



Light of the World Academy
Audited Financial Statements

June 30, 2023

Prepared by Taylor & Morgan, CPA, PC

Light of the World Academy
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Light of the World Academy

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United 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 Light of the World Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2023 the Academy adopted new accounting guidance, GASB Statement No. 96, Subscription-based Information Technology Systems. Our opinions are not modified with respect to this matter.

Management's Responsibility 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; this includes 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 Light of the World 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

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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 Light of the World 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 Light of the World 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 the required supplemental information, as indicated by the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of Light of the World Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Light of the World Academy's internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, MI

October 11, 2023

LIGHT OF THE WORLD ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Light of the World Academy's (the Academy) annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide revenues were at \$2,773,392 while expenditures were \$2,469,717.
- At June 30, 2023, the Academy's net assets exceeded its liabilities by \$1,007,940.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements that show information for the Academy as a whole and for its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the Academy as a whole and presents a longer-term view of the Academy's finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements may give you some insights into the Academy's overall financial health. Fund financial statements also report operations in more detail than the government-wide financial statements by providing information about the general fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported in compliance with GASB 34. These statements present information on the Academy's finances in a manner similar to private sector businesses. One of the most important questions asked about the Academy is, "Is the Academy as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information on the Academy as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position shows assets and liabilities, with the difference between the two reported as net position. All capital assets and long-term liabilities are shown in the Statement of Net Position.

The Statement of Activities shows revenues, expenses, and the change in net position for the Academy as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which program revenues support each function.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets, liabilities and net position were as follows:

	2023	2022
Assets		
Current and Other Assets	\$ 1,227,935	\$ 1,062,473
Capital Assets, net	503,340	364,071
Total Assets	1,731,275	1,426,544
Liabilities		
Current Liabilities	292,183	247,583
Long-Term Liabilities	431,152	474,696
Total Liabilities	723,335	722,279
Net Position		
Net Investment in Capital Assets	503,340	364,071
Unrestricted	504,600	340,194
Total Net Position	\$ 1,007,940	\$ 704,265

The Academy's revenues and expenses were as follows:

	2023	2022
Revenues		
State School Aid - Unrestricted	\$ 2,224,525	\$ 2,057,188
Operating Grants and Contributions	360,536	278,834
Miscellaneous Income	188,331	154,202
Total Revenues	2,773,392	2,490,224
Expenditures		
Instructional	1,361,662	1,175,363
Support Services	1,049,445	1,081,147
Interest on Long Term Debt	20,594	26,066
Unallocated Depreciation	38,016	40,846
Total Expenditures	2,469,717	2,323,422
Change in Net Position	303,675	166,802
Beginning Net Position	704,265	537,463
Ending Net Position	\$ 1,007,940	\$ 704,265

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the year ended June 30, 2023, the Academy's revenues of \$2,773,392 exceeded its expenditures of \$2,469,717 by \$303,675, ending the year with a net position balance of \$1,007,940. Per pupil funding and student enrollment are the primary factors in determining the revenue and expenses for the Academy. The student count for the year ended June 30, 2023 was 243 students, an increase of 13 from the prior year. The Academy's per-pupil state aid allowance was \$9,150.

FUND FINANCIAL STATEMENTS

Governmental funds account for the same functions as are reported as governmental activities in the government-wide financial statements. Governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called “modified accrual” accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

BUDGET VARIATIONS

Actual revenue exceeded budgeted revenue by \$9,623, and budgeted expenses exceeded actual amounts by \$80,869. This resulted in actual fund balance exceeding budgeted fund balance amounts by \$90,492.

Please see the Budgetary Comparison Schedule on page 21 for functional budget details.

CAPITAL ASSETS

The Academy had \$506,340 invested in capital assets, net of depreciation/amortization, at June 30, 2023. Please refer to the notes to the basic financial statements for further information.

