

Bridge Academy of Southwest Michigan

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Bridge Academy of Southwest Michigan
Members of the Board of Directors and Administration
June 30, 2023

Members of the Board of Directors

Michael Hagerty – Board Chair

Brian Maynard – Vice Chair

Gwen Wood – Treasurer

Kimberly Penny – Secretary

Lewis Scott – Trustee

Administration

Allie Knapp – School Leader

Independent Auditors' Report

Management and the Board of Directors
Bridge Academy of Southwest Michigan
Benton Harbor, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Bridge Academy of Southwest Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Bridge Academy of Southwest Michigan's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bridge Academy of Southwest Michigan, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bridge Academy of Southwest Michigan, 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 1 to the financial statements, during the year ended June 30, 2023 the Bridge Academy of Southwest Michigan adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge Academy of Southwest Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of Bridge Academy of Southwest Michigan'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 Bridge Academy of Southwest Michigan'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 Bridge Academy of Southwest Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 13, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023



Bridge Academy of Southwest Michigan, a 9th grade through 12th grade Public School Academy located in Berrien County, Michigan, has completed its second year with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Bridge Academy of Southwest Michigan's discussion and analysis of the financial results for the fiscal year ended June 30, 2023.

Using this Annual Report

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State & Local Governments. The data will also have requirements from GASB Statements No. 78, including a Statement of Net Position. The following components are required:

- Management's Discussion and Analysis
- Basic Financial Statements, including *Statement of Net Position*, *Statement of Activities* and *Fund Financial Statements*
- Notes to the Financial Statements
- Required Supplementary Information
- 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*

Management's Discussion and Analysis is a narrative insight into the past and present financial condition of the Bridge Academy. This summary does not take the place of the comprehensive financial statements and other supplemental information following this narrative.

Reporting the Academy as a Whole

The financial statements provide information about the activities of the Bridge Academy, presenting both an aggregate view of the finances and a longer-term view of those finances. These statements use the full accrual basis of accounting similar to that used by companies in the private sector. The two statements are the Statement of Net Position and the Statement of Activities, which appear first in the financial statements. The Statement of Net Position includes all of the Bridge Academy's assets and liabilities, regardless if they are short-term or long-term. The Statement of Activities includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

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

Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Reporting Bridge Academy's Most Significant Funds – Fund Financial Statements

The Bridge Academy currently only has a singular fund- The General Fund which is reflected in the fund statements. The fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available, and thus represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

The Bridge Academy's fund financial statements provide detailed information about the most significant funds – not the Academy as a whole. Funds are accounting devices that the Bridge Academy uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The statements provide information about Bridge Academy's standalone fund – the General Fund.

Financial Analysis of The Bridge Academy as a Whole

The statement of net position shows the perspective of the Bridge Academy as a whole. As required by the Governmental Accounting Standards Board, The Bridge Academy adopted GASB Statements No. 87 Leases in 2022, and No. 96 Subscription-Based IT Arrangements in 2023. It increases the usefulness of the School's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the School's leasing activities. All governments were required to adopt GASB 87 and 96.

Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Table 1 – Summary of Net Position:

	<u>2023</u>	<u>2022</u>
Assets		
Short term	\$ 537,399	\$ 412,293
Long term	<u>470,204</u>	<u>367,632</u>
Total	<u>1,007,603</u>	<u>779,925</u>
Liabilities		
Short term	274,405	248,957
Long term	<u>277,449</u>	<u>367,625</u>
Total	<u>551,854</u>	<u>616,582</u>
Net Position		
Net investment in capital assets	192,755	-
Unrestricted	<u>262,994</u>	<u>163,343</u>
Total	<u>\$ 455,749</u>	<u>\$ 163,343</u>

Net Position is a combination of funds available for capital assets, plus capital assets at original cost, less accumulated depreciation and related debt. The accumulated depreciation is the accumulation of depreciation expense since acquisition. As of June 30, 2023, the Bridge Academy's Net Assets total \$455,749, of which \$262,994 are unrestricted, with the remaining amount being invested in capital assets net of related debt. The operating results of the General Fund will have a significant impact on any change in the unrestricted amount from year to year.

Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Statement of Activities

The results of this year's operations for The Bridge Academy are reported in the statement of activities, and in a more condensed format in Table 2.

