

Audited Financial Statements

Kensington Woods Schools

Lakeland, Michigan

June 30, 2023

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | i - iii |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | iv - v |
| Management's Discussion and Analysis | vi - xi |
| Basic Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Combined Balance Sheet – All Governmental Funds | 3 |
| Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 6 |
| Notes to Financial Statements | 7 - 17 |
| Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 18 |
| Schedule of Revenues – General Fund | 19 |
| Schedule of Expenditures – General Fund | 20 - 21 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Kensington Woods Schools

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 fund information of Kensington Woods Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kensington Woods Schools' 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 Kensington Woods Schools, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kensington Woods Schools 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.

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 Kensington Woods Schools' 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 Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kensington Woods Schools' 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 Kensington Woods Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kensington Woods Schools' basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of Kensington Woods Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kensington Woods Schools' 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 Kensington Woods Schools' internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 9, 2023



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

**To the Board of Directors
of Kensington Woods Schools**

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, each major fund, and the aggregate remaining fund information of Kensington Woods Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kensington Woods Schools' basic financial statements, and have issued our report thereon dated October 9 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kensington Woods Schools' internal control over financial reporting (internal control) as a basis for designing 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 Kensington Woods Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Kensington Woods Schools' 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kensington Woods Schools' 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 financial statements. 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.



Croskey Lanni, PC

Rochester, Michigan
October 9, 2023

Kensington Woods Schools

Management’s Discussion and Analysis

This section of Kensington Woods Schools’, “KWS”, annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

