to Debt Service	\$312,250	\$148,246
Transfer to Debt Service as percent of Total Expenditures	6%	3%

Pansophia Academy
Management's Discussion and Analysis

ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 2,441,731	\$ 1,259,672
Capital assets	5,556,621	3,816,170
Less: accumulated depreciation	<u>(1,914,070)</u>	<u>(1,794,960)</u>
Capital assets, net book value	<u>3,642,551</u>	<u>2,021,210</u>
Total assets	<u>\$ 6,084,282</u>	<u>\$ 3,280,882</u>
Liabilities		
Current liabilities	\$ 730,629	\$ 175,531
Long-term liabilities	<u>2,697,919</u>	<u>885,541</u>
Total liabilities	<u>\$ 3,428,548</u>	<u>\$ 1,061,072</u>
Net Position		
Invested in capital assets	\$ 944,632	\$ 1,135,669
Restricted for food service	-	18,522
Restricted for debt service	468,693	-
Restricted for student activities	-	10,127
Unrestricted	<u>1,242,409</u>	<u>1,055,492</u>
Total net position	<u>\$ 2,655,734</u>	<u>\$ 2,219,810</u>

Pansophia Academy
Management's Discussion and Analysis

Results of Operations:

For the fiscal year ended June 30, 2023 and 2022, the Academy wide results of operations were:

	2023		2022	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - all sources	\$ 3,920,246	64.9%	\$ 3,552,922	74.3%
Other	13,443	0.2%	16,495	0.3%
Total general revenue	<u>3,933,689</u>	<u>65.1%</u>	<u>3,569,417</u>	<u>74.7%</u>
Program Revenue:				
Charges for services	54,134	0.9%	34,074	0.7%
Operating grants - Federal and State	2,055,842	34.0%	1,177,023	24.6%
Total program revenue	<u>2,109,976</u>	<u>34.9%</u>	<u>1,211,097</u>	<u>25.3%</u>
Total revenue	<u>6,043,665</u>	<u>100.0%</u>	<u>4,780,514</u>	<u>100.0%</u>
Expenses:				
Instruction and instructional services	2,618,029	46.7%	2,397,742	50.8%
Support services	2,008,460	35.8%	1,887,937	40.0%
Food service	340,752	6.1%	227,779	4.8%
Student activities	80,675	1.4%	39,549	0.8%
Community services	6,027	0.1%	58	0.0%
Principal & interest on long-term debt	187,522	3.3%	31,432	0.7%
Capital outlay	247,166	4.4%	18,411	0.4%
Unallocated Depreciation	119,110	2.1%	116,689	2.5%
Total expenses	<u>5,607,741</u>	<u>100.0%</u>	<u>4,719,597</u>	<u>100.0%</u>
Change in Net Position	<u>\$ 435,924</u>		<u>\$ 60,917</u>	

During the fiscal year ended June 30, 2023, the Academy's net position increased by \$435,924 as compared to a net increase of \$60,917 in the prior fiscal year.

Pansophia Academy

Management's Discussion and Analysis

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 \$9,100.
- Student Enrollment: The Academy's student enrollment for the fall count of 2022-23 was 424 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 – there was no adjustment in FY23.
- Additional federal funding was available during the 2022-23 fiscal year to supplement programs. This funding is expected to be available again in fiscal year 2023-24.

Subsequent to year end June 30, 2023, preliminary student enrollments for 2023-24 indicate that the 2023 fall student enrollment should remain close to 2022-23 levels.

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 change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy's expenditures from General Fund operations exceeded revenues by \$186,917 for the fiscal year ended June 30, 2023.

Pansophia Academy
Management's Discussion and Analysis

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 6/30/22	Additions	Disposals	Ending Balance 6/30/23
Depreciable Capital Assets	\$ 3,592,013	\$ 91,847		\$ 3,683,860
Non-Depreciable Capital Assets (Land)	224,157	1,648,604	-	1,872,761
Less: Accumulated Depreciation	1,794,960	119,110		1,914,070
Net Investment in Capital Assets	\$ 2,021,210	\$ 1,621,341	\$ -	\$ 3,642,551

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, 2023, the net increase in accumulated depreciation was \$119,110.

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.