Table 2 – Results of Activities:

	2023	2022
General revenues		
State aid - unrestricted	\$ 857,884	\$ 622,050
Interest and investment earnings	20	12
Total	857,904	622,062
 Program revenues		
Operating grants and contributions	497,202	332,294
Total revenues	1,355,106	954,356
 Expenses		
Instruction	627,435	408,797
Supporting services	433,040	381,793
Community services	2,225	423
Total expenses	1,062,700	791,013
Change in net position	292,406	163,343
Net position - beginning	163,343	-
Net position - ending	\$ 455,749	\$ 163,343

Analysis of Financial Position:

A few significant factors affecting the net position during the year are as follows:

- **Net Change in Net Position**

The Bridge Academy generated an increase of \$99,658 in the General Fund.

- **Leases**

The Bridge Academy has one lease and one SBITA, which was recognized in conjunction with GASB 87 and 96. This is demonstrated by the Right to use assets-net of amortization of \$276,154 and a long-term liability of \$277,449.

**Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

The Bridge Academy's Funds

As the Bridge Academy completed this year, the governmental funds reported \$1,355,106 in revenue.

The student count for 2022-2023 grew to 97.

Both the short-term and long-term overview look favorable, especially with our current strong Fund Balance, combined with our strategic plan that includes a five-year outlook that focuses on financial stability combined with the school's emphasis on academic excellence.

General Operating Fund

Bridge Academy's revenues from General Fund Operations exceeded expenditures by \$99,658 for the fiscal year ended June 30, 2023. The General Fund balance remains strong at 19% of revenues.

Revenues by Sources – All Funds

State of Michigan Unrestricted Aid (State Foundation Grant)

The foundation allowance is determined annually by the State of Michigan using the following: State Aid Act per student foundation allowance; student enrollment blended at 90% of current year fall count and 10% of winter count.

Per Student Foundation Allowance:

Bridge Academy's student enrollment for the 2022-2023 school year ended with 98 students.

The Bridge Academy's preliminary blended student enrollment for next year is projected to be at 108.7 students.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the Bridge Academy's Board of Directors approve the original budget prior to July 1st, the start of the fiscal year. A schedule showing the Bridge Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. During the fiscal year, the Bridge Academy revises its budget to reflect changes in revenues and expenditures. An analysis of comparisons between the original and final budgets shows that the most significant changes are due to changes with the Charter School Grants. Many of the items that were ordered in the current fiscal year were received in July and thus will be represented in the next Fiscal Year. The final actual numbers compare favorably with the final budget numbers. Revenues and expenditures came in under budget as a result of planning to spend the entire Charter School grant in year one, but ultimately will carry some over to the subsequent fiscal year.

**Bridge Academy of Southwest Michigan
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

General Fund –

	<u>Original Budget</u>	<u>Final Budget</u>
Revenues	\$ 1,426,456	\$ 1,371,213
Expenditures	1,444,895	1,246,681

Economic Factors and Next Year's Budgets and Rates

The administration considered many factors when determining the Bridge Academy's 2023-2024 fiscal year budget. One of the most important factors for 2023-2024 is the student count, since the state foundation revenue is determined by the blended student count that was discussed earlier. The foundation allowance for the 2023/2024 school year was \$9,608.

Approximately 70% of total General Fund revenues are from State Sources. Revenues are thus heavily dependent on the State's ability to fund local operations. When the fall student count is completed and the related per pupil funding is validated, the budget for the Bridge Academy will be amended to reflect the revised numbers. Since the Bridge Academy's revenue depends on State funding and the health of the State School Aid fund, the actual revenue received therefore depends on the State's ability to collect revenues to fund its appropriations to Districts. The State periodically holds revenue estimating conferences to evaluate its ability to fund obligations. Should state revenues fall below previous estimates, a statewide proration of the Foundation Allowance to Districts would occur.

Contacting the Bridge Academy's Financial Management

This financial report is designed to provide a general overview of the Bridge Academy finances, and to demonstrate the Bridge Academy's accountability for the money it receives. If there are any questions about this report, or if additional financial information is needed, contact Bridge Academy's Finance Department at 330 W. Main Street in Benton Harbor, Michigan 49022.