OUTSTANDING DEBT AT YEAR END

At June 30, 2023, the Academy had \$417,928 in long-term debt owed Bank Michigan. Please refer to the notes to the basic financial statements for more information

At June 30, 2023, the Academy had \$13,224 in long-term lease payments owed on office equipment. Please refer to the notes to the basic financial statements for more information.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our parents, teachers, students, investors and creditors with an overview of the Academy’s finances. If you have any questions about this report or need any clarification of information please contact the Light of the World Academy offices, located at:

Light of the World Academy
550 E. Hamburg St
Pinckney, MI 48169
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BASIC FINANCIAL STATEMENTS

LIGHT OF THE WORLD ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2023

		Governmental Activities
Assets		
	Cash and Cash Equivalents	\$ 710,726
	Due from Other Governmental Units	443,762
	Accounts Receivable	42,121
	Prepaid Items	31,326
	Capital Assets Net of Depreciation/Amortization	503,340
	Total Assets	1,731,275
 Liabilities		
	Accounts Payable	37,894
	Other Liabilities	823
	Accrued Expenses	191,856
	Unearned Revenue	61,610
	Long Term Liabilities	
	Due in less than one year	45,253
	Due in more than one year	385,899
	Total Liabilities	723,335
 Net Position		
	Net Investment in Capital Assets	503,340
	Unrestricted (Deficit)	504,600
	Total Net Position	\$ 1,007,940

See accompanying notes to basic financial statements

LIGHT OF THE WORLD ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental Activities					
Instruction	\$ 1,361,662	\$ -	\$ 200,855	\$	(1,160,807)
Support Services	1,049,445	-	159,681		(889,764)
Interest on Long Term Debt	20,594	-	-		(20,594)
Unallocated Depreciation	38,016	-	-		(38,016)
Total Governmental Activities	\$ 2,469,717	\$ -	\$ 360,536		(2,109,181)
General Purpose Revenues					
State School Aid - Unrestricted					2,224,525
Miscellaneous					188,331
Total General Revenue					2,412,856
Change in Net Position					303,675
Net Position - July 1					704,265
Net Position - June 30				\$	1,007,940

See accompanying notes to basic financial statements

LIGHT OF THE WORLD ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

		<u>General Fund</u>
Assets		
Cash and Cash Equivalents	\$	710,726
Due from Other Governmental Units		443,762
Accounts Receivable		42,121
Prepaid Items		<u>31,326</u>
Total Assets	\$	<u>1,227,935</u>
Liabilities and Fund Balance		
Current Liabilities		
Accounts Payable	\$	37,894
Other Liabilities		823
Accrued Expenses		191,856
Unearned Revenue		<u>61,610</u>
Total Current Liabilities		292,183
Fund Balance		
Non-spendable		31,326
Unassigned		<u>904,426</u>
Total Fund Balance		<u>935,752</u>
Total Liabilities and Fund Balance	\$	<u>1,227,935</u>

See accompanying notes to basic financial statements

LIGHT OF THE WORLD ACADEMY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total Governmental Fund Balances	\$	935,752
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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 therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$	759,669	
Accumulated Depreciation		<u>(256,329)</u>	503,340

Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Direct Borrowing		<u>(431,152)</u>
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Total Net Position - Governmental Activities	\$	<u><u>1,007,940</u></u>
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See accompanying notes to basic financial statements

LIGHT OF THE WORLD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
Revenues	
Local Sources	\$ 188,331
State Sources	2,465,967
Federal Sources	<u>180,552</u>
Total Revenues	2,834,850
Expenditures	
Instruction	
Basic Programs	1,112,530
Added Needs	<u>249,132</u>
Total Instruction	1,361,662
Support Services	
Pupil Services	177,161
General Administration	410,091
School Administration	163,495
Business Services	99,220
Operation and Maintenance	331,546
Technology	<u>45,217</u>
Total Support Services	1,226,730
Debt Service	<u>64,138</u>
Total Expenditures	<u>2,652,530</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	182,320
Fund Balance - July 1	<u>753,432</u>
Fund Balance - June 30	<u><u>\$ 935,752</u></u>

See accompanying notes to basic financial statements

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

Total Net Change in Fund Balances - Governmental Funds \$ 182,320

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceed depreciation/amortization in the current period

Capitalized Assets	\$	177,285	
Depreciation/Amortization Expense		<u>(38,016)</u>	139,269

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

Repayment of Loan Principal		<u>43,544</u>	43,544
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Revenues is reported in the statement of activities when earned; revenue is not reported in the funds until collected or collectible and available to pay certain obligations

(61,458)

Change in Net Position of Governmental Activities \$ 303,675

NOTES TO THE FINANCIAL STATEMENTS

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Light of the World 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, and began operation in July 2015.