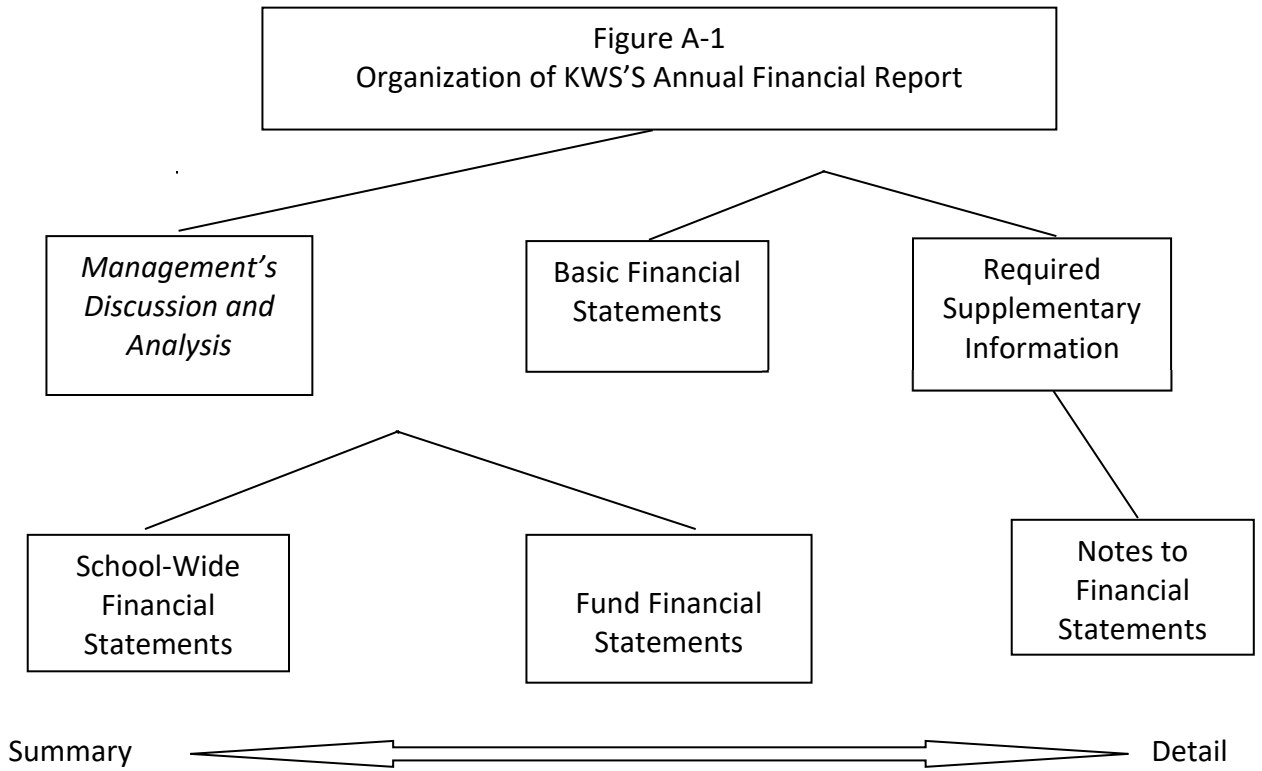
FINANCIAL HIGHLIGHTS

- ❖ The school’s basic per pupil foundation allowance increased to \$9,150 per student.
- ❖ Student enrollment has varied between 109 and 129 students over the last 5 years.
- ❖ The total cost of instructional programs was \$516,553 or 41% of total operating expenditures.
- ❖ All other general funds expenditures equaled \$752,259.
- ❖ General fund revenues were \$1,295,722.
- ❖ The school has maintained and added to its fund balance in spite of sudden drops in enrollment, suggesting a financially responsible management of funds by school leadership. The school has a positive fund balance in the General Fund which has been increasing since 2014 from \$189,800 to \$497,136.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

| | School-Wide Statements | Government Funds |
|--|--|---|
| Scope | Entire school (except fiduciary funds) | The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance. |
| Required Financial Statements | *Statement of net position *Statement of activities | *Balance sheet *Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources |
| Type of asset/liability information | All assets and liabilities both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net position and how they have changed. Net position – the difference between the school's assets, deferred outflows, and liabilities and deferred inflows – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current-year to prior-year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ Maintaining or increasing enrollment.
- ❖ Controlled spending to ensure it aligns with revenues received from state.
- ❖ Continued student and parent satisfaction resulting in lower attrition.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget monthly, amending the budget two times. The budget amendments were completed in order to align the budget changes throughout the year. All invoices were paid in a timely matter.

Financial Outlook

The school has restructured its administrative overhead in favor of investing in the continued delivery of educationally rich programs for its students, even at potentially lower student counts.

Table A-3
KWS's Net Position

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------------|-------------------|
| Current and other assets | \$ 630,107 | \$ 560,067 |
| Capital assets | <u>171,532</u> | <u>279,275</u> |
| Total assets and deferred outflows | 801,639 | 839,342 |
| Current liabilities | 254,420 | 234,250 |
| Long-term debt - long-term portion | <u>30,497</u> | <u>149,037</u> |
| Total liabilities | <u>284,917</u> | <u>383,287</u> |
| Net position: | | |
| Net investment in capital assets | (3,584) | (3,106) |
| Restricted | 23,170 | 19,736 |
| Unrestricted | <u>497,136</u> | <u>439,425</u> |
| Total net position | <u>\$ 516,722</u> | <u>\$ 456,055</u> |

Table A-4
Changes in KWS's Net Position

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|------------------|------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 49,940 | \$ 48,195 |
| Federal and state operating grants | 213,738 | 157,941 |
| General revenues: | | |
| State aid - unrestricted | 1,068,768 | 1,178,463 |
| Miscellaneous | 10,216 | 347 |
| Total revenues | <u>1,342,662</u> | <u>1,384,946</u> |
| Expenses: | | |
| Instruction | 516,553 | 552,981 |
| Support services | 617,840 | 625,835 |
| Depreciation/amortization | 138,544 | 134,517 |
| Interest | 9,058 | 8,581 |
| Total expenses | <u>1,281,995</u> | <u>1,321,914</u> |
| Change in net position | <u>\$ 60,667</u> | <u>\$ 63,032</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023, the school had invested \$632,703 in capital assets, including furniture, computers, equipment, and leasehold improvements which have been depreciated over the years. See table A-5 below for a listing of capital assets, and the accumulated depreciation / amortization.

Table A-5
KWS's Capital Assets

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Balance</u> <u>June 30, 2022</u> |
|---|--|--|
| Building improvements | \$ 25,834 | \$ 25,834 |
| Right to use - assets | 432,956 | 402,155 |
| Computers and equipment | 173,913 | 173,913 |
| Total cost | 632,703 | 601,902 |
| Less: accumulated depreciation/amortization | <u>461,171</u> | <u>322,627</u> |
| Net book value | <u>\$ 171,532</u> | <u>\$ 279,275</u> |

Long-Term Debt

- ❖ At year end the school only had long-term debt related to their building and copier loans capitalized under GASB 87.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Attracting new students to the School
- ❖ The School has been awarded funding related to the COVID 19 pandemic and will work in the upcoming years to best utilize it for student success, both academically and social/emotionally.
- ❖ Early Middle College program will be implemented for Fall 2023 in conjunction with Washtenaw Community College.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Kensington Woods Schools, 9501 Pettys Road, Lakeland, Michigan 48143.

