

Audited Financial Statements

SER YouthBuild Learning Academy

Detroit, Michigan

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of SER YouthBuild Learning Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SER YouthBuild Learning Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SER YouthBuild Learning 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 SER YouthBuild Learning Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SER YouthBuild Learning 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 SER YouthBuild Learning Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SER YouthBuild Learning 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 SER YouthBuild Learning 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 detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SER YouthBuild Learning Academy's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, are presented for purposes of additional analysis and are 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 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 additional supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, on our consideration of SER YouthBuild Learning 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SER YouthBuild Learning Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SER YouthBuild Learning Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 13, 2023



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors
of SER YouthBuild Learning Academy**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SER YouthBuild Learning Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SER YouthBuild Learning Academy's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SER YouthBuild Learning 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 SER YouthBuild Learning Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of SER YouthBuild Learning Academy's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SER YouthBuild Learning 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

SER YouthBuild Learning Academy's Response to Findings

SER YouthBuild Learning Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. SER YouthBuild Learning Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements; accordingly we express no opinion on it.

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.



Croskey Lanni, PC

Rochester, Michigan
October 13, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

SER YouthBuild Learning Academy provides grade 9 through 12 students with high school instruction and vocational education at two locations in Detroit, Michigan. 2022-23 was the Academy’s first year of operations in a charter agreement with Detroit Public Community School District. In 2022-23 the Academy was located in Dearborn and Detroit, Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the SER YouthBuild Learning Academy administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS OF THE SER YOUTHBUILD LEARNING ACADEMY

Table 1 - Basic Financial Information

	Current Fiscal Year
State Aid funding per pupil	\$ 9,150
Enrollment	192.92
General fund balance increase/(decrease)	\$ 56,724
General fund balance as percent of unrestricted state aid revenue	3%

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: SER YouthBuild Learning 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 SER YouthBuild Learning 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 assets are 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 SER YouthBuild Learning Academy has one kind of fund:

Governmental fund – Most of the SER YouthBuild Learning 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 SER YouthBuild Learning Academy’s programs. Because this information does not encompass the additional long-term focus of the SER YouthBuild Learning Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

SER YOUTHBUILD LEARNING ACADEMY WIDE FINANCIAL STATEMENTS

The SER YouthBuild Learning Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the SER YouthBuild Learning 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 SER YouthBuild Learning Academy are reported in the Statement of Net Position of the SER YouthBuild Learning 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 SER YouthBuild Learning 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 SER YouthBuild Learning Academy Annual Financial Report

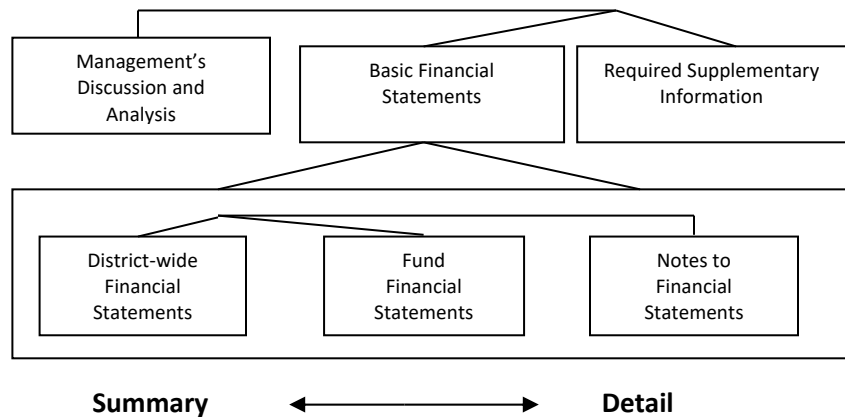


Figure A-2 summarizes the major features of the SER YouthBuild Learning Academy’s financial statements, including the portion of the SER YouthBuild Learning Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and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

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

	SER YouthBuild Learning Academy-wide statements	Fund Financial Statements
Scope	Entire SER YouthBuild Learning Academy (except fiduciary funds)	All activities of the SER YouthBuild Learning 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 SER YOUTHBUILD LEARNING ACADEMY AS A WHOLE

Table 2 - Financial Results

	Current Fiscal Year
Ending general fund balance	\$ 56,724
Total general fund revenue	\$ 1,989,837
State Aid foundation allowance as percent of Academy revenues	96%
Total cost of instructional programs	\$ 588,111
Instructional expenditures as percent of total expenditures	28%
Total cost of support/operational services	\$ 1,544,087
Support/operational services as percent of total expenditures	72%
Total expenditures transferred to debt service	\$ -
Transfer to debt service as percent of total expenditures	0%

