

**LIFE SKILLS CENTER
OF PONTIAC**

**Financial Report
June 30, 2021**

LIFE SKILLS CENTER of PONTIAC

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Life Skills Center of Pontiac

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center of Pontiac, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Life Skills Center of Pontiac as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

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

Other Matters

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 10, 2021, on our consideration of Life Skills Center of Pontiac'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 the audit performed in accordance with *Government Auditing Standards* in considering Life Skills Center of Pontiac's internal control over financial reporting and compliance.

Wilkerson & Associate PC

October 10, 2021

Wilkerson & Associate P.C.

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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
Life Skills Center of Pontiac

We have audited the financial statements of Life Skills Center of Pontiac as of and for the year ended June 30, 2021, and have issued our report thereon dated October 10, 2021. 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

Life Skills Center of Pontiac is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Life Skills Center of Pontiac'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 Life Skills Center of Pontiac's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Life Skills Center of Pontiac'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
Life Skills Center of Pontiac

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Life Skills Center of Pontiac'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 10, 2021

Management's Discussion and Analysis

As management of the **Life Skills Center of Pontiac** (the "Academy"), an alternative high school public school academy in Pontiac, Michigan, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ending **June 30, 2021**. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the Academy's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Charter-Wide Financial Statements

The charter-wide financials statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods (e.g., items purchased but not paid for).

The governmental activities of the Academy include instruction, pupil and staff support services, general and school administration, business services and central support services, operations and maintenance services and community services. The charter-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy for the current year are governmental funds.

Governmental Funds

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available to the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements. The Academy maintains one governmental fund, the general fund, which is considered a major fund. Information is presented in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

Charter-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, for the most recent year, assets exceeded liabilities by **\$416,798**, which may indicate stable financial health, as well as effective financial management and the Academy reported an overall net position (less accumulated depreciation) of **\$473,205**.

Statement of Net Position

The Statement of Net Position answers the question of how the Academy did financially during the fiscal year ended **June 30, 2021**. This statement includes all assets and liabilities, both financial and capital and short-term and long-term, using the accrual basis of accounting and an economic resources focus that is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's Net Position for the fiscal years 2020 and 2021:

TABLE 1 STATEMENT OF NET POSITION

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 521,325	\$ 422,982
Capital Assets (net of accumulated depreciation)	<u>56,407</u>	<u>47,454</u>
Total Assets	577,732	470,436
 Current Liabilities	 <u>104,527</u>	 <u>107,603</u>
 Net Position:		
Invested in Capital Assets	56,407	47,454
Unrestricted	<u>416,798</u>	<u>315,279</u>
Total Net Position	<u>\$ 473,205</u>	<u>\$ 362,733</u>

Statement of Activities

Table 2 shows the change in net position from 2020 to 2021, as well as a summary of program revenues and expenses:

TABLE 2 CHANGE IN NET POSITION

Revenues	2021	2020
Program Revenues		
Operating Grants and Contributions	<u>\$ 275,948</u>	<u>\$ 107,833</u>
General Revenues		
State Aid - formula grants	969,509	957,335
ISD Tax revenue payments (local)	34,154	30,983
Other revenue (local)	<u>13,476</u>	<u>18,008</u>
Total Revenues	<u>\$1,293,088</u>	<u>\$1,114,159</u>
Expenses		
Instruction	298,828	270,418
Support Services	863,167	805,726
Community Services	1,962	13,125
Depreciation	<u>18,759</u>	<u>16,238</u>
Total Expenses	<u>1,182,716</u>	<u>1,105,507</u>
Change in Net Position	<u>\$ 110,372</u>	<u>\$ 8,652</u>

The Academy experienced an increase in net position due to a couple of factors: 1) an increase in state aid due to an increase in the per pupil funding, and 2) an increase in federal (categorical) revenues due to special federal and state grants related to the Covid-19 pandemic.

Financial Analysis of the Academy's Funds

The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. While the government-wide statements report information on a full accrual basis, the governmental fund statements report what is commonly referred to as current financial resources on a modified accrual basis. Whereas full accrual contains all inflows and outflows of economic resources, short- and long-lived assets, and short- and long-term liabilities, the governmental fund financial statements generally have a short-run perspective.

Governmental fund assets generally are expected to be used or liquidated within a year and governmental fund liabilities are normally expected to be repaid or satisfied with current resources. Governmental fund revenues are those collected within the year or soon enough thereafter that they can be used to finance current-year expenditures. Expenditures represent the use or expected use of current financial resources.