KENSINGTON WOODS SCHOOLS

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS

Current Assets

| | | |
|-----------------------------------|----|---------------|
| Cash and cash equivalents | \$ | 370,953 |
| Due from other governmental units | | 235,639 |
| Prepaid expenses | | <u>23,515</u> |
| Total current assets | | 630,107 |

Capital Assets - Net of Accumulated Depreciation / Amortization

171,532

Total assets and deferred outflows \$ 801,639

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

| | | |
|----------------------------------|----|----------------|
| Accounts payable | \$ | 19,048 |
| Unearned income | | 9,148 |
| Other accrued expenses | | 81,605 |
| Long-term debt - current portion | | <u>144,619</u> |
| Total current liabilities | | 254,420 |

Long-Term Debt - Long-Term Portion

30,497

Net Position

| | | |
|--|----|----------------|
| Net investment in capital assets | | (3,584) |
| Restricted for student activities | | 23,170 |
| Unrestricted | | <u>497,136</u> |
| Total net position | | <u>516,722</u> |
| Total liabilities, deferred inflows and net position | \$ | <u>801,639</u> |

See accompanying notes to financial statements

KENSINGTON WOODS SCHOOLS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

| | Program Revenues | | Net (Expense) Revenues and Changes in Net Position | |
|---|------------------|-------------------------|---|----------------------------------|
| | Expenses | Charges for Services | Operating Grants | Government Type Activities |
| Functions | | | | |
| Instruction | | | | |
| Basic programs | \$ 516,553 | \$ - | \$ 56,631 | \$ (459,922) |
| Support services | | | | |
| Pupil support services | 183,690 | - | 145,159 | (38,531) |
| Instructional staff support services | 3,358 | - | 1,905 | (1,453) |
| General administration | 105,824 | - | - | (105,824) |
| School administration | 162,075 | - | 10,043 | (152,032) |
| Operations and maintenance | 86,734 | - | - | (86,734) |
| Central support services | 12,776 | - | - | (12,776) |
| Athletic activities | 19,877 | 3,000 | - | (16,877) |
| Other student activities | 43,506 | 46,940 | - | 3,434 |
| Unallocated depreciation / amortization | 138,544 | - | - | (138,544) |
| Unallocated interest | 9,058 | - | - | (9,058) |
| Total primary government | \$ 1,281,995 | \$ 49,940 | \$ 213,738 | (1,018,317) |
| General Purpose Revenues | | | | |
| State school aid - unrestricted | | | | 1,068,768 |
| Miscellaneous revenues | | | | 10,216 |
| Total general purpose revenues | | | | 1,078,984 |
| Change in net position | | | | 60,667 |
| Net position - July 1, 2022 | | | | 456,055 |
| Net position - June 30, 2023 | | | | \$ 516,722 |

See accompanying notes to financial statements

KENSINGTON WOODS SCHOOLS

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

| | General | Non-Major Special Revenue - Student Activities | Total |
|-----------------------------------|------------|--|------------|
| Cash and cash equivalents | \$ 347,783 | \$ 23,170 | \$ 370,953 |
| Due from other governmental units | 235,639 | - | 235,639 |
| Prepaid expenses | 23,515 | - | 23,515 |
| Total assets | \$ 606,937 | \$ 23,170 | \$ 630,107 |

LIABILITIES AND FUND BALANCE

Liabilities

| | | | |
|------------------------|-----------|------|-----------|
| Accounts payable | \$ 19,048 | \$ - | \$ 19,048 |
| Unearned revenue | 9,148 | - | 9,148 |
| Other accrued expenses | 81,605 | - | 81,605 |
| Total liabilities | 109,801 | - | 109,801 |

Fund Balance

| | | | |
|------------------------------------|------------|-----------|------------|
| Nonspendable | 23,515 | - | 23,515 |
| Restricted | - | 23,170 | 23,170 |
| Unassigned | 473,621 | - | 473,621 |
| Total fund balance | 497,136 | 23,170 | 520,306 |
| Total liabilities and fund balance | \$ 606,937 | \$ 23,170 | \$ 630,107 |