SER YOUTHBUILD LEARNING ACADEMY GOVERNMENTAL ACTIVITIES

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2023. Comparative information will be shown during the 2023/2024 school year:

Table 3 - Net Position Detail

	2023
Assets	
Current assets	\$ 439,301
Capital assets	199,085
Less: accumulated depreciation	(84,063)
Capital assets, net book value	115,022
Total assets and deferred outflows	<u>\$ 554,323</u>
Liabilities	
Current liabilities	\$ 468,681
Long-term liabilities	26,495
Total liabilities and deferred inflows	<u>\$ 495,176</u>
Net Position	
Invested in capital assets, net of related debt (deficit)	\$ 2,423
Unrestricted	56,724
Total net position	<u>\$ 59,147</u>

Results of Operations

For the fiscal year ended June 30, 2023, the SER YouthBuild Learning Academy wide results of operations were:

Table 4 - Change in Net Position

	2023	
	Amount	% of Total
General Revenue:		
State of Michigan aid - all sources	\$ 1,770,414	88.97%
Other	-	0.00%
Total general revenue	1,770,414	88.97%
Program Revenue:		
Charges for services	-	0.00%
Operating grants - federal and state	219,423	11.03%
Total program revenue	219,423	11.03%
Total revenue	1,989,837	100.00%
Expenses:		
Instruction and instructional services	588,111	30.45%
Support services	1,253,128	64.91%
Unallocated depreciation / amortization	84,063	4.35%
Interest on long-term debt	5,388	0.29%
Total expenses	1,930,690	100.00%
Change in net position	<u>\$ 59,147</u>	

Comparative information will be shown during the 2023/2024 school year: During the fiscal year ended June 30, 2023, the SER YouthBuild Learning Academy's net position increased by \$59,147.

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 Academy foundation allowance was \$9,150.
- Student Enrollment: The SER YouthBuild Learning Academy's student enrollment for the fall count of 2022-23 was 175.41 students and for the supplemental count was 208.13 students. Since the Academy was in its first year of operations a blend of 50% of the current year fall count and 50% of the current year supplemental count was multiplied by the SER YouthBuild Learning Academy's foundation allowance.

Subsequent to June 30, 2023, projected student enrollments for 2023-24 estimate the fall 2023 student enrollment may equal the 2022-23 supplemental count.

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 SER YouthBuild Learning Academy revised the annual operating budget one time. This budget amendment revised several categories:

Changes were made in the fourth quarter to account for changes in student enrollment, federal funding, and changes in assumptions (e.g. staffing, support services, food services, general administration and other services) since the original budget was adopted.

The SER YouthBuild Learning Academy's revenues from General Fund operations fell behind expenditures by (\$142,361) the fiscal year ended June 30, 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The SER YouthBuild Learning Academy's net investment in capital assets increased by \$199,085, during the fiscal year. This can be summarized as follows:

Table 5 - Capital Assets

	Beginning				Ending	
	Balance 6/30/22	Additions	Disposals		Balance 6/30/23	
Right to use building	\$ -	\$ 119,478	\$ -		\$ 119,478	
Right to use subscription-based IT	-	79,607	-		79,607	
Less: accumulated depreciation / amortization	-	84,063	-		84,063	
Net investment in capital assets	\$ -	\$ 115,022	\$ -		\$ 115,022	

Depreciation/Amortization Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. The net increase in accumulated depreciation/amortization expense is a reduction in net position in the entity wide financial statements. Depreciation/amortization is not recognized in the fund financial statements and has been noted as a reconciling item in the SER YouthBuild Learning Academy's financial statements. For the fiscal year ended June 30, 2023, the net increase in accumulated depreciation/amortization was \$84,063.

Depreciation/amortization 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/amortization expense is recorded based on the original cost of the asset, less an estimated salvage value.

Debt, Principal Payments

Table 6 - Debt, Principal Payments

	Balance 6/30/2022	New Financings	Principal Payments	Balance 6/30/2023
Direct borrowing - building	\$ -	\$ 119,478	\$ 58,136	\$ 61,342
Direct borrowing - software	-	79,607	28,350	51,257
Total long-term obligations	\$ -	\$ 199,085	\$ 86,486	\$ 112,599

ECONOMIC FACTORS BEARING ON THE SER YOUTHBUILD LEARNING ACADEMY'S FUTURE

The Preliminary Budget for the 2023-24 Fiscal Year was adopted by the Board of Directors in June 2023. Some factors were known as the budget was being drafted, while others needed to be projected with management's best estimates. Some key factors and estimates used in the 2023-24 budget preparation process include:

- Budgeted increase in per pupil foundation allowance of \$450. The actual per pupil foundation allowance for fiscal year 2023-24 is \$9,608.
- Steady enrollment of approximately 225 based on prior year.
- Continued focus on students' graduation and their post-graduation vocational and/or education plans.
- A renovated building and new location for the Academy's southwest school.

