

**NEW DAWN ACADEMY OF
WARREN**

**Financial Report
with Supplemental Information
June 30, 2023**

NEW DAWN ACADEMY OF WARREN

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Wilkerson & Associate P.C.

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THOMAS E. WILKERSON, C.P.A.

Independent Auditor's Report

To Management and
The Board of Directors of
New Dawn Academy of Warren

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of New Dawn Academy of Warren (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, each major fund and the aggregate remaining fund information of New Dawn Academy of Warren as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles 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 (GAAS). 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 the Academy, and 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.

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 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 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 budgetary comparison information, as identified in 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 3, 2023, on our consideration of New Dawn Academy of Warren'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 to describe the scope of our testing of 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 New Dawn Academy of Warren's internal control over financial reporting and compliance.

Wilkerson & Associates PC

Dearborn, Michigan
October 2, 2023

**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 Management and
The Board of Directors of
New Dawn Academy of Warren

We have audited the financial statements of New Dawn Academy of Warren as of and for the year ended June 30, 2023, and have issued our report thereon dated October 2, 2023. 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.

Internal Control Over Financial Reporting

New Dawn Academy of Warren is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New Dawn Academy of Warren's internal control over financial reporting as a basis for designing our auditing 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 New Dawn Academy of Warren's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Dawn Academy of Warren's internal control over financial reporting.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors of
New Dawn Academy of Warren

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Dawn Academy of Warren's financial statements are free of 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*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Wilkerson & Associate PC

October 2, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**New Dawn Academy of Warren
Management's Discussion and Analysis**

New Dawn Academy of Warren Management's Discussion and Analysis

Using this Annual Report

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

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

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

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

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

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

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompasses all of the Academy's services, including instruction, support services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

**New Dawn Academy of Warren
Management's Discussion and Analysis (Continued)**

Reporting the Academy's Governmental Fund – Fund Financial Statements

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

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

The School District as a Whole

As discussed above, the Statement of Net Assets provides information of the Academy as a whole. Table 1 provides a summary of New Dawn Academy of Warren net position as of June 30, 2023.

	Governmental Activities
Assets	2023
Current assets	\$2,699,656
Total Assets	<u>\$ 2,699,656</u>
Liabilities	
Current Liabilities	2,353,934
<u>Net Position</u>	
Net investment in capital assets	291,307
Unrestricted	54,415
Total Net Position	<u>345,722</u>
Total Liabilities and Net Position	<u>\$2,699,656</u>

Net Position - The above analysis focuses on the net position (see Table 1). The financial position is stable for the Academy's first year of operations. At year end, the Academy's net position increased by \$345,867. The first year "change in net position" differs from the "net position" due to pre-opening operations that had the Academy starting the first year of operations with a negative net position of \$145. The change in net position (see Table 2) of the Academy's governmental activities is discussed below. Capital assets, recorded at historical cost, net of depreciation and/or amortization, totaled \$2,480,107 as a result of recording the current value of the building leases held by the Academy and the investment in a school bus, as well as furniture and equipment primarily funded through the federal Charter School Grant Program. The resulting net position is driven by the Academy's investment into its assets in accordance with GASB.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the change in net position for fiscal year ended June 30, 2023.

**New Dawn Academy of Warren
Management's Discussion and Analysis (Continued)**

Table 2- Summary of the Statement of Activities

	Governmental Activities
Revenues	
Program Revenues:	
Operating Grants and Contributions	\$ 775,529
General Revenues:	
State foundation allowance	640,733
Other	50,559
Total general revenue	\$691,292
Total Revenues	\$1,466,821
Function/Program Expenses:	
Instruction	612,407
Support Services	362,870
Community Services	6,000
Depreciation/amortization	139,677
Total expenses	\$1,120,954
Increase(decrease) in net position	\$ 345,867

Increase in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was \$1,120,954. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$775,529. We paid for the remaining "public benefit" portion of our governmental activities with \$691,292 in state foundation allowance and with our other revenues.

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

Capital Assets

Capital assets are reported in the Statement of Net Assets net of depreciation/amortization and are expensed in the Fund Statements. The Academy has adopted a \$5,000 threshold for the capitalization of assets. In the 2022/23 fiscal year, the Academy purchased assets that met the threshold; and the Academy recognized its investment in its leases of buildings and copiers in accordance with GASB #87. The net value of these capital assets increases the net position by \$291,307.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the state and others provide to it and may provide insight into the Academy's overall financial health.

New Dawn Academy of Warren Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights:

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

There were revisions made to the 2022-2023 General Fund original budgets. Budgeted revenues increased to reflect receipt of additional federal revenues. Budgeted expenditures increased to reflect the cost of grant related program purchases.