BASIC FINANCIAL STATEMENTS

Bridge Academy of Southwest Michigan
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash	\$ 199,862
Accounts receivable	16,323
Due from other governmental units	317,446
Prepaid items	3,768
Right to use assets - net of amortization	276,154
Capital assets - net of accumulated depreciation	194,050
Total assets	1,007,603
Liabilities	
Accounts payable	208,904
Due to other governmental units	4,606
Accrued expenditures	16,469
Unearned revenue	44,426
Long-term liabilities	
Due within one year	139,226
Due in more than one year	138,223
Total liabilities	551,854
Net Position	
Net investment in capital assets	192,755
Unrestricted	262,994
Total net position	\$ 455,749

See Accompanying Notes to the Financial Statements

Bridge Academy of Southwest Michigan
Statement of Activities
For the Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs			
Governmental activities			
Instruction	\$ 627,435	\$ 478,932	\$ (148,503)
Supporting services	433,040	18,270	(414,770)
Community services	<u>2,225</u>	<u>-</u>	<u>(2,225)</u>
Total governmental activities	<u>\$ 1,062,700</u>	<u>\$ 497,202</u>	<u>(565,498)</u>
		General revenues	
		State aid - unrestricted	857,884
		Interest and investment earnings	<u>20</u>
		Total general revenues	<u>857,904</u>
		Change in net position	292,406
		Net position - beginning	<u>163,343</u>
		Net position - ending	<u>\$ 455,749</u>

See Accompanying Notes to the Financial Statements

Bridge Academy of Southwest Michigan
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund
Assets	
Cash	\$ 199,862
Accounts receivable	16,323
Due from other governmental units	317,446
Prepaid items	3,768
Total assets	\$ 537,399
Liabilities	
Accounts payable	\$ 208,904
Due to other governmental units	4,606
Accrued expenditures	16,469
Unearned revenue	44,426
Total liabilities	274,405
Fund Balance	
Non-spendable	
Prepaid items	3,768
Assigned for Board of Director discretionary spending	70,000
Unassigned	189,226
Total fund balance	262,994
Total liabilities and fund balance	\$ 537,399

See Accompanying Notes to the Financial Statements

Bridge Academy of Southwest Michigan
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balance for governmental funds	\$ 262,994
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets - net of amortization	276,154
Capital assets - net of accumulated depreciation	194,050
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
SBITA liabilities	(23,350)
Leases	<u>(254,099)</u>
Net position of governmental activities	<u>\$ 455,749</u>

Bridge Academy of Southwest Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2023

	General Fund
Revenues	
Local sources	\$ 52,221
State sources	951,415
Federal sources	351,470
Total revenues	1,355,106
Expenditures	
Current	
Education	
Instruction	535,088
Supporting services	369,304
Community services	1,897
Capital outlay	211,633
Debt service	
Principal	137,526
Total expenditures	1,255,448
Excess of revenues over expenditures	99,658
Fund balance - beginning	163,336
Fund balance - ending	\$ 262,994

See Accompanying Notes to the Financial Statements

Bridge Academy of Southwest Michigan
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

Net change in fund balance - Total governmental funds	\$	99,658
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Total change in net position reported for governmental activities in the statement of activities is 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 and reported as amortization expense.

Amortization expense		(138,828)
Depreciation expense		(25,143)
Capital outlay		219,193

Lease proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt		137,526
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Change in net position of governmental activities	\$	<u>292,406</u>
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Bridge Academy of Southwest Michigan

Notes to the Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Bridge Academy of Southwest Michigan (the School) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School is governed by an appointed five-member Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School's reporting entity, and which organizations are legally separate component units of the School. The School has no component units.

The School 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 School has entered into a contract with Central Michigan University (CMU) to charter a public school academy through June 30, 2026. The contract requires the School 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. CMU is the fiscal agent for the School and is responsible for overseeing the School's compliance with the contract and all applicable laws. The School pays CMU three percent of the state aid foundation as administrative fees. The total administrative fees for the year to CMU was approximately \$25,680.

School-wide Financial Statements

The School's basic financial statements include both school-wide (reporting for the school as a whole) and fund financial statements (reporting the School's major funds). The school-wide financial statements categorize all nonfiduciary activities as either governmental

or business type. All the School's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (such as certain intergovernmental revenues). 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 (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.).

The school-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from current year 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated

Bridge Academy of Southwest Michigan
Notes to the Financial Statements
June 30, 2023

absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School reports the following major governmental fund:

General Fund - The General Fund is used to record the general operations of the School pertaining to education and those operations not required to be provided for in other funds.