Since the SER YouthBuild Learning 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. In spite of the current economic uncertainties, we remain confident that the State will fund 2023-24 appropriations.

CONTACTING THE SER YOUTHBUILD LEARNING ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the SER YouthBuild Learning Academy's finances and to demonstrate the SER YouthBuild Learning Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact SER YouthBuild Learning Academy's office at 9215 Michigan Avenue Detroit, MI 48210.

SER YOUTHBUILD LEARNING ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$	20,541
Accounts receivable		1,274
Due from other governmental units		349,216
Prepaid expenses		<u>68,270</u>
Total current assets		439,301

Capital Assets - Net of Accumulated Depreciation / Amortization

115,022

Total assets and deferred outflows \$ 554,323

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities

Accounts payable	\$	103,392
Other accrued expenses		279,185
Long-term debt - current portion		<u>86,104</u>
Total current liabilities		468,681

Long-Term Debt - Long-Term Portion

26,495

Net Position

Net investment (deficit) in capital assets		2,423
Unrestricted		<u>56,724</u>
Total net position		<u>59,147</u>
Total liabilities, deferred inflows and net position	\$	<u>554,323</u>

See accompanying notes to financial statements

SER YOUTHBUILD LEARNING ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
Functions				
Instruction				
Basic programs	\$ 301,285	\$ -	\$ 16,772	\$ (284,513)
Added needs	133,605	-	18,002	(115,603)
Career and technical education	153,221	-	-	(153,221)
Support services				
Pupil support services	119,816	-	82,000	(37,816)
Instructional staff support services	107,749	-	35,347	(72,402)
General administration	447,589	-	-	(447,589)
School administration	204,497	-	-	(204,497)
Business support services	26,472	-	-	(26,472)
Operations and maintenance	238,448	-	67,302	(171,146)
Pupil transportation services	7,186	-	-	(7,186)
Central support services	101,371	-	-	(101,371)
Unallocated depreciation / amortization	84,063	-	-	(84,063)
Unallocated interest	5,388	-	-	(5,388)
Total primary government	\$ 1,930,690	\$ -	\$ 219,423	(1,711,267)
General Purpose Revenues				
State school aid - unrestricted				1,770,414
Change in net position				59,147
Net position - July 1, 2022				-
Net position - June 30, 2023				\$ 59,147

See accompanying notes to financial statements

SER YOUTHBUILD LEARNING ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$	20,541
Accounts receivable		1,274
Due from other governmental units		349,216
Prepaid expenses		<u>68,270</u>
Total assets	\$	<u><u>439,301</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$	103,392
Other accrued expenses		<u>279,185</u>
Total liabilities		382,577

Fund Balance

Nonspendable		68,270
Unassigned		<u>(11,546)</u>
Total fund balance		<u>56,724</u>
Total liabilities and fund balance	\$	<u><u>439,301</u></u>

See accompanying notes to financial statements

SER YOUTHBUILD LEARNING ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

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

Total Governmental Fund Balances	\$ 56,724
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$199,085 and the accumulated depreciation / amortization is \$84,063.	115,022
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(112,599)</u>
Net Position of Governmental Activities	<u>\$ 59,147</u>

SER YOUTHBUILD LEARNING ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

Revenues

State sources	\$ 1,919,834
Federal sources	<u>70,003</u>
Total governmental fund revenues	1,989,837

Expenditures

Instruction	
Basic programs	301,285
Added needs	133,605
Career and technical education	153,221
Support services	
Pupil support services	119,816
Instructional staff support services	107,749
General administration	447,589
School administration	204,497
Business support services	26,472
Operations and maintenance	238,448
Pupil transportation services	7,186
Central support services	101,371
Capital outlay	199,085
Debt principal and interest	<u>91,874</u>
Total governmental fund expenditures	<u>2,132,198</u>

Excess (deficiency) of revenues over expenditures (142,361)

Other Financing Sources (Uses)

Proceeds from leases and long-term debt	<u>199,085</u>
Operating transfers in	-
Operating transfers out	<u>-</u>
Total other financing sources (uses)	<u>199,085</u>