Fund Balances

When reviewing the Academy's governmental funds, the unreserved fund balance is a useful measure of the Academy's net resources available for spending at the end of the fiscal year. As of the year ended June 30, 2021, the Academy's governmental funds reported a combined unrestricted fund balance of **\$416,798**. This represents **32%** of all revenues received for fiscal year ending 2021, which exceeds a ratio of 20% often considered an indication of a healthy end-of-year financial position.

Fund balance at June 30, 2021 as a ratio of state revenues, which was **43%**, also far exceeds the state of Michigan's 5% threshold, the early warning indicator of potential financial distress. Further, at nearly **38%**, the fund balance at year end was greater than **15%** of the previous year's expenditures. High ratios of fund balance to these comparison values each of the past several years indicates a consistently financially stable position for the Academy and is mostly due to effective monitoring of expenses relative to revenues, coupled with careful management and deployment of resources during challenging economic periods.

Capital Assets and Debt Administration

By the end of the 2021 fiscal year, the Academy had invested **\$231,248** in total capital assets. Capital assets consist mainly of computer and technology-related equipment, along with the facility's boiler system and related equipment. Net book value after accounting for accumulated depreciation equaled **\$56,407**.

TABLE 3 CAPITAL ASSETS

	<u>Total Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value June 30, 2021</u>	<u>Net Book Value June 30, 2020</u>
Furniture, Fixtures & Equipment	\$ 28,278	\$ 3,046	\$ 25,232	\$ 27,256
Computer & Technology	202,970	16,735	31,175	20,198
	<u>\$ 231,248</u>	<u>\$ 19,781</u>	<u>\$ 56,407</u>	<u>\$ 47,454</u>

Long Term Debt

As of June 30, 2021 the Academy had no long-term debt.

Short-Term Obligations

As of June 30, 2021, the Academy had short-term obligations of **\$23,154** related to its 2020-2021 State Aid Note cash flow loan, which fully retired as of August 20, 2021.

Current Financial Issues

Currently, the Academy faces the same issues that all public schools in Michigan do:

- 1) per pupil state aid foundation funding, which may or may not increase from year to year and which amount of increase (or decrease) is often not known until past the fiscal year start;
- 2) population shifts including a steady number of families and their children still leaving certain areas of Michigan for better economic and employment opportunities in other locations, and
- 3) uncertainty as to whether or not economic conditions, which were recently improving, may turn negative due to unknown impacts related to the on-going Covid-19 pandemic;
- 4) declining enrollment and attendance issues which could further impact future revenue due to fears related to Covid-19.

Despite these challenges, the Academy ended the 2021 fiscal year with a stable financial position.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the Academy's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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248.582.8100 ----- info@edtec.net

LIFE SKILLS CENTER OF PONTIAC
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
	<hr/>
Assets	
Cash and cash equivalents	\$ 105,974
Other receivables	
State	172,523
Federal	237,474
Prepaid Expenditures	5,354
Capital assets, net of accumulated depreciation	<hr/> 56,407
Total assets	577,732
Liabilities	
Accounts payable	12,725
Note payable	22,442
Accrued expnditures	14,893
Management company payable	48,579
Accrued authorizer fees	5,176
Accrued interest	<hr/> 712
Total liabilities	104,527
Net Position	
Invested in capital assets, net of related debt	56,407
Unrestricted	<hr/> 416,798
Total net position	<hr/> <hr/> 473,205

See accompanying notes to the financial statements.

LIFE SKILLS CENTER OF PONTIAC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental Activities				
Instruction	\$ 298,828.34	\$ -	\$ 275,948	\$ (22,880.17)
Supporting services				
Pupil support services	65,183	-	-	(65,183)
Instructional support services	47,315	-	-	(47,315)
General administration services	139,367	-	-	(139,367)
School administration services	169,053	-	-	(169,053)
Business services	81,460	-	-	(81,460)
Operations and maintenance	210,291	-	-	(210,291)
Pupil Transportation services	1,205	-	-	(1,205)
Central services	149,293	-	-	(149,293)
Community services	1,962	-	-	(1,962)
Depreciation expense	18,759	-	-	(18,759)
Total governmental activities	\$ 1,182,716	\$ -	\$ 275,948	\$ (906,767)
General revenues				
State aid - formula grants				969,509
Other				
Local sources				13,476
ISD county millage payments				34,154
Total general revenues				1,017,139
Change in Net Position				110,372
Net Position - July 1, 2020				362,833
Net Position - June 30, 2021				\$ 473,205

See accompanying notes to the financial statements.