Debt, Principal Payments

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

	Balance 6/30/2022	New Financings	Principal Payments	Balance 6/30/2023
Notes Payable	\$ 802,917	\$ 2,800,000	\$ 950,800	\$ 2,652,117
Lease Payable	82,624	-	36,822	45,802
Total Long-term Obligations	\$ 885,541	\$ 2,800,000	\$ 987,622	\$ 2,697,919

Pansophia Academy

Management's Discussion and Analysis

ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2023-24 Fiscal Year was adopted by the Board of Directors in June 2023. 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 2023-24 budget preparation process include:

- State Aid Foundation is estimated with a \$250 per pupil increase. The state aid increase was actually \$458 per pupil as approved in the summer of 2023.
- Conservative enrollment projections of 420 students in grades K-12.
- Continued improvement of academic achievement through changes in academic programs.

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, 2023

	Governmental Activities
Assets:	
Cash and investments	\$ 1,291,403
Receivables:	
Due from other governmental units	959,969
Prepaid expenditures	190,359
Capital assets less accumulated depreciation/amortization of \$1,914,070	3,642,551
Total assets	6,084,282
Liabilities:	
Accounts payable and accrued expenses	606,625
Short-term borrowings	46,155
Unearned revenue	77,849
Long-term liabilities:	
Due within one year:	
Notes payable	275,842
Due in more than one year:	
Notes payable	2,422,077
Total liabilities	3,428,548
Net Position:	
Net investment in capital assets	944,632
Restricted for:	
Debt service	468,693
Unrestricted	1,242,409
Total net position	\$ 2,655,734

Pansophia Academy
Statement of Activities
Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenue</u>		<u>Governmental</u>	
	<u>Expenses</u>	<u>Charges for</u>	<u>Activities</u>	
		<u>Services</u>	<u>Net (Expenses)</u>	
		<u>Operating</u>	<u>Revenues and</u>	
		<u>Grants and</u>	<u>Change in</u>	
		<u>Contributions</u>	<u>Net Position</u>	
Primary Government				
Governmental activities:				
Instruction	\$ 2,618,029	\$ -	\$ 1,749,452	\$ (868,577)
Support services	2,008,460	-	-	(2,008,460)
Food service activities	340,752	720	306,160	(33,872)
Student activities	80,675	53,644	-	(27,031)
Community services	6,027	-	-	(6,027)
Interest on long-term debt	187,522	-	-	(187,522)
Capital outlay	247,166	-	-	(247,166)
Depreciation/amortization (unallocated)	119,110	-	-	(119,110)
Total governmental activities	<u>\$ 5,607,741</u>	<u>\$ 54,364</u>	<u>\$ 2,055,612</u>	<u>(3,497,765)</u>
General Revenues:				
				3,920,246
State aid not restricted to specific purposes				1,163
Unrestricted investment earnings				12,280
Other				<u>3,933,689</u>
Total general revenues				<u>3,933,689</u>
Change in Net Position				435,924
Net Position - Beginning of Year				<u>2,219,810</u>
Net Position - End of Year				<u>\$ 2,655,734</u>

Pansophia Academy

Balance Sheet
Governmental Funds
June 30, 2023

<u>Assets</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 571,960	\$ 684,851	\$ -	\$ 34,592	\$ 1,291,403
Due from other funds	34,592	-	216,158	-	250,750
Receivable from other governments	959,969	-	-	-	959,969
Prepaid expenditures	190,359	-	-	-	190,359
Total assets	<u>\$ 1,756,880</u>	<u>\$ 684,851</u>	<u>\$ 216,158</u>	<u>\$ 34,592</u>	<u>\$ 2,692,481</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 364,303	\$ -	\$ 216,158	\$ -	\$ 580,461
Accrued expenditures	26,164	-	-	-	26,164
Due to other funds	-	216,158	-	34,592	250,750
Short-term notes payable	46,155	-	-	-	46,155
Unearned revenue	77,849	-	-	-	77,849
Total liabilities	<u>514,471</u>	<u>216,158</u>	<u>216,158</u>	<u>34,592</u>	<u>981,379</u>
Fund Balances:					
Nonspendable:		-	-		
Prepaid expenditures	190,359	-	-	-	190,359
Restricted:		-	-		
Debt service	-	468,693	-	-	468,693
Committed	225,000	-	-	-	225,000
Assigned	91,385	-	-	-	91,385
Unassigned	735,665	-	-	-	735,665
Total fund balances	<u>1,242,409</u>	<u>468,693</u>	<u>-</u>	<u>-</u>	<u>1,711,102</u>
Total liabilities and fund balances	<u>\$ 1,756,880</u>	<u>\$ 684,851</u>	<u>\$ 216,158</u>	<u>\$ 34,592</u>	<u>\$ 2,692,481</u>

See Notes to Financial Statements.

