# WAY MICHIGAN

## FINANCIAL REPORT
## WITH
## SUPPLEMENTAL INFORMATION

**JUNE 30, 2026**

# WAY MICHIGAN

**Contents**


**Page No.**

**Independent Auditor's Report** ..... i

**Management's Discussion and Analysis** ..... iv

**BASIC FINANCIAL STATEMENTS**

Academy-Wide Financial Statements:
- Statement of Net Position ..... 1
- Statement of Activities ..... 2

Fund Financial Statements:
- Governmental Funds:
  - Balance Sheet ..... 3
  - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ..... 4
  - Statement of Revenues, Expenditures and Changes in Fund Balance ..... 5
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 6

Notes to Financial Statements ..... 7

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 ..... 15

**Required Supplemental Information**

Budgetary Comparison Schedule – General Fund ..... 18

Notes to Required Supplemental Information ..... 19

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WAY Michigan
Detroit, Michigan

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of WAY Michigan (the Academy) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Academy, as of June 30, 2026, 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 the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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 the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's 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 the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

## Required Supplemental Information

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2026 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.



Detroit, Michigan
October 8, 2026

WAY Michigan is a grade 6-12 statewide cyber Public School Academy located in Detroit, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2026.

## OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

### Fund Financial Statements:

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the general fund. Additional governmental activities would be reported in their relevant special revenue funds. WAY Michigan does not currently have any special revenue funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. Payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded.

### Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements. The Academy has no capital assets or long-term obligations as of the end of the fiscal year.

## ACADEMY-WIDE FINANCIAL ANALYSIS

2025-2026 was WAY Michigan's twelfth year of operation. Fall 2025 enrollment was lower than previously projected by 7 students. However, enrollment at the Fall 2026 count date is expected to return enrollment numbers to previous levels. The following represents a summary of the Academy's net position as of June 30, 2026 and 2025:

| | 2026 | 2025 | Increase (Decrease) | Percentage Variance |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 514,638 | $ 200,850 | $ 313,788 | 156.2% |
| Due From Other Governmental Units | 472,712 | 337,939 | 134,773 | 39.9% |
| Security Deposits | 2,436 | 2,436 | - | 0.0% |
| Prepaid Expenses | 82,893 | 122,949 | (40,056) | -32.6% |
| **Total Assets** | 1,072,679 | 664,174 | 408,505 | 61.5% |
| **Liabilities** | | | | |
| Accounts Payable | 72,542 | 82,158 | (9,616) | -11.7% |
| Accrued Payroll | 34,385 | 30,844 | 3,541 | 11.5% |
| State Aid Note Payable | 13,998 | 16,784 | (2,786) | -16.6% |
| Unearned Revenue | 107,682 | - | 107,682 | 100.0% |
| **Total Liabilities** | 228,607 | 129,786 | 98,821 | 76.1% |
| **Net Position** | | | | |
| Unrestricted | 844,072 | 534,388 | 309,684 | 58.0% |
| **Total Net Position** | $ 844,072 | $ 534,388 | $ 309,684 | 58.0% |

The $844,072 in unrestricted net position represents Academy funds that have not been committed contractually or for debt obligations and are available for future use. Total net position increased $309,684 in 2025-26. The increases in cash and cash equivalents were primarily the result of revenues exceeding expenses for 2026 leading to increased cash balances. The unearned revenue balance of $107,682 is due to categorical funding received from the state that had not been utilized as of June 30.

The results of the year's operations for the Academy as a whole are reported in the Statement of Activities. The summaries of the academy-wide results of operations for the years ended June 30, 2026 and 2025 are as follows:

| | 2026 | 2025 | Increase (Decrease) | Percentage Variance |
|---|---|---|---|---|
| **Revenue** | | | | |
| State School Aid - Unrestricted | $ 1,481,647 | $ 1,450,270 | $ 31,377 | 2.2% |
| Operating Grants & Contributions - Instruction | 511,340 | 388,092 | 123,248 | 31.8% |
| Operating Grants & Contributions - Support | 124,681 | 95,227 | 29,454 | 30.9% |
| Miscellaneous | 68,170 | 63,889 | 4,281 | 6.7% |
| **Total Revenues** | 2,185,838 | 1,997,478 | 188,360 | 9.4% |
| **Functions/Program Expenses** | | | | |
| Instruction | 1,025,861 | 1,033,780 | (7,919) | -0.8% |
| Instruction Support Services | 850,293 | 856,279 | (5,986) | -0.7% |
| **Total Expenses** | 1,876,154 | 1,890,059 | (13,905) | -0.7% |
| **Change in Net Position** | 309,684 | 107,419 | 202,265 | 188.3% |
| **Net Position - Beginning of Year** | 534,388 | 426,969 | 107,419 | 25.2% |
| **Net Position - End of the Year** | $ 844,072 | $ 534,388 | $ 309,684 | 58.0% |

Factors affecting the change in net position during the year are discussed below:

The increase in operating grants in 2026 was primarily attributable to a new mental health grant received in 2026 for approximately $26,000 and increased special education funding of approximately $66,000.

## REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

| | 2026 | 2025 | Increase (Decrease) | Percentage Variance |
|---|---|---|---|---|
| Revenues | $ 2,185,838 | $ 1,997,478 | $ 188,360 | 9.4% |
| Expenditures | 1,876,154 | 1,890,059 | (13,905) | -0.7% |
| Excess of Revenues over Expenditures | 309,684 | 107,419 | 202,265 | 188.3% |
| Fund Balance, Beginning of Year | 534,388 | 426,969 | 107,419 | 25.2% |
| Fund Balance, End of Year | $ 844,072 | $ 534,388 | $ 309,684 | 58.0% |

Operating results were consistent from 2025 to 2026 with a 9.4% increase in general fund revenues contributing to an increase in fund balance of $309,684.

## CURRENTLY KNOWN FACTS, DECISIONS OF CONDITIONS

The Preliminary Budget for the 2026-27 fiscal year was adopted by the Board of Education in June 2026. Some definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2026-27 budget preparation process include:

- Enrollment projections of students in grades 6-12.
- Increases in staffing to accommodate increased student enrollment.
- Slight increases in benefit costs due to both increases in premiums and the increase in the number of staff eligible to receive benefits.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year.

## CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, please contact Sherry A. Lynem, Director of Finance, at 397 Main Street Suite 1, Belleville, Michigan, 48111 (734-345-9957 Ext 101).

# WAY MICHIGAN

**Statement of Net Position**
**June 30, 2026**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents (Note 3) | $ 514,638 |
| Due From Other Governmental Units (Note 4) | 472,712 |
| Security Deposits | 2,436 |
| Prepaid Expenses | 82,893 |
| **Total Assets** | 1,072,679 |
| **LIABILITIES** | |
| Accounts Payable | 72,542 |
| Accrued Payroll | 34,385 |
| State Aid Anticipation Note Payable (Note 8) | 13,998 |
| Unearned Revenue (Note 1) | 107,682 |
| **Total Liabilities** | 228,607 |
| **NET POSITION** | |
| Unrestricted | 844,072 |
| **Total Net Position** | $ 844,072 |

*The accompanying notes are an integral part of these financial statements.*

# WAY MICHIGAN

**Statement of Activities**
**Year Ended June 30, 2026**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Governmental Activities: Net (Expenses) Revenues and Changes in Net Position |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Basic Instruction | $ 697,428 | $ - | $ 347,633 | $ (349,795) |
| Instruction - Added Needs | 328,433 | - | 163,707 | (164,726) |
| Supporting Services | | | | |
| Pupil Support | 102,542 | - | - | (102,542) |
| Instructional Staff | 135,224 | - | 67,402 | (67,822) |
| General Administration | 123,819 | - | - | (123,819) |
| School Administration | 114,914 | - | 57,279 | (57,635) |
| Business Services | 88,446 | - | - | (88,446) |
| Operations and Maintenance | 54,619 | - | - | (54,619) |
| Central Services | 229,228 | - | - | (229,228) |
| Community Services | 1,501 | - | - | (1,501) |
| **Total Governmental Activities** | 1,876,154 | - | 636,021 | (1,240,133) |
| | | General Revenues | | |
| | | State Aid - Formula Grants | | 1,481,647 |
| | | Other Revenue | | 68,170 |
| | | **Total General Revenues** | | 1,549,817 |
| | | Change in Net Position | | 309,684 |
| | | **Net Position - July 1, 2025** | | 534,388 |
| | | **Net Position - June 30, 2026** | | $ 844,072 |

