

Rutherford Winans Academy

(A Michigan Public School Academy)

Financial Statements

Year Ended

June 30, 2024



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Rutherford Winans Academy

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund) of Rutherford Winans Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Rutherford Winans 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, the major fund (General Fund) of Rutherford Winans Academy as of June 30, 2024, 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 Rutherford Winans 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Rutherford Winans 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 Responsibility 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 the Rutherford Winans 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 the Rutherford Winans 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 on pages 4-8 and 21 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.

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2024, on our consideration of the Rutherford Winans 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 the Rutherford Winans 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 Rutherford Winans Academy's internal control over financial reporting and compliance.

The Clairmount Group

The Clairmount Group
Detroit, Michigan 48226
October 27, 2024

Rutherford Winans Academy Management's Discussion and Analysis

This section of the Rutherford Winans Academy (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ending June 30, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes on those statements. Those statements are organized so the reader can understand Rutherford Winans Academy, (the "Academy") financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. These fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operation in more detail than the government-wide financial statements by providing information about the Academy's most significant fund, the General Fund. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-wide Financial Statements- Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund

Reporting the Academy as a Whole – Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using an accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the Statement of Net Position – as one way to measure the Academy's financial position. Over time, increases or decreases in the Academy's net position – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

**Rutherford Winans Academy
Management's Discussion and Analysis (Continued)**

Reporting the Academy's Governmental Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental Funds - All of the Academy's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of operations of the Academy and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund reconciliations.

The Academy as a Whole

As discussed above, the Statement of Net Position provides information on the Academy as a whole. Below is a summary of the Academy's net position as of June 30, 2024:

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 914,142	\$ 701,467
Capital Assets - net of accumulated depreciation	62,834	69,924
Total Assets	<u>\$ 976,976</u>	<u>\$ 771,391</u>
<u>Liabilities</u>		
Current Liabilities	\$ 623,419	\$ 424,258
<u>Net Position</u>		
Invested in capital assets	62,834	69,924
Unrestricted	290,723	277,209
Total Net position	<u>353,557</u>	<u>347,133</u>
Total Liabilities and Net Position	<u>\$ 976,976</u>	<u>\$ 771,391</u>

**Rutherford Winans Academy
Management's Discussion and Analysis (Continued)**

Net Position- The Academy's financial position increased from the prior period by \$16,001. The increase in net position is primarily due to a decrease in student enrollment.

The above analysis focuses on the net position. The change in the net position of the Academy's governmental activities is discussed below. The Academy's net position was \$353,557 on June 30, 2024. Capital assets, recorded at historical cost, net of depreciation, totaled \$62,834. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities as shown below, which shows the change in net assets for fiscal year ended June 30, 2024.

<u>Revenues</u>	<u>2024</u>	<u>2023</u>
Program Revenues:		
Operating grants and contributions	\$ 1,062,171	\$ 835,740
General Revenues:		
State foundation allowance	1,575,324	1,731,400
Local sources	<u>187,078</u>	<u>58,132</u>
Total Revenues	<u>2,824,573</u>	<u>2,625,272</u>
Function/Program Expenses:		
Instruction	1,211,397	1,034,456
Support services	1,576,143	1,391,347
Community services	3,942	2,266
Depreciation	<u>17,090</u>	<u>14,636</u>
Total Expenses	<u>2,808,572</u>	<u>2,442,705</u>
Change in Net Position	<u>\$ 16,001</u>	<u>\$ 182,568</u>

As reported in the Statement of Activities, the cost of our governmental activities this year was \$2,808,572. Certain activities were partially funded by those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$1,062,171. We paid for the remaining "public benefit" portion of our governmental activities with \$1,762,402 in state foundation allowance and with our other revenues.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes most of the Academy's operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

**Rutherford Winans Academy
Management's Discussion and Analysis (Continued)**

The General Fund

The General Fund had revenues of \$2,824,573 and total expenditures of \$2,801,482. The General Fund balance was \$290,732. As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the state and others provide to it and may provide insight into the Academy's overall financial health.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditure does not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were revisions made to the 2022-2024 General Fund original budgets. Budgeted revenues and expenditures were decrease due to a decrease in student enrollment.

