



## CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	i - iii
<b>Management's Discussion and Analysis</b>	iv - ix
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 17
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	18
Schedule of Revenues – General Fund	19
Schedule of Expenditures – General Fund	20 - 21

## C O N T E N T S – C o n t i n u e d

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
<b>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 <i>Government Auditing Standards</i></b>	A-1 – A-2
<b>Independent Auditor’s Report on Compliance For Each Major Program And On Internal Control Over Compliance Required by The Uniform Guidance</b>	A-3 – A-5
Schedule of Expenditures of Federal Awards	A-6 – A-7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10 – A-12
Corrective Action Plan	A-13



### ***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 Momentum 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 Momentum 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 Momentum Academy's basic financial statements. The accompanying schedules of revenues and expenditures, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedules of revenues and expenditures, and the schedule of expenditures of federal awards 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 28, 2022, on our consideration of Momentum 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 Momentum 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 Momentum Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 28, 2022

# MOMENTUM ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2022

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 1,412
Due from other governmental units	1,373,414
Prepaid expenses	<u>6,051</u>
Total current assets	1,380,877

#### Capital Assets - Net of Accumulated Depreciation / Amortization

230,964

Total assets and deferred outflows \$ 1,611,841

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 624,589
Unearned revenue	78,967
Other accrued expenses	168,024
Long-term debt - current portion	<u>152,872</u>
Total current liabilities	1,024,452

#### Net Position

Net investment in capital assets	78,092
Restricted for food services	96,388
Unrestricted	<u>412,909</u>
Total net position	<u>587,389</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,611,841</u>

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Government Type Activities
<b>Functions</b>				
Instruction				
Basic programs	\$ 1,017,808	\$ -	\$ 350,721	\$ (667,087)
Added needs	437,670	-	436,796	(874)
Support services				
Pupil support services	103,282	-	64,164	(39,118)
Instructional staff support services	175,842	-	147,554	(28,288)
General administration	314,403	-	-	(314,403)
School administration	198,905	-	11,000	(187,905)
Business support services	78,334	-	59,800	(18,534)
Operations and maintenance	379,393	-	92,236	(287,157)
Pupil transportation services	294,760	-	146,644	(148,116)
Food services	190,619	-	238,233	47,614
Unallocated depreciation / amortization	221,078	-	-	(221,078)
Unallocated interest	7,869	-	-	(7,869)
Total primary government	\$ 3,419,963	\$ -	\$ 1,547,148	(1,872,815)
<b>General Purpose Revenues</b>				
State school aid - unrestricted				1,976,144
Miscellaneous revenues				4,132
Total general purpose revenues				1,980,276
Change in net position				107,461
Net position - July 1, 2021				479,928
Net position - June 30, 2022				\$ 587,389

See accompanying notes to financial statements



## MOMENTUM ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

#### ASSETS

	General	Non-Major Special Revenue - Food Services	Total
Cash and cash equivalents	\$ 1,412	\$ -	\$ 1,412
Due from other governmental units	1,373,414	-	1,373,414
Due from other funds	-	96,388	96,388
Prepaid expenses	6,051	-	6,051
 Total assets	 \$ 1,380,877	 \$ 96,388	 \$ 1,477,265

#### LIABILITIES AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 624,589	\$ -	\$ 624,589
Due to other funds	96,388	-	96,388
Unearned revenue	78,967	-	78,967
Other accrued expenses	168,024	-	168,024
 Total liabilities	 967,968	 -	 967,968

##### Fund Balance

Nonspendable	6,051	-	6,051
Restricted	-	96,388	96,388
Unassigned	406,858	-	406,858
 Total fund balance	 412,909	 96,388	 509,297
 Total liabilities and fund balance	 \$ 1,380,877	 \$ 96,388	 \$ 1,477,265

See accompanying notes to financial statements

## MOMENTUM ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

<b>Total Governmental Fund Balances</b>	\$ 509,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$653,771 and the accumulated depreciation / amortization is \$422,807.	230,964
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(152,872)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 587,389</u>