*The accompanying notes are an integral part of these financial statements.*

# WAY MICHIGAN

**Governmental Funds**
**Balance Sheet**
**June 30, 2026**

| | General Fund |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents (Note 3) | $ 514,638 |
| Due From Other Governmental Units (Note 4) | 472,712 |
| Security Deposits | 2,436 |
| Prepaid Expense | 82,893 |
| **Total Assets** | $ 1,072,679 |
| **LIABILITIES AND FUND BALANCES** | |
| **Liabilities** | |
| Accounts Payable | $ 72,542 |
| Accrued Payroll | 34,385 |
| State Aid Anticipation Note Payable (Note 8) | 13,998 |
| Unearned Revenue (Note 1) | 107,682 |
| **Total Liabilities** | 228,607 |
| **Fund Balance** | |
| Nonspendable | 85,329 |
| Unassigned | 758,743 |
| **Total Fund Balance** | 844,072 |
| **Total Liabilities and Fund Balance** | $ 1,072,679 |

*The accompanying notes are an integral part of these financial statements.*

# WAY MICHIGAN

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**
**June 30, 2026**

| | Amount |
|---|---|
| **Fund Balance - Total Governmental Funds** | $ 844,072 |
| **Net Position - Governmental Activities** | $ 844,072 |

*The accompanying notes are an integral part of these financial statements.*

# WAY MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance**
**Year Ended June 30, 2026**

| | General Fund |
|---|---|
| **REVENUE** | |
| Federal Sources | $ 273,432 |
| State Sources | 1,844,236 |
| Local Sources | 68,170 |
| **Total Revenue** | 2,185,838 |
| **EXPENDITURES** | |
| Basic Instruction | 697,428 |
| Instruction - Added Needs | 328,433 |
| Supporting Services: | |
| Pupil Support Services | 102,542 |
| Instructional Staff Services | 135,224 |
| General Administration Services | 123,819 |
| School Administration Services | 114,914 |
| Business Services | 88,446 |
| Operations and Maintenance | 54,619 |
| Central Services | 229,228 |
| Community Services | 1,501 |
| **Total Expenditures** | 1,876,154 |
| **Net Change in Fund Balance** | 309,684 |
| **Fund Balance - July 1, 2025** | 534,388 |
| **Fund Balance - June 30, 2026** | $ 844,072 |

*The accompanying notes are an integral part of these financial statements.*

# WAY MICHIGAN

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**
**Year Ended June 30, 2026**

| | Amount |
|---|---|
| **Net Change in Fund Balance-Total Governmental Funds** | $ 309,684 |
| **Change in Net Position of Governmental Activities** | $ 309,684 |

*The accompanying notes are an integral part of these financial statements.*

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of WAY Michigan (the Academy), conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

Reporting Entity

WAY Michigan was organized in 2013 for the purpose of operating as a School of Excellence that is a Cyber School in the State of Michigan pursuant to part 6E of the Code, being Section 380.551 et seq. of the Michigan Compiled Laws.

On December 5, 2013 the Academy entered into a contract with Central Michigan University (CMU) to Charter a Public School Academy The Academy's current contract with CMU goes through June 30, 2027. The CMU 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 and other related activities for which compensation is permissible. By agreement between CMU and the Academy, the Academy pays the CMU Board of Trustees 3 percent of the Academy's State School Aid payments as an administrative fee. The total administrative fee paid for the year ended June 30, 2026 to CMU was approximately $44,000.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Academy-Wide and Fund Financial Statements

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. 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 or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

**Academy-Wide Financial Statements** – The academy-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 to 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.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Academy-Wide Financial Statements** – **(Continued)** When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

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

**Unrestricted State Aid and Intergovernmental Grants**, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

**General Fund** - The Academy's major, and only, fund is the general fund. This fund is used to account for all operational activities of the Academy. The general fund includes the current operating expenditures of the Academy. Revenues are derived primarily from the State of Michigan.