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, 2023

Total Fund Balances - Governmental Funds \$ 1,711,102

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	\$ 5,556,621	
Accumulated depreciation/amortization is	<u>(1,914,070)</u>	
		3,642,551

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

Notes payable	(2,652,117)	
Leases payable	<u>(45,802)</u>	
		<u>(2,697,919)</u>

Total Net Position - Governmental Activities \$ 2,655,734

Pansophia Academy
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local sources	\$ 6,136	\$ 808	\$ -	\$ 54,364	\$ 61,308
State sources	4,514,777	-	-	4,761	4,519,538
Federal sources	1,154,921	-	-	343,242	1,498,163
Other	6,499	-	-	-	6,499
Total revenues	<u>5,682,333</u>	<u>808</u>	<u>-</u>	<u>402,367</u>	<u>6,085,508</u>
Expenditures:					
Instruction	2,618,029	-	-	-	2,618,029
Support services	2,194,794	-	-	-	2,194,794
Athletic activities	29,096	-	-	-	29,096
Community services	6,027	-	-	-	6,027
Food service activities	-	-	-	382,595	382,595
Student activities	-	-	-	80,675	80,675
Debt service:		-			
Principal	36,823	950,800	-	-	987,623
Interest and other charges	2,481	185,040	-	-	187,521
Capital outlay	123,583	-	1,648,604	-	1,772,187
Total expenditures	<u>5,010,833</u>	<u>1,135,840</u>	<u>1,648,604</u>	<u>463,270</u>	<u>8,258,547</u>
Revenues Over (Under) Expenditures	<u>671,500</u>	<u>(1,135,032)</u>	<u>(1,648,604)</u>	<u>(60,903)</u>	<u>(2,173,039)</u>
Other Financing Sources (Uses):					
Proceeds from long-term debt, net	-	2,800,000	-	-	2,800,000
Transfers in	-	312,250	1,648,604	32,254	1,993,108
Transfers out	(484,583)	(1,508,525)	-	-	(1,993,108)
Total other financing sources (uses)	<u>(484,583)</u>	<u>1,603,725</u>	<u>1,648,604</u>	<u>32,254</u>	<u>2,800,000</u>
Net Changes in Fund Balances	186,917	468,693	-	(28,649)	626,961
Fund Balances - Beginning of Year	<u>1,055,492</u>	<u>-</u>	<u>-</u>	<u>28,649</u>	<u>1,084,141</u>
Fund Balances - End of Year	<u>\$ 1,242,409</u>	<u>\$ 468,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,711,102</u>

See Notes to Financial Statements.

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, 2023

Net Change in Fund Balances - Total Governmental Funds		\$ 626,961
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	\$ (119,110)	
Capital outlay	<u>1,740,451</u>	1,621,341
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:		
Notes payable proceeds		(2,800,000)
Repayments:		
Notes payable	950,800	
Leases payable	<u>36,822</u>	987,622
Change in Net Position of Governmental Activities		<u><u>\$ 435,924</u></u>

Pansophia Academy
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on the application of the criteria, the Academy does not contain any component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fund Financial Statements

Academy-Wide Financial Statements - The academy-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy’s government-wide activities are considered governmental activities. The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

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

The Academy reports the following major governmental funds:

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

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

Capital Project Fund – The Capital Project Fund accounts for the activities involved with disbursement of loan proceeds for Academy improvements.

Additionally, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue 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, 2023, 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

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

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 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 judgments 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

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:

	Governmental Activities
Cash and investments	\$ 1,291,403

The breakdown for deposits for the Academy is as follows:

Deposits (checking, savings and U.S. Treasury accounts)	\$ 1,291,403
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Pansophia Academy
Notes to Financial Statements

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 \$1,315,263 had \$815,263 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, 2023 consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 959,969
Total receivables	\$ 959,969