See accompanying notes to financial statements

KENSINGTON WOODS SCHOOLS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

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

| | |
|---|-------------------|
| Total Governmental Fund Balances | \$ 520,306 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$632,703 and the accumulated depreciation / amortization is \$461,171. | 171,532 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(175,116)</u> |
| Net Position of Governmental Activities | <u>\$ 516,722</u> |

See accompanying notes to financial statements

KENSINGTON WOODS SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

| | General | Non-Major Special Revenue - Student Activities | Totals |
|--|------------|--|------------|
| Revenues | | | |
| Local sources | \$ 13,216 | \$ 46,940 | \$ 60,156 |
| State sources | 1,162,073 | - | 1,162,073 |
| Federal sources | 68,579 | - | 68,579 |
| Interdistrict sources | 51,854 | - | 51,854 |
| | 1,295,722 | 46,940 | 1,342,662 |
| Expenditures | | | |
| Instruction | | | |
| Basic programs | 516,553 | - | 516,553 |
| Support services | | - | |
| Pupil support services | 183,690 | - | 183,690 |
| Instructional staff support services | 3,358 | - | 3,358 |
| General administration | 105,824 | - | 105,824 |
| School administration | 162,075 | - | 162,075 |
| Operations and maintenance | 86,734 | - | 86,734 |
| Central support services | 12,776 | - | 12,776 |
| Athletic activities | 19,877 | - | 19,877 |
| Other student activities | - | 43,506 | 43,506 |
| Capital outlay | 30,801 | - | 30,801 |
| Debt principal and interest | 147,124 | - | 147,124 |
| | 1,268,812 | 43,506 | 1,312,318 |
| Excess (deficiency) of revenues over expenditures | 26,910 | 3,434 | 30,344 |
| Other Financing Sources (Uses) | | | |
| Proceeds from leases and long-term debt | 30,801 | - | 30,801 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 57,711 | 3,434 | 61,145 |
| Fund balance - July 1, 2022 | 439,425 | 19,736 | 459,161 |
| Fund balance - June 30, 2023 | \$ 497,136 | \$ 23,170 | \$ 520,306 |

See accompanying notes to financial statements

KENSINGTON WOODS SCHOOLS

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

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

| | | |
|---|----|--------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 61,145 |
|---|----|--------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period:

| | | | |
|---------------------------------------|----|------------------|-----------|
| Capital outlay | \$ | 30,801 | |
| Depreciation and amortization expense | | <u>(138,544)</u> | (107,743) |

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

| | | | |
|------------------------------|----|----------------|----------------|
| Proceeds from long-term debt | \$ | (30,801) | |
| Repayment of loan principal | | <u>138,066</u> | <u>107,265</u> |

| | | |
|--|----|----------------------|
| Change in Net Position of Governmental Activities | \$ | <u><u>60,667</u></u> |
|--|----|----------------------|

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Kensington Woods Schools (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Kensington Woods Schools, formerly Livingston Technical Academy, was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on August 16, 2000, and began operations in September 2000.

In July 2019 the Academy extended a contract with Central Michigan University’s Board of Trustees through June, 2022. The Academy has extended their contract for up to five years, which will be reviewed on a year-by-year basis by Central Michigan University’s Board of Trustees. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Central Michigan University Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were approximately \$30,300.

The Academy entered into an agreement with Human Resource Experts (“HRE”). Under the terms of this agreement, HRE is to provide a variety of services including human resources, employee benefits and payroll. Additionally, the Academy leases all of its employees from HRE. The Academy is obligated to pay HRE a fixed fee of \$25,200 for the general human resource administration, plus extra fees for opt-in services such as 401k and FLEX programs. The cost of incurred liability insurance is also passed on to the Academy. The total paid for these services amounted to approximately \$25,200 for the year ended June 30, 2023.

