

Muskegon Covenant Academy

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2022



Muskegon Covenant Academy

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskegon Covenant Academy
Muskegon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Muskegon Covenant Academy (the School), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School'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 the General Fund of Muskegon Covenant Academy as of June 30, 2022, 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 statements 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 Muskegon Covenant 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.

Change in Accounting Principle

As discussed in Note J to the financial statements, in the year ended June 30, 2022 the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Report on the Audit of the Financial Statements—Continued

Responsibilities of Management for the Financial Statements—Continued

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 Muskegon Covenant 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 Muskegon Covenant 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 Muskegon Covenant 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.

Board of Directors
Muskegon Covenant Academy
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Report on the Audit of the Financial Statements—Continued

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Muskegon Covenant Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Muskegon Covenant 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 Muskegon Covenant Academy's internal control over financial reporting and compliance.



Muskegon, Michigan
October 31, 2022

Muskegon Covenant Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

This discussion and analysis of Muskegon Covenant Academy's (Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to provide, in non-technical language, a look at the Academy's performance and past and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

GASB 34 (Governmental Accounting Standards Board's Statement No. 34) requires this information. GASB 34 requires the presentation of two basic types of financial statements; namely, School-wide Financial Statements and Fund Financial Statements.

Overview of the Financial Statements

This annual report consists of four parts: (1) the independent auditor's report, (2) management's discussion and analysis, (3) the basic financial statements, and (4) required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year.

School-wide Financial Statements

The school-wide statements provide a financial perspective of the Academy as a whole. These statements are on the "full accrual" basis of accounting and provide information about the Academy's overall financial status. They are used to help determine whether the Academy is better off or worse off as the result of the year's activities. There are two school-wide statements: the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all of the Academy's assets, deferred inflows and outflows, and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the Academy are reported in this statement.

The *Statement of Activities* accounts for the current year's revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for Academy services.

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

- Over time, increases or decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Academy's overall health, one needs to consider additional non-financial factors such as the quality of the education provided and the condition of the Academy's buildings.

In the school-wide statements, the Academy's activities are classified as governmental activities. This includes the Academy's basic services, such as regular and special education, transportation, and administration. State aid and federal grants finance most of these services.

Muskegon Covenant Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Fund Financial Statements

The fund financial statements focus on individual parts of the Academy, reporting the Academy's operations in more detail than the school-wide 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 instructional and instructional support activities are reported in the *General Fund*. The primary funding sources for the General Fund are from state foundation grant per student, state categorical funding for specific programs, federal grants and inter-governmental transfers. The Academy has no other funds.

Financial Analysis of the Academy as a Whole

The net position of the Academy as of June 30, 2022, was \$2,710,154. Figure A-1 shows a condensed breakdown of the net position.

The Academy's net position reflects resources that are both unrestricted and restricted as to how they may be used. The restricted net position – net investment in capital assets represents investments in capital (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The Academy uses these capital assets to provide services to students; consequently, these assets are not available for spending. Although the Academy's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt used as a decrease to capital assets will be paid from operating revenues.

Figure A-1
Condensed Statement of Net Position

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,103,878	\$ 2,029,794
Capital assets, net of depreciation	<u>758,730</u>	<u>775,073</u>
Total assets	2,862,608	2,804,867
Current liabilities	<u>82,944</u>	<u>170,901</u>
Deferred inflows of resources	<u>69,510</u>	<u>-</u>
Total liabilities and deferred inflows	<u>152,454</u>	<u>170,901</u>
Net position		
Net investment in capital assets	758,730	775,073
Unrestricted	<u>1,951,424</u>	<u>1,858,893</u>
Total net position	<u>\$ 2,710,154</u>	<u>\$ 2,633,966</u>

Muskegon Covenant Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Comments on Major Changes to Net Position

The net position of the Academy increased approximately \$76,000 during the 2021-22 year. Figure A-2 shows the breakdown of this change. The Statement of Activities presented later in the school-wide financial statements, provides greater detail on the Academy's annual activity. The cost of the Academy's governmental activities for the year was approximately \$1,584,000. However, the amount that taxpayers ultimately financed for these activities was \$1,123,000 because participants and other governments and organizations who subsidized certain programs with grants and contributions paid for approximately \$461,000. The remaining "public benefit" portion was paid for with state pupil foundation aid, investment earnings, and other miscellaneous revenues. The Academy adopted GASB 87-Leases during the 2021-22 fiscal year. This had no effect on financial position.