Excess (deficiency) of revenues and other financing sources over expenditures and other uses 56,724

Fund Balance - July 1, 2022 -

Fund Balance - June 30, 2023 \$ 56,724

See accompanying notes to financial statements

SER YOUTHBUILD LEARNING ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$	56,724
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	199,085	
Depreciation and amortization expense		<u>(84,063)</u>	115,022

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from long-term debt	\$	(199,085)	
Repayment of loan principal		<u>86,486</u>	<u>(112,599)</u>

Change in Net Position of Governmental Activities	\$	<u>59,147</u>
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See accompanying notes to financial statements

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of SER YouthBuild Learning Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

SER YouthBuild Learning Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in March 2022, and began operation in July 2022.

In July 2022, the Academy entered into a one-year contract with Detroit Public Schools Community District and Wayne Regional Educational Service Academy to charter a public school academy, through June 30, 2023. This contract with Detroit Public Schools Community District has been subsequently renewed through June 30, 2025. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. Detroit Public Schools Community District is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Detroit Public Schools Community District three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were approximately \$53,100.

In July 2022, the Academy entered into an agreement through June 30, 2025 with SER-Metro Detroit Jobs for Progress, Inc. (SER Metro). Under the terms of this agreement SER Metro provides a variety of services including the support of the Academy’s instructional and operational systems as well as human resource functions. The Academy is obligated to pay SER Metro twelve percent of all funds received, less any amounts retained by Detroit Public Schools Community District. The total paid for the year ended June 30, 2023 was approximately \$238,800. The amount due to SER Metro as of June 30, 2023 amounted to \$144,918.

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 or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Service) - The special revenue fund, which the Academy does not currently maintain, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund. The special revenue fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Special Revenue Fund (Student Activity) – The student activity fund, which the Academy does not currently maintain, is used to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements, the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. 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 No. 40, Deposit 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. The Academy held no investments as of the year end June 30, 2023. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and 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 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

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

The Academy is a lessee for a noncancelable lease/subscription of a building and an IT arrangement. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

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

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

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. A comparison of actual activity against the budget can be found on page 19 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Academy did not hold investments as of the year ended June 30, 2023.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, none of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2023.

Custodial Credit Risk - Investments

For an investment, this 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.

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

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

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	<u>\$ 349,216</u>
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SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Capital assets subject to depreciation / amortization				
Right to use assets - building	\$ -	\$ 119,478	\$ -	\$ 119,478
Right to use - subscription-based IT	-	79,607	-	79,607
Sub-total	-	199,085	-	199,085
Accumulated depreciation / amortization				
Right to use assets - building	-	59,739	-	59,739
Right to use - subscription-based IT	-	24,324	-	24,324
Sub-total	-	84,063	-	84,063
Total net capital assets	<u>\$ -</u>	<u>\$ 115,022</u>	<u>\$ -</u>	<u>\$ 115,022</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2023 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 22-23	0.00%	June, 2023	Issued to provide funds to Academy to finance school operations; Secured by future state aid payments. Paid in full

Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>
SAAN 22-23	<u>\$ -</u>	<u>\$ 114,000</u>	<u>\$ 114,000</u>	<u>\$ -</u>

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$	61,268
Oversight fee		9,633
Management fee		41,906
Other accrued expenses		<u>166,378</u>
Total other accrued expenses	<u>\$</u>	<u>279,185</u>

NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations payable for the Academy during the year ended June 30, 2023:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - building	6.50%	June, 2024	Monthly payments of approximately \$5,300
Direct borrowing - software	7.00%	August, 2024	Software subscription with annual payments of \$28,350

Loan Activity

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Direct borrowing - building	\$ -	\$ 119,478	\$ 58,136	\$ 61,342	\$ 61,342
Direct borrowing - software	-	79,607	28,350	51,257	24,762
	<u>\$ -</u>	<u>\$ 199,085</u>	<u>\$ 86,486</u>	<u>\$ 112,599</u>	<u>\$ 86,104</u>

Following are maturities of long-term obligations for principal and interest for the next two years:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 86,104	\$ 5,769
2025	26,495	1,855

SER YOUTHBUILD LEARNING ACADEMY

NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by SER Metro which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will match up to 10% of salaries contributed by the employee.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.