The Academy entered into a new agreement with Genesee Education Consultant Services, Inc, (“GECS”) to replace the previous agreement with Human Resource Experts as of July 1, 2023. GECS will provide a variety of services including human resources, employee benefits and payroll. As of June 30, 2023 there were no amounts due to GECS.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Student Activities) – The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2023. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|---------------------------|---------------|
| Building and improvements | 10 – 50 years |
| Furniture and equipment | 5 – 15 years |
| Computers and software | 3 – 10 years |

Net Position

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

Fund Equity

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

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

Leases

Leases and Subscription Based IT Arrangements (SBITA)

The Academy is a lessee for a noncancelable lease/subscription of a building and office equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year-end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary Control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. A comparison of actual expenditures against budgeted amounts can be found on page 18 of these financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the Academy held no investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

The Academy maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. As of June 30, 2023, \$141,234 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2023.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

| | | |
|-----------------|----|-----------------------|
| State sources | \$ | 205,738 |
| Federal sources | | <u>29,901</u> |
| Total | \$ | <u><u>235,639</u></u> |

NOTE 5 - CAPITAL ASSETS

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

| | <u>Balance</u> <u>July 1, 2022</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2023</u> |
|---|---------------------------------------|---------------------|------------------|--|
| Capital assets subject to depreciation / amortization | | | | |
| Right to use - assets | \$ 402,155 | \$ 30,801 | \$ - | \$ 432,956 |
| Equipment | 173,913 | - | - | 173,913 |
| Improvements | <u>25,834</u> | <u>-</u> | <u>-</u> | <u>25,834</u> |
| Sub-total | 601,902 | 30,801 | - | 632,703 |
| Accumulated depreciation/ amortization | | | | |
| Right to use - assets | 122,880 | 138,544 | - | 261,424 |
| Equipment | 173,913 | - | - | 173,913 |
| Improvements | <u>25,834</u> | <u>-</u> | <u>-</u> | <u>25,834</u> |
| Sub-total | <u>322,627</u> | <u>138,544</u> | <u>-</u> | <u>461,171</u> |
| Total net capital assets | <u>\$ 279,275</u> | <u>\$ (107,743)</u> | <u>\$ -</u> | <u>\$ 171,532</u> |

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

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 – OTHER ACCRUED EXPENSES

Other accrued expenses may be summarized as follows:

| | |
|---|------------------|
| Purchased services - payroll and benefits | <u>\$ 81,605</u> |
|---|------------------|

NOTE 7 –LEASES

Long-term lease obligations as of June 30, 2023 can be summarized as follows:

Loan Information

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Other</u> |
|-----------------------------|--------------------------|--------------------------|------------------------------|
| Direct borrowing - copiers | 7% | October 2026 | Monthly payments of \$730 |
| Direct borrowing - building | 3% | July 2024 | Monthly payments of \$11,666 |

Loan Activity

| | <u>Balance July 1, 2022</u> | <u>Additions</u> | <u>Retirements and Payments</u> | <u>Balance June 30, 2023</u> | <u>Due Within One Year</u> |
|-----------------------------|---------------------------------|------------------|-------------------------------------|----------------------------------|--------------------------------|
| Direct borrowing - copiers | \$ - | \$ 30,801 | \$ 4,722 | \$ 26,079 | \$ 7,219 |
| Direct borrowing - building | <u>282,381</u> | <u>-</u> | <u>133,344</u> | <u>149,037</u> | <u>137,400</u> |
| | <u>\$ 282,381</u> | <u>\$ 30,801</u> | <u>\$ 138,066</u> | <u>\$ 175,116</u> | <u>\$ 144,619</u> |

Following are maturities of long-term lease obligations for principal and interest for the next four years and in total:

| | <u>Principal</u> | <u>Interest</u> |
|------|------------------|-----------------|
| 2024 | \$ 144,619 | \$ 4,132 |
| 2025 | 19,359 | 1,066 |
| 2026 | 8,259 | 499 |
| 2027 | 2,879 | 41 |

KENSINGTON WOODS SCHOOLS

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage for the past three years.