Figure A-2
Statement of Net Position from Operating Results

	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues		
Charges for services	\$ 20,767	\$ 39,981
Operating grants and contributions	440,410	499,371
General Revenues		
Unrestricted grants and contributions	1,180,000	1,546,719
Other	<u>19,400</u>	<u>43,598</u>
Total Revenues	1,660,577	2,129,669
Expenses		
Instruction	575,233	655,410
Support services	957,467	892,140
Community services	<u>51,689</u>	<u>30,929</u>
Total Expenses	<u>1,584,389</u>	<u>1,578,479</u>
Change in net position	76,188	551,190
Beginning net position	<u>2,633,966</u>	<u>2,082,776</u>
Ending net position	<u><u>\$ 2,710,154</u></u>	<u><u>\$ 2,633,966</u></u>

Muskegon Covenant Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Capital Assets and Debt Administration

**Figure A-3
Summary of Capital Assets (Net of Depreciation)**

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Land	\$ 15,000	\$ 15,000
Construction in progress	-	7,136
Buildings and improvements	720,867	728,431
Land improvements	<u>22,863</u>	<u>24,506</u>
Total	<u>\$ 758,730</u>	<u>\$ 775,073</u>

Comments on Capital Assets and Debt Administration

Capital Assets – A summary of the Academy's capital assets, net of depreciation, at year-end is outlined in figure A-3 above. Additional information on the Academy's capital assets can be found in note G of the Notes to the Financial Statements.

Debt Administration – The Academy has no outstanding debt.

Financial Analysis of the Academy's Funds

The financial performance of the Academy as a whole is reflected in its governmental funds as well. The governmental funds equity increased by approximately \$93,000 during the 2021-22 fiscal year. The General Fund equity ended the year at approximately \$1,951,000. The primary factors affecting the Academy's governmental funds' fund balance are listed below.

Factors Impacting Fund Equity

- *Student enrollment* – Proposal A tied state aid funding to student enrollment. The Academy's blended count on which our foundation allowance was based was 132 students for the 2021-22 school year, which was down from 186 students for the 2020-21 school year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. When the budget is prepared each year, several unknown factors exist. Estimates are used for such major items as student count, service provider contracts, state aid, staffing, utilities, and repairs. As a matter of practice, the Academy amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year and the differences in actual and budget figures.

Muskegon Covenant Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

Original budget to final budget

There was a 9% decrease of (\$172,674) in General Fund revenues from the original budget to the final budget.

- State revenues – decreased due to the student count being lower than expected.
- Federal revenues – decreased due to the school receiving less federal revenue due to student count drop.

There was a 10% decrease of (\$183,979) in General Fund expenditures from the original budget to the final budget.

- Instruction was decreased approximately (\$72,000) due to the reduction in students.
- Support was decreased approximately (\$132,000) due to the reduction in students.
- Community services increased approximately \$12,000 as more Title I services provided in this area.
- Capital outlay was added for approximately \$8,000 for improvements.

Final budget to actual

There was a 0.1% difference \$1,901 between the final revenue budget and the actual revenue.

There was a 4% difference \$72,784 between the final expenditure budget and the actual expenditures.

- Operations and maintenance was under budget approximately \$31,000 as security services were not as large as anticipated.

Factors Bearing on the Academy's Future

2022-23 Academy Budget

The adopted budget for the 2022-23 fiscal year projects an increase in the fund balance of approximately \$3,000.

The budget will be amended during the year to reflect updated foundation allowance information, actual student counts, changes to any legislation, and final staffing assignments.

Requests for Information

This financial report is designed to provide the Academy's taxpayers, parents, students, investors and creditors with a general overview of the Academy's finances, and to show how the Academy is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Director of Operational Services, Muskegon Covenant Academy, 125 Catherine Ave, Muskegon, MI 49442, and telephone number (231) 720-3100.

Muskegon Covenant Academy
STATEMENT OF NET POSITION
June 30, 2022

	Governmental activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,495,021
Investments	209,513
Assets managed by others	17,115
Lease receivable	69,510
Due from other governmental units	306,068
Prepaid items	<u>6,651</u>
Total current assets	2,103,878
Noncurrent assets	
Capital assets, net	
Nondepreciable	15,000
Depreciable	<u>743,730</u>
Total noncurrent assets	<u>758,730</u>
Total assets	2,862,608
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	26,598
Due to other governmental units	19,319
Unearned revenue	<u>37,800</u>
Total current liabilities	83,717
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-leases	<u>69,510</u>
Total liabilities and deferred inflows of resources	<u>153,227</u>
NET POSITION	
Net investment in capital assets	758,730
Unrestricted	<u>1,950,651</u>
Total net position	<u><u>\$ 2,709,381</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
STATEMENT OF ACTIVITIES
 Governmental Fund
 For the year ended June 30, 2022

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Operating grants and contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for services</u>		<u>Governmental activities</u>
Governmental activities				
Instruction	\$ 575,233	\$ -	\$ 273,684	\$ (301,549)
Support services	958,240	20,767	115,037	(822,436)
Community services	51,689	-	51,689	-
Total governmental activities	<u><u>\$ 1,585,162</u></u>	<u><u>\$ 20,767</u></u>	<u><u>\$ 440,410</u></u>	(1,123,985)
General revenues				
Grants and contributions not restricted to specific programs				1,180,000
Investment earnings				6,419
Miscellaneous				12,981
Total general revenues				<u>1,199,400</u>
Change in net position				75,415
Net position at beginning of year				<u>2,633,966</u>
Net position at end of year				<u><u>\$ 2,709,381</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
BALANCE SHEET
 Governmental Fund
 June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,495,021
Investments	209,513
Assets managed by others	17,115
Lease receivable	69,510
Due from other governmental units	306,068
Prepaid items	<u>6,651</u>
Total assets	<u>\$ 2,103,878</u>
LIABILITIES	
Accounts payable	\$ 18,927
Accrued liabilities	7,671
Due to other governmental units	19,319
Unearned revenue	<u>37,800</u>
Total liabilities	83,717
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues-leases	69,510
FUND BALANCE	
Nonspendable - prepaid items	6,651
Unassigned	<u>1,944,000</u>
Total fund balance	<u>1,950,651</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,103,878</u>