SUPPLEMENTARY INFORMATION

SER YOUTHBUILD LEARNING ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 20,000	\$ -	\$ -	\$ -
State sources	2,064,284	1,919,836	1,919,834	(2)
Federal sources	352,046	70,003	70,003	-
Total general fund revenues	2,436,330	1,989,839	1,989,837	(2)
Expenditures				
Instruction				
Basic programs	476,868	419,659	301,285	(118,374)
Added needs	154,192	200,985	133,605	(67,380)
Career and technical education	-	-	153,221	153,221
Support services				
Pupil support services	379,749	60,698	119,816	59,118
Instructional staff support services	188,205	161,607	107,749	(53,858)
General administration	487,206	456,000	447,589	(8,411)
School administration	223,950	235,742	204,497	(31,245)
Business support services	13,943	28,186	26,472	(1,714)
Operations and maintenance	183,983	162,994	238,448	75,454
Pupil transportation services	20,000	7,486	7,186	(300)
Central support services	149,530	106,032	101,371	(4,661)
Capital outlay	-	1,500	199,085	197,585
Debt principal and interest	136,981	136,981	91,874	(45,107)
Total general fund expenditures	2,414,607	1,977,870	2,132,198	154,328
Excess (deficiency) of revenues over expenditures	21,723	11,969	(142,361)	(154,330)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	199,085	199,085
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	21,723	11,969	56,724	44,755
Fund balance - July 1, 2022	-	-	-	-
Fund balance - June 30, 2023	<u>\$ 21,723</u>	<u>\$ 11,969</u>	<u>\$ 56,724</u>	<u>\$ 44,755</u>

SER YOUTHBUILD LEARNING ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

State Sources

At risk	\$ 149,420
State aid	<u>1,770,414</u>
Total state sources	1,919,834

Federal Sources

Title I	53,231
Title II A	6,772
Other program revenue	<u>10,000</u>
Total federal sources	<u>70,003</u>
Total general fund revenues	<u>\$ 1,989,837</u>

SER YOUTHBUILD LEARNING ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

Basic Programs

Purchased services	\$ 269,399
Other purchased services	12,721
Supplies and materials	16,869
Non-depreciable capital assets	2,296

Total basic programs 301,285

Added Needs

Purchased services	133,605
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Career and Technical Education

Purchased services	153,221
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Pupil Support Services

Guidance services	4,751
Psychological services	4,320
Social work services	110,745

Total pupil support services 119,816

Instructional Staff Support Services

Purchased services	107,749
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General Administration

Purchased services	447,035
Other expenditures	554

Total general administration 447,589

School Administration

Purchased services	183,224
Rentals	3,493
Supplies and materials	14,347
Non-depreciable capital assets	1,851
Other expenditures	1,582

Total school administration 204,497

SER YOUTHBUILD LEARNING ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2023

Business Support Services

Purchased services	21,549
Other expenditures	4,923
	<hr/>
Total business support services	26,472

Operations and Maintenance

Purchased services	128,624
Repairs and maintenance	9,948
Rentals	76,079
Supplies and materials	23,301
Other expenditures	496
	<hr/>
Total operations and maintenance	238,448

Pupil Transportation Services

Purchased services	7,186
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Central Support Services

Purchased services	95,661
Supplies and materials	200
Other expenditures	5,510
	<hr/>
Total central support services	101,371

Capital Outlay

199,085

Debt Principal and Interest

91,874

Total general fund expenditures	<hr/> <hr/> <u>\$ 2,132,198</u>
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SER YOUTHBUILD LEARNING ACADEMY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Findings

2023-001

Finding Type – Noncompliance

Criteria – The Michigan Public School Accounting Manual, Section IV, indicates that, when used appropriately, a budget provides the school board and administration with the ability to control and evaluate the use of the Academy’s funds.

Condition – Actual expenditures exceeded budgeted amounts by \$154,328.

Cause / Effect – The budget while amended during the year, did not accurately reflect actual final expenditures due to the adoption and recording of GASB Statements 87 and 96.

Recommendation – The Academy should fully review actual and anticipated revenues and expenditures and in response amend the budget accordingly in order to comply with state law and GASB pronouncements.

Auditee Response – Actual expenditures differed from the budget as a result of entries resulting from the adoption of statements GASB 87 and 96. There was no fund balance effect as the proceeds from this transaction were also included, however are shown as an other financing source and not a traditional revenue or expenditure. Actual expenditures, outside of this specific transaction, did not exceed the final budgeted amounts. The Academy has reviewed and revised its accounting procedures to ensure actual results are properly and timely reviewed resulting in budget amendments throughout the year as well as understanding how new accounting pronouncements will affect the budget process.