In July 2022, the Academy entered into a three-year contract with Grand Valley State University's Board of Control 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 Control 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 Grand Valley State University's Board of Control three percent of per-pupil state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were \$66,736.

On July 1, 2020, the Academy entered into a 24-month contractual agreement with CS Partners, LLC. The Academy has agreed to pay 10% of State Aid in exchange for management services as an Educational Service Provider. In June 2022, the contract with CS Partners was extended until June 30, 2025. The total paid for these services was \$222,453 for the year ended June 30, 2023.

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Directors has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-Wide Statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major fund). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

In the Government-Wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in two parts: invested in capital assets net of related debt and unrestricted net position. The Academy first utilizes restricted resources to finance qualifying activities.

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-wide Statements (continued)

The Government-Wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs among the functional categories.

Basic Financial Statements - Fund Financial Statements

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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. The various funds are grouped, in the combined financial statements in this report, into one generic fund type in one broad fund category as follows:

Governmental Funds

Governmental funds are those funds 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 governmental funds.

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.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting/Measurement Focus/ Modified Accrual (continued)

accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received.

Cash Equivalents and Investments – Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than three months. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no 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, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an academy.

Inventories - Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Inventory amounts were not material as of June 30, 2023.

Capital Assets - The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Right to use assets are amortized using the straight line method over the shorter of the lease period or the estimated useful life. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$1,000.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	10 – 50 years
Furniture	5 – 15 years
Technology	3 – 10 years
Right to use - technology	
Vehicles	5 - 10 years

Economic Dependency – The Academy receives approximately 87% of its operating revenue from the State of Michigan.

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases – The Academy is a lessee for a noncancelable lease of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$5,000 or more.

Note 2 – Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of academies prior to the expenditure of monies in a fiscal year.

The Board of Directors adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act. The Act requires expenditures to be budgeted on a functional basis. The Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy's Educational Service Provider ("ESP") submits to the Board of Directors a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The ESP is authorized to transfer budgeted amounts between functions within any fund with the approval of the Board of Directors; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
3. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles.
4. Budgeted amounts are as originally adopted, or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations, which were amended.
5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A schedule comparing actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Directors) for the General Fund is presented as required supplementary information.

Budgetary information

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Academy's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Excess of expenditures over appropriations in budgeted funds

The Academy did not have significant expenditure budget variances.

Note 3 - Cash and Investments

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Note 3 - Cash and Investments (continued)

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2023, the Academy had \$289,693 in deposit balances uninsured and uncollateralized.

Custodial Credit Risk for Investments

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. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

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JUNE 30, 2023

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to invest in investments that would be subject to this type of risk.

Note 4 - Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>6/30/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2023</u>
Building	\$ 375,255	\$ 149,386	\$ -	\$ 524,641
Furniture	74,273	10,586	-	84,859
Technology	108,260	12,976	-	121,236
Right to use - Technology	18,346	-	-	18,346
Vehicles	6,250	4,337	-	10,587
Less: Acc. Depreciation/Amortization	<u>(218,313)</u>	<u>(38,016)</u>	-	<u>(256,329)</u>
Net Capital Assets	<u>\$ 364,071</u>	<u>\$ 139,269</u>	<u>\$ -</u>	<u>\$ 503,340</u>

Depreciation/amortization expense for the year ended June 30, 2023 was \$38,016. Depreciation/amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

Note 5 – Defined Benefit Pension Plan

The Academy does not participate in the Michigan Public School Employees' Retirement System (MPSERS). Therefore, no pension plan or other post-employment benefit disclosures are deemed necessary.

Note 6 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Directors adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash. The Academy had \$31,326 in non-spendable fund balance as of June 30, 2023.