### Assets, Liabilities and Net Position or Equity

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

**Receivables** – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible. Accordingly, no allowance for uncollectible amounts has been recorded.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

**Prepaid Expenses** – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Capital Assets** – Capital assets are reported in the applicable governmental column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

The Academy had no capital assets as of June 30, 2026.

**Deferred Outflows of Resources** – In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no deferred outflows of resources at June 30, 2026.

**Deferred Inflows of Resources** – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had no deferred inflows of resources at June 30, 2026.

**Unearned Revenue –** Unearned Revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2026, the Academy had unearned revenue of $107,682, consisting of $91,571 in section 31a at risk funding and $16,111 in 31aa mental health funding.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

**Fund Balance** – GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable 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 non-spendable 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.

**Net Position** – Net position of the Academy is classified in three components. Net Investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any non-expendable restricted net position during the year. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Use of 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 of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results may differ from those estimates.

## 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General Fund. Capital outlay expenditures are budgeted within the various functions. All annual appropriations lapse at fiscal year ended.

## 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

**Budgetary Information (Continued)** – The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the object level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits schools to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy had no material budget overages in fiscal year 2026.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Grants** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy's opinion, no disallowed claims are expected and would not have a material effect on the financial statements as of and for the year ended June 30, 2026.

### CONCENTRATION OF REVENUE SOURCES

During fiscal year 2026, the Academy received 84% of its revenue from state sources.

## 3) DEPOSITS AND INVESTMENTS

State statutes 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 the statutory authority. As of June 30, 2026, the Academy does not have any investments.

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

## 3) DEPOSITS AND INVESTMENTS (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. At June 30, 2026, the Academy had a deposit balance of $514,638, of which $264,638 was uninsured.

The Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that value of investments will decrease as a result of a rise in interest rates. The Academy does not have investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy held no such investment at June 30, 2026.

Foreign Currency Risk

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

## 4) DUE FROM OTHER GOVERNMENTAL UNITS

Receivables from other governmental units as of year-end for the Academy include $332,502 from the State of Michigan, and $7,857 from Federal grants, and $132,353 from Wayne County RESA.

## 5) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with WAY Widening Advancement for Youth (WAY) effective July 1, 2019 through June 30, 2024. The Agreement was subsequently extended through June 30, 2025, and was further extended through June 30, 2027. Under the direction of the Academy's Board, WAY Widening Advancement for Youth shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services, and overseeing other contractors. The management contract may be terminated under various circumstances as defined in the management agreement. The management contract provides that the Academy shall pay WAY Widening Advancement for Youth an annual fee of 10% of the unrestricted State school aid the Academy received from the State of Michigan.

Compensation for the year ended June 30, 2026, was $145,561.

## 6) OPERATING LEASES

The Academy leases its office suite located in Detroit, MI. The lease was entered into on June 1, 2018 which expired on June 30, 2021 and renewed for 36 months, through June 30, 2024 and extended again for another 36 months through June 30, 2027. The lease is cancelable in the event of the charter contract between the Academy and Central Michigan University (CMU) being terminated. If such event was to occur, the termination fee due is sum of (a) then unamortized portion of landlord costs for legal fees and leasing commissions in relation to the lease and (b) two month's rent (unless less than two months remain on the lease).

The Annual rent under this lease is 2.5 percent of total state aid revenue received by the Academy. Rent expense for the year was $41,137.

Since this is a variable term lease with no fixed component, the requirements under GASB 87 of a lessee to record a right-to-use asset and a lease liability are not applicable and therefore not recorded on the statement of net position.

## 7) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

**Plan Description** – The Academy currently does not participate in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan.

**Post-employment Benefits** – Currently, the Academy does not offer any post-employment benefits.

## 8) STATE AID ANTICIPATION NOTE

In August 2025, the Academy borrowed $75,000 at 5.95 percent annual interest with a state aid bridge loan. Proceeds from the note were used to fund school operations. The unpaid balance totals $13,998 at June 30, 2026 The note was fully paid subsequent to year end.