Assets, Liabilities and Fund Balance

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School follows the consumption method, and they therefore are capitalized as prepaid items in both school-wide and fund financial statements.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School follows the consumption method, and they therefore are capitalized as prepaid items in both school-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life of five years or greater. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School does not have infrastructure assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment and furniture 5 - 7 years

Fund Balance - In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Bridge Academy of Southwest Michigan
Notes to the Financial Statements
June 30, 2023

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. Because the SBITA assets and liabilities were at equal values at adoption, no restatement of net position was necessary.

Upcoming Accounting and Reporting Changes

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School is evaluating the impact that the above pronouncements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School to have its budget in place by July 1. A school is not considered in violation of the law if reasonable procedures are in use by the School to detect violations.

Any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year.

Excess of Expenditures over Appropriations

During the year, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 225,209	\$ 287,657	\$ 62,448
Pupil transportation services	1,500	1,716	216
Debt - principal	-	137,526	137,526

Bridge Academy of Southwest Michigan
Notes to the Financial Statements
June 30, 2023

Note 3 - Deposits

The School's deposits were reported in the basic financial statements in the following categories:

	Total Primary Government
Cash	\$ <u>199,862</u>

The breakdown between deposits and investments for the School is as follows:

Deposits (checking and savings accounts)	\$ <u>199,862</u>
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Interest rate risk - The School does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes and the School's investment policy authorize the School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' 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.

Concentration of credit risk - The School does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of year end, the School's entire bank balance of \$330,877 was insured by the FDIC.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	(As restated)			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment and furniture	\$ -	\$ 219,193	\$ -	\$ 219,193
Right to use asset - buildings and additions	386,981	-	-	386,981
Right to use asset - subscriptions	47,350	-	-	47,350
Total capital assets being depreciated	<u>434,331</u>	<u>219,193</u>	<u>-</u>	<u>653,524</u>
Less accumulated depreciation for				
Equipment and furniture	-	25,143	-	25,143
Right to use asset - buildings and additions	19,349	116,100	-	135,449
Right to use asset - subscriptions	-	22,728	-	22,728
Total accumulated depreciation	<u>19,349</u>	<u>163,971</u>	<u>-</u>	<u>183,320</u>
Net capital assets being depreciated	<u>414,982</u>	<u>55,222</u>	<u>-</u>	<u>470,204</u>
Net capital assets	<u>\$ 414,982</u>	<u>\$ 55,222</u>	<u>\$ -</u>	<u>\$ 470,204</u>
Total right to use leased assets				
Right to use assets, net of amortization	\$ 414,982	\$(138,828)	\$ -	\$ 276,154
Capital assets				
Other capital assets, net of depreciation	-	194,050	-	194,050
Net capital assets	<u>\$ 414,982</u>	<u>\$ 55,222</u>	<u>\$ -</u>	<u>\$ 470,204</u>

Bridge Academy of Southwest Michigan
Notes to the Financial Statements
June 30, 2023

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 44,426</u>
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Note 6 - Lease Liability

During the 2022 fiscal year, the School entered into a forty-month lease agreement as lessee for the use of a portion of the lessor’s building for classroom space. An initial lease liability was recorded in the amount of \$386,981 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$254,099. The School is required to make annual principal and interest payments of \$120,000. The lease has an interest rate of 2.05%. The value of the right-to-use asset as of the end of the current fiscal year was \$386,981, less accumulated amortization of \$135,449.

The remaining payments on this lease agreement are as follows:

Year ending June 30,	
2024	\$ 115,876
2025	118,274
2026	<u>19,949</u>
 Total	 <u>\$ 254,099</u>

Note 7 - Subscription-Based IT Arrangements

The School has entered into subscription-based information technology arrangements (SBITAs) involving a curriculum platform. Annual payments of \$24,000 are due with the agreement expiring July of 2024. As of year end, one remaining payment of \$24,000 due, with \$650 of

that representing interest. The net value of the right to use asset at year end was \$24,622, which is net of accumulated amortization of \$22,728.

In addition to the amounts presented above, the School also had outflows of resources during the fiscal year totaling \$14,500 that were not included in the measurement of the subscription liability. This total consists of a variable amount that is based on the number of “seats” purchased related to the curriculum program.