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had no amounts restricted at June 30, 2023. Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2023.

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Directors, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had no amounts assigned at June 30, 2023.

Unassigned fund balance is reported only in the General Fund and represents the remaining spendable fund balance after restrictions and assignments have been made.

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 7 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

Note 9 – Long-Term Debt

In October 2020, the Academy refinanced its outstanding mortgages with Bank Michigan. Loan 1 requires monthly payments of \$3,071, including 4.375% interest, through October 2025. Loan 2 requires monthly payments of \$1,605 principal plus interest at 4.50%, through June 2026.

In April 2022, the Academy entered in to a lease agreement for office equipment. Management has determined that this will be treated as a Right to Use asset under GASB 87. The lease requires monthly payments of \$420 due over 48 months. Management has determined that a 4% annual interest rate is appropriate.

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9 – Long-Term Debt (continued)

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

Loan and Lease Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Loan 1	4.375%	October, 2025	Payable monthly at \$3,071 principal and interest. Secured by Academy Building
Loan 2	4.50%	June, 2026	Payable monthly at \$1,605 principal plus interest. Secured by Academy Building
Lease	4.00%	April, 2026	Payable monthly at \$420 principal and interest.

Loan and Lease Activity

	<u>6/30/2022</u>	<u>Additions</u>	<u>Retirements/ Payments</u>	<u>6/30/2023</u>
Loan 1 – Bank Michigan	\$ 383,181	\$ -	\$ (19,876)	\$ 363,305
Loan 2 – Bank Michigan	73,886	-	(19,263)	54,623
Lease Liability	17,629	-	(4,405)	13,224
	<u>\$ 474,696</u>	<u>\$ -</u>	<u>\$ (43,544)</u>	<u>\$ 431,152</u>

Future principal payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 45,253	\$ 17,966	\$ 63,220
2025	46,396	15,957	62,353
2026	339,503	5,020	343,907
Total	<u>\$ 431,152</u>	<u>\$ 38,943</u>	<u>\$ 469,480</u>

Note 10 – Due from Other Governmental Units

Amounts due from other governmental units consists of the following:

State sources	\$ 439,965
Federal sources	3,797
Total	<u>\$ 443,762</u>

Note 11 - Subsequent Events

Subsequent events have been reviewed through October 11, 2023, the date the financial statements were available to be issued.

LIGHT OF THE WORLD ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 12 – Change in Accounting Principle

For the year ended June 30,2023 the Academy implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements was issued in May 2020. 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.

There was no material impact on the Academy's financial statements after the adoption of GASB Statement 96.

Note 13 – 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.

LIGHT OF THE WORLD ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources	\$ 210,800	\$ 187,381	\$ 188,331	\$ 950
State Sources	2,269,603	2,455,942	2,465,967	10,025
Federal Sources	111,501	181,904	180,552	(1,352)
Total Revenues	2,591,904	2,825,227	2,834,850	9,623
Expenditures				
Education				
Instruction				
Basic Programs	1,168,269	1,142,230	1,112,530	29,700
Added Needs	229,826	271,980	249,132	22,848
Supporting Services				
Pupil Services	160,978	195,241	177,161	18,080
General Administration	423,292	412,842	410,091	2,751
School Administration	160,143	163,889	163,075	814
Business Services	90,717	98,883	99,220	(337)
Operation and Maintenance	236,674	336,731	331,546	5,185
Technology	40,395	36,795	35,795	1,000
Debt Service	62,953	74,808	73,980	828
Total Expenditures	2,573,247	2,733,399	2,652,530	80,869
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	18,657	91,828	182,320	90,492
Fund Balance - July 1	753,432	753,432	753,432	-
Fund Balance - June 30	<u>\$ 772,089</u>	<u>\$ 845,260</u>	<u>\$ 935,752</u>	<u>\$ 90,492</u>

OTHER INFORMATION

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

To the Board of Trustees
Light of the World 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Light of the World Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Light of the World Academy's basic financial statements, and have issued our report thereon dated October 11, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Light of the World 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 Light of the World Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Light of the World 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Light of the World 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Flint, Michigan
Certified Public Accountants

October 11, 2023