## 9) RISK MANAGEMENT

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

## 10) IMPLEMENTATION OF NEW ACCOUNTING STANDARD

For the year ended June 30, 2026, the Academy implemented the following GASB standards:

GASB Statement No. 103, *Financial Reporting Model Improvements.* The Standard addressed the following areas:

a. Management's discussion and analysis (MD&A);
b. Unusual or infrequent items;
c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

GASB Statement No. 104, *Disclosure of Certain Capital Assets.* This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale.

## 11) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 8, 2026, the date the financial statements were available to be issued. No subsequent events were noted that would require reporting or disclosure in the financial statements.

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## 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
WAY Michigan
Detroit, Michigan

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of WAY Michigan (the Academy) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 8, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than 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 or significant deficiencies. 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 the Academy'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 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allan C. Young & Assoc.

Detroit, Michigan
October 8, 2026

# REQUIRED SUPPLEMENTAL INFORMATION

# WAY MICHIGAN

## Budgetary Comparison Schedule
## General Fund
## Year Ended June 30, 2026

| | Original Budget | Final Budget | Over (Under) Original Budget | Actual | Over (Under) Final Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| State Sources | $ 1,674,501 | $ 1,796,179 | $ 121,678 | $ 1,844,236 | $ 48,057 |
| Federal Sources | 281,983 | 362,324 | 80,341 | 273,432 | (88,892) |
| Local Sources | 50,000 | 62,000 | 12,000 | 68,170 | 6,170 |
| Total Revenue | 2,006,484 | 2,220,503 | 214,019 | 2,185,838 | (34,665) |
| Expenditures | | | | | |
| Instructional Services | | | | | |
| Basic Programs | 706,403 | 736,785 | 30,382 | 697,428 | (39,357) |
| Added Needs | 366,567 | 383,219 | 16,652 | 328,433 | (54,786) |
| Supporting Services: | | | - | | |
| Pupil Support Services | 107,139 | 108,450 | 1,311 | 102,542 | (5,908) |
| Instructional Staff Services | 145,853 | 134,072 | (11,781) | 135,224 | 1,152 |
| General Administration Services | 138,185 | 136,475 | (1,710) | 123,819 | (12,656) |
| School Administration Services | 113,810 | 114,675 | 865 | 114,914 | 239 |
| Business Services | 101,125 | 101,288 | 163 | 88,446 | (12,842) |
| Operation and Maintenance | 61,786 | 56,990 | (4,796) | 54,619 | (2,371) |
| Central Services | 214,931 | 251,032 | 36,101 | 229,228 | (21,804) |
| Community Services | 3,500 | 6,240 | 2,740 | 1,501 | (4,739) |
| Total Expenditure | $ 1,959,299 | $ 2,029,226 | $ 69,927 | 1,876,154 | $ (153,072) |
| Net Change in Fund Balance | | | | 309,684 | |
| Fund Balance - July 1, 2025 | | | | 534,388 | |
| Fund Balance - June 30, 2026 | | | | $ 844,072 | |

## BUDGETARY INFORMATION

The annual budget is prepared by the Academy's director and submitted to the Academy's board for its approval; subsequent amendments are also submitted to the Academy 's board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2026 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a fund level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Academy's board and WAY Michigan is included in the required supplemental information. The budget is adopted at the fund level.

## GENERAL FUND

Significant variances between the Academy's original and final budgeted revenue/expenditures were as follows:

Significant variances are defined as line items with variances greater than 10% for the individual line item and 1% for the total revenues/expenses.

| Revenue Function | Explanation |
|---|---|
| **Federal Sources** | The district does not have final grant awards for all sources at the time of the budget adoption; therefore federal grant awards are based information available at that time. |

| Expenditure Function | Explanation |
|---|---|
| **Central Services** | There was an employee compensation categorical payment in the state aid, this payment was used to fund a one-time bonus to all staff. |

Significant variances between the Academy's final budgeted and actual revenue/expenditures were as follows:

| Revenue Function | Explanation |
|---|---|
| **Federal Sources** | Federal grant revenue was budgeted based upon total grant allocations that go through September 30. At June 30, some of the grant allocations had not been utilized or drawn down. |

| Expenditure Function | Explanation |
|---|---|
| **Added Needs** | As described in federal sources, a portion of the Federal grants had not been utilized and will be utilized in the subsequent fiscal year. |