Note 8 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

Note 9 - Management Company

The School has a management agreement with Kinexus Group, LLC (KG). Under the terms of this agreement, KG provides a variety of services including management, curriculums, education programs and teacher training. KG was reimbursed for all expenses paid on behalf of the school. KG shall receive all revenues (the “Fee”) as its services fee, from which it shall pay all operating costs of the School. KG is entitled to retain as compensation for the services the difference, if any, between the Fee and the amount actually expended by KG in operation and/or management of the School during the School’s fiscal year. Funds were disbursed to KG to reimburse the company for the above expenditures that were incurred on the School’s behalf. No management fee was levied upon the School for the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Bridge Academy of Southwest Michigan
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 20,020	\$ 50,870	\$ 52,221	\$ 1,351
State sources	852,565	953,479	951,415	(2,064)
Federal sources	553,871	366,864	351,470	(15,394)
Total revenues	<u>1,426,456</u>	<u>1,371,213</u>	<u>1,355,106</u>	<u>(16,107)</u>
Expenditures				
Instruction				
Basic programs	442,357	225,209	287,657	62,448
Added needs	254,080	261,876	247,431	(14,445)
Supporting services				
General administration	69,626	52,654	38,327	(14,327)
School administration	212,875	210,950	205,899	(5,051)
Business	58,524	52,030	45,306	(6,724)
Operations and maintenance	131,515	131,400	24,604	(106,796)
Pupil transportation services	1,500	1,500	1,716	216
Central	66,511	75,191	53,452	(21,739)
Other	400	-	-	-
Community services	-	7,871	1,897	(5,974)
Capital outlay	207,507	228,000	211,633	(16,367)
Debt service				
Principal	-	-	137,526	137,526
Total expenditures	<u>1,444,895</u>	<u>1,246,681</u>	<u>1,255,448</u>	<u>8,767</u>
Excess (deficiency) of revenues over expenditures	<u>(18,439)</u>	<u>124,532</u>	<u>99,658</u>	<u>(24,874)</u>
Fund balance - beginning	<u>163,336</u>	<u>163,336</u>	<u>163,336</u>	<u>-</u>
Fund balance - ending	<u>\$ 144,897</u>	<u>\$ 287,868</u>	<u>\$ 262,994</u>	<u>\$ (24,874)</u>

OTHER REPORT

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*

Independent Auditors' Report

Management and the Board of Directors
Bridge Academy of Southwest Michigan
Benton Harbor, Michigan

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 Bridge Academy of Southwest Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Bridge Academy of Southwest Michigan's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridge Academy of Southwest Michigan'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.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
October 13, 2023



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October 13, 2023

Management and the Board of Directors
Bridge Academy of Southwest Michigan
Benton Harbor, Michigan

We have audited the financial statements of the governmental activities and the major fund information of Bridge Academy of Southwest Michigan (the School) as of and for the year ended June 30, 2023. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Directors, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

Appendix I Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 31, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the footnotes of the financial statements. The School has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2021:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Right of use assets and lease and subscription arrangement liabilities. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing reasonable interest and discount rates.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- Information technology controls

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023 Bridge Academy of Southwest Michigan adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the 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*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of Bridge Academy of Southwest Michigan as of and for the year ended June 30, 2023, we considered the School's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for strengthening internal controls and maintaining compliance. This letter does not affect our report dated October 13, 2023, on the financial statements of Bridge Academy of Southwest Michigan.

Federal Procedures Manual

During our audit, we noted that the School does not currently have a federal procedures manual. We recommend that management review the requirements under the Uniform Guidance and implement the prescribed written procedures. These procedures should specifically encompass written procedures for financial management systems, payments, allowable costs, period of performance, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, cash management, conflict of interest and federal timekeeping. The manual should be detailed and specific to the School and include such items as what reports are due, how to compile information needed for the reports and how to file them, usernames and passwords for various websites, etc. The manual will aid any individuals that are new to the School in the event of changeover in the business office.

Management Agreement

We noted that the School's management agreement would benefit from certain revisions/clarifications as follows:

1. Per the School's management agreement, a designated account should be set up to separate certain funds to be used at the discretion of the Board of Directors. It appears this was not done; however, funds are separated on the School's balance sheet. We recommend this account is set up and the related funds are transferred into it.
2. The language regarding the amount of funds to be transferred to the above account was not clear. We recommend the language is amended to make this provision clear.
3. The language regarding the total amount of funds to be retained by the School (within total fund balance) appeared to not coincide with the actual intentions and actions of both the School and the management company. We recommend the language is revised to reflect actual intentions.