Economic Factors Affecting Next Year's Budgets:

The Academy's administration considered many factors when setting the Academy's 2024 fiscal year's budget. One of the most important factors affecting the budget is the Academy's student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Currently the foundation allowance is \$9,150 for fiscal year 2022-2023. An estimated \$450 increase per student was used to develop the 23/24 budget. For the first three years of a charter school's operations the blended count is based on 50% of the fall count and 50% of the spring count. This allows a growing enrollment to have immediate revenue effect. This type of funding is based on parameters set by the Michigan Department of Education that schools must meet to receive performance based funding. The 2024 budget was adopted in June 2023, based on estimated number of students that will be enrolled in September 2023 rather than the 2022/2023 enrollment. As additional information becomes available the Academy will need to amend the budget. Approximately 85 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is heavily dependent on the state's ability to fund local school operations, thus the Academy is looking for an increase in student enrollment for the 2023/24 fiscal year of approximately 50 percent through the advertisement of New Dawn Academy of Warren and continued expansion in grades K-8.

BASIC FINANCIAL STATEMENTS

NEW DAWN ACADEMY OF WARREN
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash	\$84,968
Accounts Receivable	
Due from other governmental units	\$134,581
Prepaid Expenses	
Security Deposits	
Capital Assets (Net of accumulated depreciation/amortization)	<u>\$2,480,107</u>
Total assets	\$2,699,656
Liabilities	
Accounts payable	
Notes payable	
Accrued Liabilities	\$165,134
Long Term Lease Liabilities	
Due within one year	\$273,600
Due in more than one year	<u>\$1,915,200</u>
Total liabilities	<u>\$2,353,934</u>
Net Position	
Net investment in capital assets	\$291,307
Unrestricted	\$54,415
Total net position	<u><u>\$345,722</u></u>
Total net position and Total Liabilities	\$2,699,656

See accompanying notes to financial statements

**NEW DAWN ACADEMY OF WARREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Governmental activities:				
Instruction	\$ 612,407	\$ -	\$ 364,344	\$ (248,063)
Support services	362,870		411,185	\$ 48,315
Community Services	6,000		6,000	\$ -
Depreciation/amortization (unallocated)	139,677			\$ (139,677)
Total governmental activities	\$ 1,120,954	\$ -	\$ 775,529	(345,425)
General revenues				
				640,733
				50,559
				691,292
Change in Net Position				345,867
Net Position - Beginning of year				(145)
Net Position - End of year				\$ 345,722

See accompanying notes to financial statements

**NEW DAWN ACADEMY OF WARREN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

ASSETS

	General Fund	SSF FUND	Total Governmental Funds
Cash	\$77,659	\$7,309	\$84,968
Accounts Receivable			\$0
Due from other governmental units	\$129,932	\$4,649	\$134,581
Security Deposits			\$0
Prepaid Expenses			\$0
Total Current Assets	\$207,591	\$11,958	\$219,549
 Total assets and deferred outflows	\$207,591	\$11,958	\$219,549

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable			\$0
Notes payable			\$0
Deferred revenue	\$40,314	\$0	\$40,314
Other current Liabilites	\$3,374	\$0	\$3,374
Accrued liabilities	\$161,760	\$0	\$161,760
Total liabilities	\$205,448	\$0	\$205,448

Fund Balances

Non-Spendable Fund Balance:

Restricted fund balance	\$40,314	\$11,958	\$52,272
Unassigned fund balance	-\$38,171	\$0	-\$38,171
Total fund balances	\$2,143	\$11,958	\$14,101
Total liabilities and fund balances	\$207,591	\$11,958	\$219,549

See accompanying notes to financial statements

**NEW DAWN ACADEMY OF WARREN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Total Fund Balances - Governmental Funds \$14,101

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, not reported as assets in governmental funds

Cost of capital assets	\$ 307,984	
Accumulated depreciation	(16,677)	
		\$291,307

Leased assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds

Right to use leased assets	\$2,188,800	
		\$2,188,800

Leased assets used in governmental activities are have long term financial obligations not recorded as liabilities in governmental funds

Short term amortization	(\$273,600)	
Long term amortization	(\$1,915,200)	
		(\$2,188,800)

Grants received in advance of services being performed or goods being purchased are not recognized in the funds.		\$40,314
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Total Net Position - Governmental Activities \$345,722