Capital Assets

As of June 30, 2024, the Academy had \$ \$62,834 invested in net capital assets, furniture and equipment.

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 235,663	\$ 225,663
Less: Accumulated depreciation	<u>172,829</u>	<u>155,739</u>
Total capital assets	<u>\$ 62,834</u>	<u>\$ 69,924</u>

**Rutherford Winans Academy
Management's Discussion and Analysis (Continued)**

Economic Factors Affecting Next Year's Budgets

The Academy's administration considered many factors when setting the Academy's 2025 fiscal year's budget. The State Foundation allowance per pupil for the 2005 fiscal year is \$9,608. The 2025 budget was adopted in June 2024, based on the estimated number of students that will be enrolled in September 2024. Approximately 71% of the total general fund revenue is from the foundation allowance, and approximately 27% is from federal programs. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Request of Information

The financial report is designed to give an overview of the financial conditions of Rutherford Winans Academy. If you should desire additional financial information, it can be obtained by contacting the following person:

Lateefah Scott
School Business Manager
Rutherford Winans Academy
16411 Curtis
Detroit, MI 48235
(313) 852-1154

Rutherford Winans Academy
Statement of Net Position
June 30, 2024

Assets

Cash and cash equivalents	\$ 221,871
Due from governmental units	629,271
Grant receivable	<u>63,000</u>
	914,142
Capital Assets - net of accumulated depreciation	<u>62,834</u>
Total assets	<u>\$ 976,976</u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 379,646
Accrued wages	63,103
Accrued management fee	133,989
Note payable	<u>46,681</u>
Total liabilities	623,419

Net Position

Net investment in capital assets	62,834
Unassigned	<u>290,723</u>
Total net position	<u>353,557</u>
Total liabilities and net position	<u>\$ 976,976</u>

See accompanying notes to the financial statements

Rutherford Winans Academy
Statement of Activities
June 30, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Activities Net (Expense) Revenues and Changes in Net Assets</u>
Primary government-Governmental Activities:			
Instruction	\$ 1,211,397	\$ 1,023,041	\$ (188,356)
Support Services	1,576,143	39,130	(1,537,013)
Community services	3,942	-	(3,942)
Depreciation (unallocated)	17,090	-	(17,090)
Total Governmental Activities	<u>\$ 2,808,572</u>	<u>\$ 1,062,171</u>	<u>(1,746,401)</u>
General Revenues:			
State aid not restricted to specific purposes			1,575,324
Other Income			<u>187,078</u>
Total general revenues			<u>1,762,402</u>
Change in net position			16,001
Net Position - Beginning of year			<u>337,556</u>
Net Position - End of year			<u>\$ 353,557</u>

See accompanying notes to the financial statements

Rutherford Winans Academy
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund
Assets	
Cash and cash equivalents	\$ 221,871
Due from other governmental units	629,271
Grant receivable	63,000
	<u>\$ 914,142</u>
 Liabilities	
Accounts payable	\$ 379,646
Accrued wages	63,103
Accrued management and authorizer fees	133,989
Note payable	46,681
Total liabilities	<u>623,419</u>
 Fund Balance	
Unassigned	<u>290,723</u>
Total fund balance	<u>290,723</u>
 Total liabilities and fund balance	<u>\$ 914,142</u>
 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
 Fund Balance - Total governmental funds	\$ 290,723
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds	
Cost of capital assets	235,663
Accumulated depreciation	<u>(172,829)</u>
 Total Net Position - Governmental activities	<u>\$ 353,557</u>

See accompanying notes to the financial statements

Rutherford Winans Academy
Statement of Revenues, Expenditures and Changes in Fund
Balance –Governmental Funds
June 30, 2024