Pansophia Academy
Notes to Financial Statements

Note 5 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated/amortized:				
Land	\$ 224,157	\$ -	\$ -	\$ 224,157
Construction in progress	-	1,648,604	-	1,648,604
Total assets not being depreciated	<u>224,157</u>	<u>1,648,604</u>	<u>-</u>	<u>1,872,761</u>
Capital assets being depreciated/amortized:				
Buildings & improvements	2,962,416	47,439	-	3,009,855
Land improvements	38,259	-	-	38,259
Computers	144,822	-	-	144,822
Equipment	190,000	4,408	-	194,408
Furniture & fixtures	111,683	-	-	111,683
Vehicles	45,946	40,000	-	85,946
Right-to-use - leased buses	98,887	-	-	98,887
Subtotal	<u>3,592,013</u>	<u>91,847</u>	<u>-</u>	<u>3,683,860</u>
Accumulated depreciation/amortization:				
Buildings & improvements	1,306,670	67,062	-	1,373,732
Land improvements	12,552	3,370	-	15,922
Computers	144,822	-	-	144,822
Equipment	178,678	2,839	-	181,517
Furniture & fixtures	94,720	1,861	-	96,581
Vehicles	45,296	1,126	-	46,422
Right-to-use - leased buses	12,222	42,852	-	55,074
Subtotal	<u>1,794,960</u>	<u>119,110</u>	<u>-</u>	<u>1,914,070</u>
Net capital assets being depreciated/amortized	<u>1,797,053</u>	<u>(27,263)</u>	<u>-</u>	<u>1,769,790</u>
Net capital assets	<u>\$ 2,021,210</u>	<u>\$ 1,621,341</u>	<u>\$ -</u>	<u>\$ 3,642,551</u>

Depreciation/amortization expense for the fiscal year was \$119,110. The Academy determined that it was impractical to allocate depreciation/amortization to various governmental activities as the assets serve multiple functions.

Pansophia Academy
Notes to Financial Statements

Note 6 – Long-Term Debt

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 802,917	\$ 2,800,000	\$ 950,800	\$ 2,652,117	\$ 230,040
Leases payable	82,624	-	36,822	45,802	45,802
Total governmental activities	<u>\$ 885,541</u>	<u>\$ 2,800,000</u>	<u>\$ 987,622</u>	<u>\$ 2,697,919</u>	<u>\$ 275,842</u>

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

<u>Year Ending June 30</u>	<u>Notes Payable</u>		<u>Leases Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 214,975	\$ 168,833	\$ 45,802	\$ 1,182	\$ 430,792
2025	230,040	153,768	-	-	383,808
2026	245,666	138,142	-	-	383,808
2027	262,354	121,454	-	-	383,808
2028	279,898	103,910	-	-	383,808
2029-2033	1,419,184	212,000	-	-	1,631,184
Totals	<u>\$ 2,652,117</u>	<u>\$ 898,107</u>	<u>\$ 45,802</u>	<u>\$ 1,182</u>	<u>\$ 3,597,208</u>

Notes payable consist of:

Note Payable to Bank due in monthly installments of \$31,984 plus interest at 6.50%; matures September, 2032	<u>\$ 2,652,117</u>
Total notes payable	<u>\$ 2,652,117</u>

Leases payable consist of:

Lease Payable to Bank due in monthly installments of \$2,560 including interest at 4.00%; matures April, 2024	\$ 27,605
Lease Payable to Bank due in annual installments of \$13,703 including interest at 4.00%; matures September, 2023	<u>18,197</u>
Total leases payable	<u>\$ 45,802</u>

Pansophia Academy
Notes to Financial Statements

Note 7 – Interfund Transfers

During the current fiscal year, the General Fund transferred \$312,250 to the Debt Fund to fund the annual debt of the Academy for the year. The General Fund and Debt Service Fund transferred \$140,079 and \$1,508,525, respectively, to the Capital Project Fund to cover the cost of Academy improvements. In addition, the General Fund transferred \$15,349 and \$16,905 to the Food Service and Student Activities Funds, respectively, to support operations in each of those funds.

Note 8 – Management Company

Effective July 1, 2022, the Academy renewed its contract with CS Partners, LLC for a term of five 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. Total fees for the year were \$390,370.

Note 9 – Purchased Services

Effective July 1, 2022, the Academy has renewed its lease for employee services for a term of five years, to include all services related to human resources. Staff working at the Academy are employed by Partner Solutions, a wholly owned subsidiary of CS Partners, LLC.

Note 10 – Oversight Fees

The Academy pays an administrative oversight fee of 3% of its State School Aid discretionary payments to Central Michigan University, as set forth by contract, to reimburse the University for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2023, the Academy incurred an expense of \$123,267 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.