**LIFE SKILLS CENTER OF PONTIAC
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS

	General Fund	Total Governmental Funds
Cash and cash equivalents	\$ 105,974	\$ 105,974
Due from other governmental units	409,997	409,997
Prepaid Expenditures	5,354	5,354
	<hr/>	<hr/>
Total assets	\$ 521,325	\$ 521,325
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 12,725	\$ 12,725
Note payable	22,442	22,442
Management company payable	48,579	48,579
Accrued authorizer fees	5,176	5,176
Accrued interest	712	712
Accrued expenditures	14,893	14,893
	<hr/>	<hr/>
Total liabilities	104,527	104,527
	<hr/>	<hr/>

Fund Balances

Unrestricted fund balance:

Non-spendable	5,354	5,354
Unassigned fund balance	411,444	411,444
	<hr/>	<hr/>
Total fund balances	416,798	416,798
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 521,325	\$ 521,325
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements.

**LIFE SKILLS CENTER OF PONTIAC
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds \$ 416,798

Amounts reported for governmental activities in the statement of
net assets 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	231,248	
Accumulated depreciation	<u>(174,840)</u>	<u>56,407</u>

Total Net Position - Governmental Activities \$ 473,205

See accompanying notes to the financial statements.

**LIFE SKILLS CENTER OF PONTIAC
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2021**

	General Fund	Total Governmental Funds
Revenues		
Local sources	\$ 47,630	\$ 47,630
State sources	969,509	969,509
Federal sources	296,641	296,641
Total revenues	<u>1,313,780</u>	<u>1,313,780</u>
Expenditures		
Current		
Instructional services	326,541	326,541
Supporting services:		
Pupil support services	65,183	65,183
Instructional support services	47,315	47,315
General administration services	139,367	139,367
School administration services	169,053	169,053
Business services	81,460	81,460
Operations and maintenance	210,291	210,291
Pupil transportation Services	1,205	1,205
Central support services	149,293	149,293
Community services	1,962	1,962
Total expenditures	<u>1,191,669</u>	<u>1,191,669</u>
Excess (Deficiency) of Revenues Over Expenditures	122,111	122,111
Other Financing Sources (Uses)		
Operating transfers - in	-	-
Operating transfers - out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	122,111	122,111
Fund Balances - July 1, 2020	<u>294,687</u>	<u>294,687</u>
Fund Balances - June 30, 2021	<u><u>\$ 416,798</u></u>	<u><u>\$ 416,798</u></u>

See accompanying notes to the financial statements.

**LIFE SKILLS CENTER OF PONTIAC
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, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$ 122,111
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(18,759)	
Capital outlays (site improvements, equipment and furniture expenditures)	27,712	8,953

Prior year deferred revenue	(20,692)
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Change in Net Position of Governmental Activities	\$ 110,372
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See accompanying notes to the financial statements.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Life Skills Center of Pontiac (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

The Academy is part of the Michigan Public School System under Act No. 362 of the Public Acts of 1993 and is subject the leadership and general supervision of the State Board of Education. Bay Mills Community College is the authorizing body of the Academy. The contract with Bay Mills Community College expired at year end, June 30, 2020 but was renewed beginning July 1, 2020 and ending June 30, 2024. The Academy’s school board is approved by the authorizing body and is authorized to manage the property and affairs of the Academy. The Academy does not include any other component unit within its financial statements as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

The contract with Bay Mills Community College (BMCC) 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. BMCC 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 BMCC three percent of the state school aid payments received by the Academy as administrative fees. The total administrative fees for the year ended **June 30, 2021** paid to BMCC approximated **\$29,125**.

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 and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

The district-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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund-Based 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 government considers revenue 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 required under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Per Pupil Funding

The State of Michigan utilizes a foundation allowance approach, which provides for a 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. Revenues from state sources are 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.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Academy reports the following major governmental funds:

General Fund - The General Fund is used to record the general operation 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.