## MOMENTUM ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General	Non-Major Special Revenue - Food Services	Total
<b>Revenues</b>			
Local sources	\$ 4,132	\$ -	\$ 4,132
State sources	2,411,226	4,070	2,415,296
Federal sources	827,809	233,863	1,061,672
Interdistrict sources	46,324	-	46,324
	3,289,491	237,933	3,527,424
<b>Expenditures</b>			
Instruction			
Basic program	1,017,808	-	1,017,808
Added needs	437,670	-	437,670
Support services			
Pupil support services	103,282	-	103,282
Instructional staff support services	175,842	-	175,842
General administration	314,403	-	314,403
School administration	198,905	-	198,905
Business support services	78,334	-	78,334
Operations and maintenance	379,393	-	379,393
Pupil transportation services	294,760	-	294,760
Food services	-	190,619	190,619
Debt principal and interest	262,895	-	262,895
	3,263,292	190,619	3,453,911
Excess (deficiency) of revenues over expenditures	26,199	47,314	73,513
Fund balance - July 1, 2021	386,710	49,074	435,784
Fund balance - June 30, 2022	\$ 412,909	\$ 96,388	\$ 509,297

See accompanying notes to financial statements

## MOMENTUM 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, 2022

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 73,513</b>
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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.

Depreciation and amortization expense	(221,078)
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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:

Repayment of loan principal	<u>255,026</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 107,461</u></u></b>
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See accompanying notes to financial statements

# MOMENTUM ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Momentum 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**

Momentum 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, on January 25, 2013, and began operation in July 2013.

In March 2018, the Academy entered into a three-year contract, commencing July 1, 2018 and subsequently extended for two additional years until June 30, 2023, with Lake Superior State University's Board of Trustees to charter a public school academy. 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. The University's Board of Trustees 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 Lake Superior State University's Board of Trustees three percent of State aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$65,600.

In March 2018, the Academy entered into an agreement with The Romine Group, Inc., "TRG", to run coterminous with the Contract issued to the Academy by the University Board. Under the terms of this agreement, TRG will provide a variety of services including accounting services, educational planning, payroll, and human resource services. The Academy is obligated to pay TRG eleven percent of all funds received pursuant to the State School Aid Act of 1979 and shall not be less than \$150,000 nor exceed \$300,000 in any one academic year. The total paid for these services amounted to \$232,500 for the year end June 30, 2022.

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.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **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 Services)**- 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.

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

- 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.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **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.

Net position should be reported as restricted when constraints placed on net position's use is 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 during the year ended June 30, 2022. 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.

# MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Receivables

Receivables at June 30, 2022 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 2022 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, 2022, 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.

### 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 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.



## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **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.

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**

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

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

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

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

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

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

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

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **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, 2022 the budget was amended in a legally permissible manner. A comparison of appropriated amounts against actual results can be found on page 18 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). As of June 30, 2022, the Academy had no investments.

#### **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. As of June 30, 2022, the Academy had no investments.

#### **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, 2022, none of the Academy's cash was not fully covered by federal deposit insurance. All cash balances were uncollateralized as of June 30, 2022.

## **MOMENTUM ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **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.

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.

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 518,421
Federal sources	854,993
	<hr/>
Total	<u>\$ 1,373,414</u>

### NOTE 5 - CAPITAL ASSETS

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

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

	<b>As Restated Balance July 1, 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2022</b>
Capital assets subject to depreciation / amortization				
Right to use assets	\$ 407,898	\$ -	\$ -	\$ 407,898
Equipment	117,303	-	-	117,303
Computers	102,310	-	-	102,310
Other	26,260	-	-	26,260
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	653,771	-	-	653,771
Accumulated depreciation / amortization				
Right to use assets	-	203,949	-	203,949
Equipment	86,457	12,289	-	98,746
Computers	89,012	4,840	-	93,852
Other	26,260	-	-	26,260
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	201,729	221,078	-	422,807
	<hr/>	<hr/>	<hr/>	<hr/>
Total net capital assets	<u>\$ 452,042</u>	<u>\$ (221,078)</u>	<u>\$ -</u>	<u>\$ 230,964</u>

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

Purchased services - payroll and benefits	\$	95,302
Management fee		36,810
University oversight fee		11,978
Other		23,934
		<hr/>
Total other accrued expenses	\$	<u>168,024</u>

### NOTE 7 – LONG TERM OBLIGATIONS

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

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - building	3.00%	June, 2023	Monthly payment fluctuates by student count
Direct borrowing - copiers	3.00%	June, 2023	Monthly payment of \$447

#### Loan Activity

	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Direct borrowing - building	\$ 397,464	\$ -	\$ 249,874	\$ 147,590	\$ 147,590
Direct borrowing - copiers	10,434	-	5,152	5,282	5,282
Totals	<u>\$ 407,898</u>	<u>\$ -</u>	<u>\$ 255,026</u>	<u>\$ 152,872</u>	<u>\$ 152,872</u>

The following are maturities of long-term obligations for principal and interest for the next year:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 152,872	\$ 2,495

## MOMENTUM ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2022

### NOTE 8 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by The Romine Group which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount of the employee contribution. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan.