	General Fund
Revenues	
Local sources	\$ 328,381
State sources	1,886,905
Federal sources	609,287
Total Revenues	<u>2,824,573</u>
Expenditures	
Current	
Instruction services	
Basic programs	917,903
Added needs	293,494
Total instruction	<u>1,211,397</u>
Support services	
Pupil	63,121
Instructional	270,400
General administration	64,047
School administration	514,610
Business services	16,262
Operation and maintenance	510,410
Pupil transportation and services	116,801
Central services	30,492
Total support services	<u>1,586,143</u>
Community services	<u>3,942</u>
Total expenditures	2,801,482
Net Change in Fund Balance	23,091
Fund Balances - Beginning of year	<u>267,632</u>
Fund Balances - End of year	<u>\$ 290,723</u>
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
Net Change in Fund Balance - Total governmental funds	\$ 23,091
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation and amortization expense	(17,090)
Capital outlay	10,000
Change in Net Position of Governmental Activities	<u>\$ 16,001</u>

Rutherford Winans Academy
Statement of Revenues, Expenditures and Changes in Fund
Balance –Governmental Funds
June 30, 2024

NOTE 1- NATURE OF OPERATIONS

Reporting Entity

The Academy was formed as a charter 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 was established on July 1, 2012 as a public-school Academy. The Academy is located in the metropolitan Detroit area providing education for approximately 196 students in grades K-8.

On July 1, 2022, the Academy entered into a three-year contract with the Detroit Public Schools Community District ("Detroit Public Schools") 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. Detroit Public Schools 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 the Detroit Public Schools 3% of state aid as administrative fees. The total administrative fees for the year ended June 30, 2024, to the Detroit Public Schools were approximately \$49,778.

Administrative Services - The Academy entered into a three-year management agreement, effective July 1, 2022, with Solid Rock Management Company for a fee of 12% of State Aid Revenue. The Management Company is responsible for the complete management, operation, administration, and education of the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs. The Academy incurred management fees totaling \$225,914. for the year ended June 30, 2024.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rutherford Winans Academy (the "Academy") conform to accounting principles accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

Rutherford Winans Academy
Notes to Financial Statements (Continued)
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The government-wide Statement of Activities presents a comparison between expenses and program revenues 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.

Net position is 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Classification

The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Cash

Cash includes cash on hand and demand deposits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets. Furniture and other equipment are depreciated using the straight-line method over a useful life of 5-20 years.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its 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 Balance – In the fund financial statements, governmental funds report fund balance as the following:

Unassigned: The residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

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 estimates.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information- Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations and available net position) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law.

Rutherford Winans Academy
Notes to Financial Statements (Continued)
June 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Academy had actual total expenditures that exceeded the approved budget as shown on page 19.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, banker's acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

Custodial Credit Risk– Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposits. At year end, the Academy's deposits were fully insured by FDIC.

NOTE 5 – DUE FROM OTHER GOVERNMENTS AND GRANTS RECEIVABLE

Amounts due have been deemed collectible and are as follows:

State of Michigan	\$ 342,177
Federal	<u>287,094</u>
	<u>\$ 629,271</u>

Grant receivables of \$63,000 represent amounts due from United Way.

The Management of the Academy evaluates its receivables for collectability annually. At June 30, 2024, management believes all receivables are collectible, and no allowance is necessary.

Rutherford Winans Academy
Notes to Financial Statements (Continued)
June 30, 2024

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Furniture and equipment	\$ 225,663	\$ 10,000	\$ -	\$ 235,663
Accumulated depreciation:				
Furniture and equipment	155,739	17,090	-	172,829
Net capital assets being depreciated	<u>\$ 69,924</u>	<u>\$ (7,090)</u>	<u>\$ -</u>	<u>\$ 62,834</u>

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

NOTE 7 – NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$250,000 at an interest rate of 5.4 percent due August 30, 2024. The borrow was utilized for working capital. Interest paid was \$8,423.

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Borrowing - 22/23	\$ 46,681	\$ -	\$ 46,681	\$ -
State Aid Borrowing - 23/24	-	250,000	203,319	46,681
	<u>\$ 46,681</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 46,681</u>

NOTE 8 – OTHER ACCRUED EXPENSES

Other accrued expenses are summarized as follows:

Authorizer fee	\$ 9,056
Management company	<u>124,933</u>
Total	<u>\$ 133,989</u>

Rutherford Winans Academy
Notes to Financial Statements (Continued)
June 30, 2024

NOTE 9 – LEASE

The Academy leases a building under a non-cancelable, three-year operating lease agreement ending June 30, 2025 with Detroit Public School District Community Schools. During the fiscal year ended June 30, 2024, the Academy incurred and paid lease expenses totaling approximately \$150,908.