E. Assets, Liabilities, and Net Assets or Equity

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is also authorized by Michigan Compiled Laws, Section 139.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Capital Assets

Capital assets, which include equipment and furniture, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Assets, Liabilities, and Net Assets or Equity

life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Computers and other technology equipment with a useful life of 3 years or longer, regardless of cost, are also treated as capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets. Equipment and furniture is depreciated using the straight-line method over the following useful lives:

Computers and technology	3 – 7 years
Furniture and equipment	5 – 20 years

MPERS Liability

The Academy contracted with edtec central, LLC – Management Company to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements. The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended **June 30, 2021**.

Deferred Revenue

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. There was no unearned or deferred revenue to report for the year ended **June 30, 2021**.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The Academy had no long-term debt at year end.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Assets, Liabilities, and Net Assets or Equity

Short-Term Debt

At year end, the Academy had short-term obligations totaling **\$23,154** related to its State Aid Note cash flow loan, which fully matured as of **August 20, 2021**.

Fund Balances (Equity)

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

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

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

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

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

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

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

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

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Assets, Liabilities, and Net Assets or Equity

The Academy has adopted a minimum fund balance policy, as follows: The Board of Education shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position whereby the fund balance shall not fall below 15% of the preceding year's expenditures, nor fall below the percentage threshold limit used by the State of Michigan to flag potential financial distress.

Comparative Data

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

District-wide financial statements (statement of net position and statement of activities), prepared using full accrual accounting for all of the Academy's activities have been provided.

Capital assets of \$56,407 (net \$174,840 of accumulated depreciation for all operational years) are currently recorded in the governmental activities column of the statement of net position.

The fund financial statements focus on major funds rather than fund types.

Estimates

The preparation of the 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.

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted a General Fund budget by function for the fiscal year ended June 30, 2021. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund at June 30, 2021. During the current year, the budget was amended once in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types – is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual – is presented on the same basis of accounting used in preparing the adopted budget.

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, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the

Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$105,974.

The deposits of the Academy were reflected in the accounts of the financial institution at \$134,132.37 of which, all was covered by federal depository insurance.

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2020	Additions	Disposals & Adjustments	Balance June 30, 2021
Assets being depreciated:				
Furniture, fixture & equipment	\$ 28,278	\$ -	\$ -	\$ 28,278
Computer & technology equipment	175,257	27,712	-	202,970
Subtotal	203,535	27,712	-	231,248
Accumulated depreciation:				
Furniture, fixture & equipment	1,022	2,023	-	3,046
Computer & technology equipment	155,059	16,735	-	171,795
Subtotal	156,081	18,759	-	174,840
Net capital assets being depreciated	47,454	8,953	-	56,407
Net capital assets	\$ 47,454	\$ 8,953	\$ -	\$ 56,407

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS (continued)

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

Governmental activities:

Specific activities	\$ -
Unallocated	<u>18,759</u>
Total governmental activities	<u>\$ 18,759</u>

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers 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 since inception.

NOTE 6 - MANAGEMENT AGREEMENT

The Academy has entered into a management agreement with edtec central, LLC (the "Management Company"), a for-profit corporation. The Management Company is responsible for all management, operation, administration, and education of the Academy. All Academy personnel are provided by the Management Company. The total management fee expensed by the Academy for the year ended June 30, 2021 approximated \$140,943. The management agreement between the Academy and edtec central, LLC is extended annually and runs concurrently with the same length of term as the Academy's charter contract with its authorizing body.

LIFE SKILLS CENTER of PONTIAC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - OPERATING LEASE

On July 1, 2020, the Academy renewed its operating lease agreement with G.J. & J.A. Investments, LLC, for its facilities to renew annually in parallel with the length of term of its charter contract. The new agreement for lease rates ties more closely to student enrollment. The Academy is responsible for utilities, taxes, insurance, and maintenance. Lease payments approximated \$69,550 for the period ended June 30, 2021.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

The Academy secured a State Aid Note cash flow loan for the 2021-2022 fiscal year. It was approved by the Board on June 28, 2021. The final loan amount secured by the Michigan Finance Authority was for \$160,000 at an interest rate of 3.3%. The loan closed on August 2, 2021 and will mature on August 22, 2022.