SUPPLEMENTARY INFORMATION

KENSINGTON WOODS SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|---------------------|-------------------|------------------|
| Revenues | | | | |
| Local sources | \$ 7,700 | \$ 13,791 | \$ 13,216 | \$ (575) |
| State sources | 1,245,013 | 1,176,660 | 1,162,073 | (14,587) |
| Federal sources | 51,196 | 88,536 | 68,579 | (19,957) |
| Interdistrict sources | 30,518 | 51,854 | 51,854 | - |
| Total general fund revenues | 1,334,427 | 1,330,841 | 1,295,722 | (35,119) |
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs | 596,368 | 550,383 | 516,553 | (33,830) |
| Support services | | | | |
| Pupil support services | 170,557 | 193,449 | 183,690 | (9,759) |
| Instructional staff support services | 6,000 | 3,500 | 3,358 | (142) |
| General administration | 118,730 | 107,802 | 105,824 | (1,978) |
| School administration | 183,154 | 167,888 | 162,075 | (5,813) |
| Business support services | 200 | - | - | - |
| Operations and maintenance | 207,137 | 86,018 | 86,734 | 716 |
| Pupil transportation services | 1,500 | 1,500 | - | (1,500) |
| Central support services | 14,300 | 14,300 | 12,776 | (1,524) |
| Athletic activities | 23,868 | 19,880 | 19,877 | (3) |
| Capital outlay | - | - | 30,801 | 30,801 |
| Debt principal and interest | - | 148,747 | 147,124 | (1,623) |
| Total general fund expenditures | 1,321,814 | 1,293,467 | 1,268,812 | (24,655) |
| Excess (deficiency) of revenues over expenditure | 12,613 | 37,374 | 26,910 | (10,464) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from long-term debt | - | - | 30,801 | 30,801 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 12,613 | 37,374 | 57,711 | 20,337 |
| Fund balance - July 1, 2022 | 439,425 | 439,425 | 439,425 | - |
| Fund balance - June 30, 2023 | <u>\$ 452,038</u> | <u>\$ 476,799</u> | <u>\$ 497,136</u> | <u>\$ 20,337</u> |

KENSINGTON WOODS SCHOOLS

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

Local Sources

| | |
|----------------------|-----------|
| Other local revenues | \$ 13,216 |
|----------------------|-----------|

State Sources

| | |
|---------|--------|
| At risk | 47,351 |
|---------|--------|

| | |
|-------------------|--------|
| Special education | 45,954 |
|-------------------|--------|

| | |
|-----------|------------------|
| State aid | <u>1,068,768</u> |
|-----------|------------------|

| | |
|---------------------|-----------|
| Total state sources | 1,162,073 |
|---------------------|-----------|

Federal Sources

| | |
|---------|--------|
| Title I | 15,588 |
|---------|--------|

| | |
|------------|-------|
| Title II A | 4,441 |
|------------|-------|

| | |
|-----------------------|---------------|
| Other program revenue | <u>48,550</u> |
|-----------------------|---------------|

| | |
|-----------------------|--------|
| Total federal sources | 68,579 |
|-----------------------|--------|

Interdistrict Sources

| |
|---------------|
| <u>51,854</u> |
|---------------|

| | |
|-----------------------------|---------------------|
| Total general fund revenues | <u>\$ 1,295,722</u> |
|-----------------------------|---------------------|

KENSINGTON WOODS SCHOOLS

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

Basic Programs

| | |
|-------------------------|------------|
| Purchased services | \$ 483,299 |
| Repairs and maintenance | 10,553 |
| Supplies and materials | 21,164 |
| Other expenditures | 1,537 |

Total basic programs 516,553

Pupil Support Services

| | |
|--------------------------------|--------|
| Guidance services | 47,351 |
| Psychological services | 6,270 |
| Speech pathology and audiology | 2,594 |
| Social work services | 52,698 |
| Teacher consultant | 74,777 |

Total pupil support services 183,690

Instructional Staff Support Services

| | |
|--------------------|-------|
| Purchased services | 3,358 |
|--------------------|-------|

General Administration

| | |
|--------------------|---------|
| Purchased services | 104,865 |
| Other expenditures | 959 |

Total general administration 105,824

School Administration

| | |
|------------------------|---------|
| Purchased services | 158,202 |
| Supplies and materials | 3,119 |
| Other expenditures | 754 |

Total school administration 162,075

KENSINGTON WOODS SCHOOLS

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2023

| | |
|------------------------------------|----------------------------|
| Operations and Maintenance | |
| Purchased services | 36,790 |
| Supplies and materials | <u>49,944</u> |
| Total operations and maintenance | 86,734 |
| | |
| Central Support Services | |
| Purchased services | 12,776 |
| | |
| Athletic Activities | |
| Purchased services | 19,877 |
| | |
| Capital Outlay | 30,801 |
| | |
| Debt Principal and Interest | <u>147,124</u> |
| Total general fund expenditures | <u><u>\$ 1,268,812</u></u> |