### NOTE 9 - 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 in any of the past three fiscal years.

### NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

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

#### Summary

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

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

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 44,144	\$ -
Adoption of GASB Statement 87	<u>407,898</u>	<u>407,898</u>
Balances as of July 1, 2021, as restated	<u>\$ 452,042</u>	<u>\$ 407,898</u>

# SUPPLEMENTARY INFORMATION



## MOMENTUM ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Local sources	\$ 5,000	\$ 4,170	\$ 4,132	\$ (38)
State sources	2,454,764	2,480,354	2,411,226	(69,128)
Federal sources	1,573,005	1,337,477	827,809	(509,668)
Interdistrict sources	32,000	35,178	46,324	11,146
Total general fund revenues	4,064,769	3,857,179	3,289,491	(567,688)
 <b>Expenditures</b>				
Instruction				
Basic programs	1,423,570	1,129,571	1,017,808	(111,763)
Added needs	473,759	785,739	437,670	(348,069)
Support services				
Pupil support services	-	102,400	103,282	882
Instructional staff support services	12,000	227,146	175,842	(51,304)
General administration	307,107	299,062	314,403	15,341
School administration	186,148	217,236	198,905	(18,331)
Business support services	15,200	128,700	78,334	(50,366)
Operations and maintenance	1,388,481	354,193	379,393	25,200
Pupil transportation services	210,000	312,050	294,760	(17,290)
Community services	-	300	-	(300)
Capital outlay	-	8,000	-	(8,000)
Debt principal and interest	-	266,600	262,895	(3,705)
Total general fund expenditures	4,016,265	3,830,997	3,263,292	(567,705)
Excess (deficiency) of revenues over expenditures	48,504	26,182	26,199	17
 <b>Other Financing Sources (Uses)</b>				
Operating transfers out	(4,272)	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	44,232	26,182	26,199	17
Fund balance - July 1, 2021	386,710	386,710	386,710	-
Fund balance - June 30, 2022	\$ 430,942	\$ 412,892	\$ 412,909	\$ 17

## MOMENTUM ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Local Sources

Authorizer grant	\$ 3,570
Other local revenues	<u>562</u>
Total local sources	4,132

#### State Sources

At risk	96,590
Great start readiness program	300,518
Special education	37,974
State aid	<u>1,976,144</u>
Total state sources	2,411,226

#### Federal Sources

IDEA	43,526
Title I	78,301
Title II A	20,781
Title III	10,218
Other program revenue	<u>674,983</u>
Total federal sources	827,809

#### Interdistrict Sources

	<u>46,324</u>
Total general fund revenues	<u><u>\$ 3,289,491</u></u>

## MOMENTUM ACADEMY

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

#### Basic Programs

Purchased services	\$ 959,100
Other purchased services	1,357
Supplies and materials	48,792
Other expenditures	8,559
	<hr/>
Total basic programs	1,017,808

#### Added Needs

Purchased services	240,769
Supplies and materials	196,901
	<hr/>
Total added needs	437,670

#### Pupil Support Services

Health services	10,784
Psychological services	3,400
Speech pathology and audiology	45,450
Social work services	43,648
	<hr/>
Total pupil support services	103,282

#### Instructional Staff Support Services

Purchased services	111,286
Supplies and materials	56,739
Non-depreciable capital assets	7,817
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Total instructional staff support services	175,842

#### General Administration

Purchased services	16,132
Management fees	232,500
University oversight	65,551
Other expenditures	220
	<hr/>
Total general administration	314,403

# MOMENTUM ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2022

### School Administration

Purchased services	181,953
Supplies and materials	8,571
Other expenditures	<u>8,381</u>
Total school administration	198,905

### Business Support Services

Purchased services	72,829
Supplies and materials	5,410
Other expenditures	<u>95</u>
Total business support services	78,334

### Operations and Maintenance

Purchased services	20,874
Repairs and maintenance	267,388
Rentals	26,000
Other purchased services	321
Supplies and materials	<u>64,810</u>
Total operations and maintenance	379,393

### Pupil Transportation Services

Purchased services	294,760
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### Debt Principal and Interest

262,895

Total general fund expenditures \$ 3,263,292