This lease arrangement does not meet the criteria for recognizing lease assets or liabilities under GASB Statement No. 87, Leases, due to the variable payment structure outlined in the lease terms.

NOTE 10 – RISK MANAGEMENT

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

NOTE 11– CONTINGENCIES

The Academy receives significant funding from federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 12 – SINGLE AUDIT REQUIREMENT

Current Federal guidelines require entities with Federal Expenditures exceeding \$750,000 to have a "Single Audit" of a federally funded program. The Academy expensed approximately \$609,287 of federal funds as of June 30, 2024. A Single Audit is not required.

NOTE 13 – SUBSEQUENT EVENTS

On September 1, 2024, the Academy participated in the State Aid Borrowing Program and borrowed \$250,000 at a rate of 5.90% percent.

Subsequent events have been evaluated through October 27, 2024 which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplementary- Information

**Rutherford Winans Academy
Required Supplemental Information
Budget Comparison Schedule – General Fund
June 30, 2024**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 10,000	\$ 174,143	\$ 328,381	\$ 154,238
State sources	1,800,000	1,875,606	1,886,905	11,299
Federal sources	501,846	529,149	609,287	80,138
Total revenue	2,311,846	2,578,898	2,824,573	245,675
Expenditures				
Current				
Instruction:				
Basic programs	646,733	684,434	917,903	233,469
Added needs	307,211	311,650	293,494	(18,156)
Total instruction	953,944	996,084	1,211,397	215,313
Support services:				
Pupil services	133,250	63,120	63,121	1
Instructional services	95,000	283,758	270,400	(13,358)
General administration	140,000	306,803	353,481	46,678
School administration	227,946	249,121	225,176	(23,945)
Business support services	100,000	17,955	16,262	(1,693)
Operation and maintenance	460,000	513,247	510,410	(2,837)
Pupil transportation and services	30,000	63,447	116,801	53,354
Central services	-	81,359	30,492	(50,867)
Total support services	1,186,196	1,578,810	1,586,143	7,333
Community services	2,571	3,964	3,942	(22)
Total expenditures	2,142,711	2,578,858	2,801,482	222,624
Excess (Deficiency) of Revenue Over (Under)				
Expenditures	169,135	40	23,091	23,051
Fund Balance - July 1, 2023	80,294	80,294	80,294	-
Fund Balance - June 30, 2024	\$ 249,429	\$ 80,334	\$ 103,385	\$ 23,051

Other Required Information



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

**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 Board of Directors Rutherford Winans 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 and the major fund of Rutherford Winans Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Rutherford Winans Academy's basic financial statements, and have issued our report thereon dated October 27, 2024

Report on Internal Control over Financial Reporting

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

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 may exist that have not been identified.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as item 2024-001.

The Academy's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Clairmount Group

The Clairmount Group, PLC
Detroit, Michigan 48226
October 27, 2024

Rutherford Winans Academy
Schedule of Financial Statement Findings

2024 – 002, 2023-001 – Significant Deficiency and Noncompliance – Budgeting

Finding Type

Significant Deficiency and Noncompliance

Criteria

The Academy is required to authorize expenditures only in accordance with budgeted amounts and monitor expenditures in accordance with that budget. Amendments should be made to the budget as deemed necessary.

Condition

Management made several changes as part of the final close that caused actual expenditures to exceed the board appropriate amounts.

Cause/Effect

Management is not adequately monitoring the budget by function and making amendments as needed at year end. Year-end adjustments and reconciliation should be considered when making budget amendments.

Recommendation

The Academy should use the budget as a control to monitor revenue and expenditures accounts. Expenditure must be recorded timely and accurately for this to be effective. Budget to actual comparisons should be made available and reviewed for large or unusual variances. The budget should be amended through the year for changes in expected operations.

Management's Response

The Academy will implement a monthly close process that will include reconciling all balance sheet accounts as well as bank accounts. This process will ensure that the reconciliations agree with the general ledger.