Required Supplementary Information

Pansophia Academy
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 2,910	\$ 7,355	\$ 6,136
State sources	4,020,668	4,564,247	4,514,777
Federal sources	1,092,725	1,423,320	1,154,921
Interdistrict and other	11,000	11,000	6,499
Total revenues	<u>5,127,303</u>	<u>6,005,922</u>	<u>5,682,333</u>
Expenditures:			
Instruction:			
Basic programs	2,182,487	2,012,333	2,016,753
Added needs	520,534	608,430	601,276
Support services:			
Pupil	231,397	256,366	255,071
Instructional staff	132,264	107,509	90,611
General administration	538,731	606,857	615,650
School administration	460,699	516,782	516,697
Business	192,000	8,500	6,434
Operation & maintenance	285,133	392,596	309,840
Pupil transportation	260,572	267,572	256,388
Central services	133,500	143,500	144,103
Athletic activities	19,000	40,550	29,096
Community activities	200	7,700	6,027
Debt service:			
Principal	-	-	36,823
Interest and other charges	-	-	2,481
Capital outlay	-	-	123,583
Total expenditures	<u>4,956,517</u>	<u>4,968,695</u>	<u>5,010,833</u>
Revenues Over (Under) Expenditures	<u>170,786</u>	<u>1,037,227</u>	<u>671,500</u>
Other Financing Sources (Uses):			
Transfers out	<u>(170,786)</u>	<u>(650,504)</u>	<u>(484,583)</u>
Total other financing sources (uses)	<u>(170,786)</u>	<u>(650,504)</u>	<u>(484,583)</u>
Net Changes in Fund Balances	-	386,723	186,917
Fund Balances - Beginning of Year	<u>1,055,492</u>	<u>1,055,492</u>	<u>1,055,492</u>
Fund Balances - End of Year	<u>\$ 1,055,492</u>	<u>\$ 1,442,215</u>	<u>\$ 1,242,409</u>

Other Supplementary Information

Pansophia Academy
 Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2023

<u>Assets</u>	Special Revenue		Total Nonmajor Governmental Funds
	Food Service Fund	Student Activities Fund	
Cash and investments	\$ -	\$ 34,592	\$ 34,592
Total assets	\$ -	\$ 34,592	\$ 34,592
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	\$ -	\$ 34,592	\$ 34,592
Total liabilities	-	34,592	34,592
Fund Balances:			
Restricted	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ 34,592	\$ 34,592

Pansophia Academy
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Student Activities Fund</u>	
Revenues:			
Local sources	\$ 720	\$ 53,644	\$ 54,364
State sources	4,761	-	4,761
Federal sources	343,242	-	343,242
Total revenues	<u>348,723</u>	<u>53,644</u>	<u>402,367</u>
Expenditures:			
Food service activities	382,595	-	382,595
Student activities	-	80,675	80,675
Total expenditures	<u>382,595</u>	<u>80,675</u>	<u>463,270</u>
Revenues Over (Under) Expenditures	<u>(33,872)</u>	<u>(27,031)</u>	<u>(60,903)</u>
Other Financing Sources (Uses):			
Transfers in	15,349	16,905	32,254
Net other financing sources (uses)	<u>15,349</u>	<u>16,905</u>	<u>32,254</u>
Net Changes in Fund Balances	(18,523)	(10,126)	(28,649)
Fund Balances - Beginning of Year	<u>18,523</u>	<u>10,126</u>	<u>28,649</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pansophia Academy
Schedule of Long-Term Debt
June 30, 2023

	<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, 2023</u>
Century Bank & Trust	\$ 2,800,000	6.500%	06/30/24	\$ 168,833	\$ 214,975	\$ 214,975
		6.500%	06/30/25	153,768	230,040	230,040
		6.500%	06/30/26	138,142	245,666	245,666
		6.500%	06/30/27	121,454	262,354	262,354
		6.500%	06/30/28	103,910	279,898	279,898
		6.500%	06/30/29	84,618	299,190	299,190
		6.500%	06/30/30	64,294	319,514	319,514
		6.500%	06/30/31	42,590	341,218	341,218
		6.500%	06/30/32	19,451	364,357	364,357
		6.500%	06/30/33	1,047	94,905	94,905
						<u>\$ 2,652,117</u>

Pansophia Academy

Single Audit Report

Year Ended June 30, 2023

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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, 2023, 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, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

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*.