REQUIRED SUPPLEMENTAL INFORMATION

**LIFE SKILLS CENTER OF PONTIAC
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2021**

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Over/(Under) Final to Actual
Revenues				
Local revenues	\$ 38,569	\$ 31,447	\$ 47,630	16,183
State program revenues	970,668	967,592	969,509	1,917
Federal program revenues	112,542	244,552	296,641	52,088
Total revenues	1,121,780	1,243,592	1,313,780	70,188
Expenditures				
Current				
Instructional services	299,000	343,200	326,541	(16,660)
Supporting services				
Pupil support services	53,400	82,000	65,183	(16,817)
Instructional staff services	56,700	55,914	47,315	(8,599)
General administration services	136,900	155,408	139,367	(16,041)
School administration services	143,800	206,300	169,053	(37,247)
Business services	75,300	89,184	81,460	(7,724)
Operations and maintenance	251,000	254,857	210,291	(44,566)
Central support services	8,600	1,600	1,205	(395)
Pupil transportation services	123,600.00	174,584	149,293	(25,291)
Community services	26,400	3,700	1,962	(1,738)
Total expenditures	1,174,700	1,366,747	1,191,669	(175,078)
Excess (Deficiency) of Revenues Over Expenditures	(52,920)	(123,155)	122,111	245,266
Other Financing Sources (Uses)				
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(52,920)	(123,155)	122,111	245,266
Fund Balances - July 1, 2020	269,549	294,687	294,687	-
Fund Balances - June 30, 2021	\$ 216,629	\$ 171,532	\$ 416,798	\$ 245,266

See accompanying notes to the financial statements.

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of
Life Skills Center of Pontiac

We have recently completed our audit of the basic financial statements of Life Skills Center of Pontiac (the "Academy") as of and for the year ended June 30, 2021. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6
Informational Items	6-7

We are grateful for the opportunity to be of service to Life Skills Center of Pontiac. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

October 10, 2021

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

To the Board of Directors
Life Skills Center of Pontiac
October 10, 2021

Results of the Audit

We have audited the financial statements of Life Skills Center of Pontiac (the “Academy”) as of and for the year ended June 30, 2021 and have issued our report thereon dated October 10, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 10, 2021 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Life Skills Center of Pontiac
October 10, 2021

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Life Skills Center of Pontiac
October 10, 2021

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

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

Management Consultants with Other Independent Accountants

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

To the Board of Directors
Life Skills Center of Pontiac
October 10, 2021

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Life Skills Center of Pontiac and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

LIFE SKILLS CENTER OF PONTIAC RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

LIFE SKILLS CENTER OF PONTIAC

October 10, 2021

GASB Statement No. 87 – Leases

This statement is effective for the first time in the Academy's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.



Life Skills Center of Pontiac

142 Auburn Ave., Pontiac, MI 48342 | Phone: 248-499-7421 | Fax: 248-499-7456 | www.lifeskillspsa.com

OCTOBER 10, 2021

WILKERSON & ASSOCIATE, PC
3 PARKLANE BLVD, SUITE 612
DEARBORN, MI. 48126

This representation letter is provided in connection with your audit(s) of the financial statements of LIKE SKILLS CENTER OF PONTIAC (“ACADEMY”), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of JUNE 30, 2021, and the respective changes in financial position, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 10, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 1, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements [or in the schedule of findings and questioned costs].
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the LIKE SKILLS CENTER OF PONTIAC is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the LIKE SKILLS CENTER OF PONTIAC from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of LIKE SKILLS CENTER OF PONTIAC or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements [and the schedule of expenditures of federal awards].
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 14) We have no knowledge of any fraud or suspected fraud that affects the ACADEMY and involves-
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the ACADEMY'S financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the ACADEMY'S related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practice.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The ACADEMY has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) The ACADEMY has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The ACADEMY has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 32) Revenues are appropriately classified in the statement of activities within program revenues, general revenues.
- 33) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 34) Deposits are properly classified as to risk and are properly disclosed.
- 35) Capital assets, are properly capitalized, reported, and, if applicable, depreciated .
- 36) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 37) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

38)

39) With respect to the Budgetary Comparison Schedule:

- a) We acknowledge our responsibility for presenting the Original & Final Budget in accordance with accounting principles generally accepted in the United States of America, and we believe the Budget information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Budget information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signed:

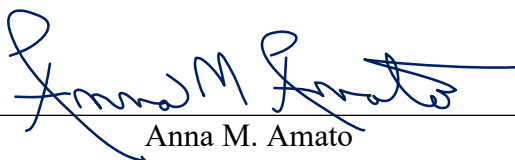


Kimberly Williams

Title:

Board President

Signed:



Anna M. Amato

Title:

Chief Administrative Consultant