See accompanying notes to financial statements

**NEW DAWN ACADEMY OF WARREN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	SSF FUND	Total Governmental Funds
Revenues			
Local sources	\$50,000	\$0	\$50,000
Intermediate sources	\$0		\$0
State sources	\$777,670		\$777,670
Federal sources	\$526,610	\$72,227	\$598,836
Incoming Transfers and Other Transaction		\$700	
Total revenues	<u>\$1,354,280</u>	<u>\$72,927</u>	<u>\$1,426,507</u>
Expenditures			
Current:			
Instruction	\$612,407		\$612,407
Support services:			
Pupil support services	\$20,628	\$60,969	\$81,596
Instructional staff services	\$9,961		\$9,961
General administration services	\$41,047		\$41,047
School administration services	\$100,544		\$100,544
Business services	\$112,793		\$112,793
Operations and maintenance	\$285,312		\$285,312
Transportation	\$105,960		\$105,960
Central	\$56,641		\$56,641
Community Services	\$6,000		\$6,000
Fund Modifications	\$700		\$700
Total expenditures	<u>\$1,351,992</u>	<u>\$60,969</u>	<u>\$1,412,261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$2,288</u>	<u>\$11,958</u>	<u>\$14,246</u>
Net Change in Fund Balances	\$2,288	\$11,958	\$14,246
Fund Balances - Beginning of Year	<u>(\$145)</u>	<u>\$0</u>	<u>(\$145)</u>
Fund Balances - End of Year	<u><u>\$2,143</u></u>	<u><u>\$11,958</u></u>	<u><u>\$14,101</u></u>

**NEW DAWN ACADEMY OF WARREN
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Total Net Change in Fund Balances - Governmental Funds \$14,246

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation/Amortization expense	(\$16,677)	
Capital outlay	\$307,984	
	\$291,307	\$291,307

Revenue is reported in the statement of activities when received: they are not reported in the funds until earned.

Current year deferred revenue	\$40,314	\$40,314
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Change in Net Position of Governmental Activities \$345,867

See accompanying notes to financial statements

**New Dawn Academy of Warren
Notes to Financial Statements
June 30, 2023**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Academy was formed as a charter school Academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy was established on July 1, 2021 as a Public School Academy. The Academy is located in Sterling Heights within Macomb County and as of June 30, 2023 was providing education for approximately 76 kindergarten through eighth grade students in its first year of operations.

The Academy entered into a five year contract with Saginaw Valley State University as of 7/1/2021. The contract requires the Academy to act exclusively as a public school and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Saginaw Valley State University 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 Saginaw Valley State University 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2023 to Saginaw Valley State University were approximately \$19,303.

The current charter term ends on June 30, 2026.

Administrative Services- The Academy entered into a management agreement effective through June 30, 2021 with Education Management & Networks, Inc. (EMAN) for a fee of twelve percent of total revenues. The Management Company is responsible for the complete management, operation, administration and education of the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs. EMAN waived approximately 45% of its fees during the 22/23 school year and the Academy only paid management fees totaling \$96,926 for the year ended June 30, 2023.

Measurement Focus. Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements- The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributors; and (3) capital grants and contributors. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state and federal aid.

**New Dawn Academy of Warren
Notes to Financial Statements
June 30, 2023**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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 Academy.

The Academy reports the following major governmental fund:

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

Additionally, the Academy reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Special Revenue Funds are used to segregate, for administrative purposes, the transactions of particular activities from regular revenue and expenditure accounts. There are no Special Revenue Funds maintained by the Academy account for food services.

Assets, Liabilities and Net Assets or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Accounts receivable are shown net of allowance for uncollectible amounts.

Prepaid Expenses- No prepaid expenses were recorded. All expenses were allocated to the current year.

**New Dawn Academy of Warren
Notes to Financial Statements
June 30, 2023**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases – At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Capital Assets- Capital assets, which include the Academy's investment in its building leases in addition to building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

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

Furniture and equipment	10 years
Buses	8 years

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

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

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

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

Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

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Committed: Amounts that have been formally set aside by the Board of the Academy for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of the Academy

Assigned: Intent to spend resources on specific purposes expressed by the Board of the Academy or CEO, who is authorized by resolution approved by the Board of the Academy to make assignments

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

Comparative Data - Comparative data is not included in the Academy's financial statements.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

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

Excess of Expenditures over Appropriations in Budgeted Funds – The Academy incurred expenditures in the General Fund in excess of budgeted amounts as shown below. The variance did not cause the total expenditures to exceed the total budget.

	Final Budget	Actual	Variance
General Administration	33,103	41,047	7,944
Business Services	9,025	112,793	103,768
	\$ 41,128	\$ 153,840	4 111,712

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Notes to Financial Statements
June 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS

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

The Academy has designated one bank for the deposit of its funds.

The Academy's cash and investments are subject to several types of risks, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of year-end, \$0 of the School District's bank balance of \$77,659 was exposed to custodial credit risk.

Custodial Credit Risk of Investments- Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have an investment policy for custodial credit risk. The Academy does not have investments with custodial risk.

Interest Rate Risk- Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

At year end, the Academy had no investments.

Concentration of Credit Risk – The Academy places no limit on the amount the Academy may invest in any one issuer. The Academy does not have a policy to minimize concentration of credit risk.