Pansophia Academy's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Pansophia Academy's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Pansophia Academy's response was not subjected to the other auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the response.

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, 2023



**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, 2023. 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, 2023.

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.

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.

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, 2023 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, 2023, 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, 2023

Pansophia Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<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 7/1/2022</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 6/30/2023</u>
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster:									
Passed through MI Department of Education:									
Non-cash Assistance (Commodities):									
National School Lunch Program - Regular	10.555		\$ 13,345	\$ -	\$ -	\$ -	\$ 13,345	\$ 13,345	\$ -
National School Lunch Program - Bonus	10.555		1,894	-	-	-	1,894	1,894	-
			<u>15,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,239</u>	<u>15,239</u>	<u>-</u>
Cash Assistance:									
COVID-19 Supply Chain Assistance	10.555	220910	24,046	-	12,023	-	12,023	12,023	-
COVID-19 National School Lunch Program	10.555	221960	27,143	-	-	-	27,143	27,143	-
COVID-19 Supply Chain Assistance	10.555	230910	8,730	-	-	-	8,730	8,730	-
National School Lunch Program	10.555	231960	194,348	-	-	-	184,855	194,348	9,493
National School Lunch Program	10.555	231980	2,119	-	-	-	1,919	2,119	200
			<u>256,386</u>	<u>-</u>	<u>12,023</u>	<u>-</u>	<u>234,670</u>	<u>244,363</u>	<u>9,693</u>
COVID-19 School Breakfast Program	10.553	221970	11,334	-	-	-	11,334	11,334	-
School Breakfast Program	10.553	231970	69,209	-	-	-	66,117	69,209	3,092
			<u>80,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,451</u>	<u>80,543</u>	<u>3,092</u>
Fresh Fruit and Vegetable Program	10.582	220950	12,027	334	-	(334)	-	-	-
Fresh Fruit and Vegetable Program	10.582	230950	16,120	-	-	-	-	2,469	2,469
			<u>28,147</u>	<u>334</u>	<u>-</u>	<u>(334)</u>	<u>-</u>	<u>2,469</u>	<u>2,469</u>
Total Cash Assistance			<u>365,076</u>	<u>334</u>	<u>12,023</u>	<u>(334)</u>	<u>312,121</u>	<u>327,375</u>	<u>15,254</u>
Total Child Nutrition Cluster			<u>380,315</u>	<u>334</u>	<u>12,023</u>	<u>(334)</u>	<u>327,360</u>	<u>342,614</u>	<u>15,254</u>
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	628	-	-	-	628	628	-
			<u>628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628</u>	<u>628</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>380,943</u>	<u>334</u>	<u>12,023</u>	<u>(334)</u>	<u>327,988</u>	<u>343,242</u>	<u>15,254</u>
<u>U.S. Department of Education:</u>									
Passed through MI Department of Education:									
Title I Grants to Local Educational Agencies	84.010	221530-2122	244,242	2,061	244,242	-	2,061	-	-
Title I Grants to Local Educational Agencies	84.010	231530-2223	227,237	-	-	-	170,311	227,237	56,926
			<u>471,479</u>	<u>2,061</u>	<u>244,242</u>	<u>-</u>	<u>172,372</u>	<u>227,237</u>	<u>56,926</u>
English Language Acquisition Grants	84.365	220570-2122	99	(99)	-	(99)	-	-	-
English Language Acquisition Grants	84.365	230570-2223	118	-	-	-	118	851	733
			<u>217</u>	<u>(99)</u>	<u>-</u>	<u>(99)</u>	<u>118</u>	<u>851</u>	<u>733</u>