Foreign Currency Risk- Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange. State law and the Academy's policy prohibit investment in foreign currency.

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Notes to Financial Statements
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NOTE 4- RECEIVABLES AND DEFERRED REVENUE

Receivables as of year-end for the Academy's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
State of Michigan	\$ 128,178
Federal (ISD)s	1,754
	\$ 129,932

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue was recorded in the amount of \$40,314 representing restricted state and local funds that had not been expended as of 6/30/2023.

NOTE 5- CAPITAL ASSETS

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

Assets being depreciated/amortized:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Right to Use Assets		2,311,800		\$ 2,311,800
Buses		88,699		\$ 88,699
Furniture/Equipment		219,285		\$ 219,285
Total capital assets depreciated/amortized		2,619,784		\$ 2,619,784

Accumulated depreciation/amortization:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Right to Use Assets		123,000		\$ 123,000
Buses		5,535		\$ 5,535
Furniture/Equipment		11,142		\$ 11,142
Total accumulated depreciation/amortization		139,677		\$ 139,677

Net Capital Assets		\$2,619,784	\$139,677	\$2,480,107
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**New Dawn Academy of Warren
Notes to Financial Statements
June 30, 2023**

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

NOTE 6 - OPERATING LEASES

The Academy entered into an operating lease agreement with Karnak on July 1, 2021 that expires on June 30, 2031. The Academy is responsible for insurance, repairs and maintenance of the building. The Academy incurred rent expense of \$123,000 for the year ended June 30, 2023. The balance of the base rent for 22/23 was waived by Karnak.

Future amortized payments are noted in the table below and are recorded as a liability in the government wide statements:

Leased Asset	23/24 Amortized Payments Due	24/25 Amortized Payments Due	25/26 Amortized Payments Due	26/27 Amortized Payments Due	27/28 Amortized Payments Due	28/29 Amortized Payments Due	29/30 Amortized Payments Due	30/31 Amortized Payments Due
8200 Irving	\$288,000	\$288,000	\$288,000	\$288,000	\$288,000	\$288,000	\$288,000	\$288,000
Present Value Calculation	\$273,600	\$273,600	\$273,600	\$273,600	\$273,600	\$273,600	\$273,600	\$273,600
Interest	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400

NOTE7-NOTES PAYABLE

The Academy has no outstanding debt.

NOTE 8- DEFINED PENSION PLAN

The Academy did not participate in the Michigan Public School Employees' Retirement System (MPERS). The Academy's employees are leased from Academy Management Company. Therefore, no pension plan disclosure is deemed necessary.

NOTE 9- LEASED EMPLOYEES

The Academy leases substantially its entire staff from Education Management & Networks, Inc. (EMAN). EMAN is responsible for providing personnel to the Academy and the Academy shall reimburse EMAN for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 10- RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 11 - CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

NOTE 12 - SUBSEQUENT EVENTS

There were no subsequent events that affect the status of these financial statements.

Subsequent events have been evaluated through October 2, 2023, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW DAWN ACADEMY OF WARREN
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local revenues	0	79,999	50,000	\$ (29,999)
State program revenues	1,340,400	742,854	777,670	\$ 34,817
Federal program revenues	101,100	645,431	526,610	\$ (118,821)
Federal program revenue /Food fund modification /food	-	75,000	72,227	\$ (2,773)
	-	-	700	\$ 700
		-		
Total revenues	1,441,500	1,543,284	1,427,207	(116,077)
Expenditures				
Current				
Instructional services	551,574	656,163	612,407	\$ (43,756)
Supporting services				\$ -
Pupil support services	-	68,200	20,628	\$ (47,572)
Staff support services	30,000	25,492	9,961	\$ (15,531)
Other support /food	-			\$ -
Other Educational media services				\$ -
General administration services	37,062	33,103	41,047	\$ 7,944
School administration services	105,000	107,976	100,544	\$ (7,432)
Business services	174,420	9,025	112,793	\$ 103,768
Operations and maintenance	383,468	307,794	285,312	\$ (22,482)
Transportation	-	111,383	105,960	\$ (5,423)
Central	5,000	133,618	117,610	\$ (16,008)
Other Support Services	-	-	-	\$ -
Community services	-	6,000	6,000	\$ -
Other Financing Uses		83,241		\$ (83,241)
Facilities Acquisition			-	\$ -
Fund Modifications			700	700
Total expenditures	1,286,524	1,541,995	1,412,961	\$ (129,033)
Excess (Deficiency) of Revenues Over Expenditures	154,976	1,289	14,246	\$ 12,956
Other Financing Sources (Uses)				
Operating transfers - out				-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	154,976	1,289	14,246	12,956
Fund Balance - Beginning of year				
Fund Balance - End of year	\$ 154,976	\$ 1,289	\$ 14,246	\$ 12,956

See accompanying notes to financial statements