Pansophia Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<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 7/1/2022</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 6/30/2023</u>
<u>U.S. Department of Education (Continued):</u>									
Rural Education	84.358	220660-2122	8,418	8,418	8,418	-	8,418	-	-
Rural Education	84.358	230660-2223	10,216	-	-	-	-	10,216	10,216
			<u>18,634</u>	<u>8,418</u>	<u>8,418</u>	<u>-</u>	<u>8,418</u>	<u>10,216</u>	<u>10,216</u>
Improving Teacher Quality State Grants	84.367	220520-2122	34,618	13,098	27,560	-	13,098	-	-
Improving Teacher Quality State Grants	84.367	230520-2223	31,812	-	-	-	31,812	31,812	-
			<u>66,430</u>	<u>13,098</u>	<u>27,560</u>	<u>-</u>	<u>44,910</u>	<u>31,812</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424A	230750-2223	33,952	-	-	-	33,952	33,952	-
			<u>33,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,952</u>	<u>33,952</u>	<u>-</u>
Education Stabilization Fund:									
COVID-19 Elementary and Secondary Education Emergency Relief Fund (ESSER II Formula Funds)	84.425D	213712-2021	560,966	316,384	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	-	33,503	33,503	-
COVID-19 Elementary and Secondary Education American Rescue Plan/Emergency Relief Fund (ESSER III)	84.425U	213713-2122	500,966	-	-	-	463,482	500,966	37,484
			<u>1,147,732</u>	<u>316,384</u>	<u>611,441</u>	<u>-</u>	<u>813,369</u>	<u>534,469</u>	<u>37,484</u>
Total passed through MI Department of Education			<u>1,738,444</u>	<u>339,862</u>	<u>891,661</u>	<u>(99)</u>	<u>1,073,139</u>	<u>838,537</u>	<u>105,359</u>
Total U.S. Department of Education			<u>1,738,444</u>	<u>339,862</u>	<u>891,661</u>	<u>(99)</u>	<u>1,073,139</u>	<u>838,537</u>	<u>105,359</u>
			<u>\$ 2,119,387</u>	<u>\$ 340,196</u>	<u>\$ 903,684</u>	<u>\$ (433)</u>	<u>\$ 1,401,127</u>	<u>\$ 1,181,779</u>	<u>\$ 120,613</u>

Pansophia Academy
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

	<u>Amount</u>
Revenue from federal sources - per financial statements (includes all funds)	\$ 1,498,163
Prior year revenue not requested within the 60 day availability period and recorded as revenue in the current year financial statements	<u>(316,384)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,181,779</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, 2023. 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, 2023

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified	<u> </u> yes <u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u> 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)	<u> </u> 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>
Auditee qualified as low-risk	<u> X </u> yes <u> </u> no

Section II – Financial Statement Audit Findings

2023-001 Material Adjustments

Criteria or Specific Requirement: It is management’s responsibility to prepare the financial statements in accordance with generally accepted accounting principles (GAAP) and to implement adequate controls over financial reporting.

Condition: During the course of our audit, material adjustments were proposed to adjust interfund transfers and record a payable related to construction in progress.

Cause and Effect: Prior to the proposed adjustments, the funds impacted had a deficit fund balance as of June 30, 2023 and construction activity and related liabilities were understated.

Recommendation: We recommend management review the year-end adjustments for proper recording of these items.

Pansophia Academy
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Audit Findings (Continued)

2023-001 Material Adjustments (Continued)

View of Responsible Officials and Planned Corrective Action: We believe this to be a unique accounting situation and do not expect it to be an ongoing issue. We will work to improve our process to assure the preliminary trial balance provided in the audit does not require material adjustment by the audit team going forward.

Section III – Federal Program Audit Findings

None

Pansophia Academy
Comments on Resolution of Findings from June 30, 2022

Financial Statement Findings

None reported.

Federal Award Findings and Questioned Costs

None reported.



Willis & Jurasek
4100 Spring Arbor Rd
Jackson, MI 49201

Our response to the audit finding below is:

We will work to improve our process to assure the preliminary trial balance provided in the audit does not require material adjustment by the audit team going forward. Because these adjustments mostly related to a unique accounting situation, we do not expect this will be an ongoing issue.

2023-001 Material Adjustments

Criteria or Specific Requirement: It is management's responsibility to prepare the financial statements

in accordance with generally accepted accounting principles (GAAP) and to implement adequate controls over financial reporting.

Condition: During the course of our audit, material adjustments were proposed to adjust interfund

transfers and record a payable related to construction in progress.

Cause and Effect: Prior to the proposed adjustments, the funds impacted had a deficit fund balance

as of June 30, 2023 and construction activity and related liabilities were understated.

Recommendation: We recommend management review the year-end adjustments for proper recording of these items.

Sincerely,

Laura M. Carpenter
Comptroller, CS Partners



WILLIS & JURASEK

CPAS AND CONSULTANTS

October 18, 2023

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, 2023. 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 April 20, 2023. 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. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2023. 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 had difficulty with receiving timely e-mail responses to our questions and requests for documentation from CS Partners staff during our remote 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.

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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