The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**
June 30, 2022

Total fund balance—governmental funds		\$ 1,950,651
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not current
financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 944,467		
Accumulated depreciation	<u>(185,737)</u>		<u>758,730</u>
Net position of governmental activities			<u>\$ 2,709,381</u>

The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2022

	<u>General Fund</u>
REVENUES	
Local sources	
Investment earnings	\$ 6,419
Contributions	3,550
Fees and charges	20,767
Other	<u>27,867</u>
Total local sources	58,603
State sources	1,378,941
Federal sources	<u>223,033</u>
Total revenues	1,660,577
EXPENDITURES	
Current	
Instruction	547,583
Support services	961,781
Community services	51,689
Capital outlay	<u>7,766</u>
Total expenditures	<u>1,568,819</u>
Net change in fund balance	91,758
Fund balance at beginning of year	<u>1,858,893</u>
Fund balance at end of year	<u><u>\$ 1,950,651</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
**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, 2022

Net change in fund balances—total governmental funds	\$	91,758
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report outlays for capital assets as
expenditures; in the Statement of Activities these costs are
depreciated over their estimated useful lives.

Depreciation expense	\$	(30,722)	
Capital outlay		21,515	(9,207)

Governmental funds report the entire proceeds from the sale of capital assets
as revenue, but the Statement of Activities reports only the gain or loss on the
sale or impairment of capital assets.

		(7,136)
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Change in net position of governmental activities	\$	75,415
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The accompanying notes are an integral part of this statement.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Covenant Academy (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Reporting Entity

The School is governed by an appointed five member Board of Directors (Board), which has responsibility and control over all activities related to public school education within the School. The School receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities.

Generally accepted accounting principles require that if the School is considered to be financially accountable for other organizations, those organizations should be included as component units in the School's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the School. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by intergovernmental revenues and other nonexchange transactions.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

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

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

State and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to Schools based on information supplied by the Schools. For the current fiscal year, the foundation allowance was based on pupil membership counts taken in October and February.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The School also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the School are reported at fair value (generally based on quoted market prices). Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School intends to hold the investment until maturity.

State statutes authorize the School to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School's deposits and investments are in accordance with statutory authority.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the School constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment, of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	10-50
Land improvements	5-30

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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the School that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Leases

The School is a lessor for a non-cancelable lease of a portion of a building. The School recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At commencement of the lease, the School initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the School determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

The School uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The School monitors changes in the circumstances that would require a remeasurement of the lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted state aid, interest and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year end.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The CEO submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain comments.
3. Prior to July 1, the budget is legally adopted by Board of Directors resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the General Fund are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2022.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2022, the School had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
External investment pool	<u>\$ 209,513</u>	<u>55</u>	AAAm	<u>100%</u>
Portfolio weighted average maturity		<u>55</u>		

The School voluntarily invests certain excess funds in an external investment pool (Pool). The Pool utilized by the School is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external investment pool of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. The fair value of the School District's investments is the same as the value of the Pool shares.

Interest rate risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Credit risk

State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School has no investment policy that would further limit its investment choices.

Concentration of credit risk

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

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2022, \$1,010,761 the School's bank balance of \$1,510,761 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments

The School does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk

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

NOTE D—ASSETS MANAGED BY OTHERS

The Fund

The School has one fund with the Community Foundation for Muskegon County (Foundation).

The Muskegon Covenant Academy Fund (Fund) was established by the School for the purpose of the general support of the charitable or educational purposes of the School. The agreement with the Foundation allows the use of the Fund's income when a written approved resolution from the Board of Directors is sent with a request for funds.

The Foundation invests the contributions to the funds in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit.

Reporting of the Assets of the Funds

The investments held at the Foundation, which includes \$10,000 of startup funds from the School, are contributions by donors to the School along with earnings on these investments, and are reported at fair value as unrestricted assets of the School. The contributions to the Fund made by third party donors directly to the Foundation have been excluded from the fund balance and net position of the School.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE D—ASSETS MANAGED BY OTHERS—Continued

Summary of the Fund

A summary of revenues, expenses, and changes in the net assets at fair value of the Fund for the year ended June 30, 2022 follows:

	<u>Muskegon Covenant Academy Fund</u>
Revenues	
Dividends and interest	\$ 436
Realized and unrealized gains (losses) on investments	<u>(3,290)</u>
	(2,854)
Expenses	
Administration fees	<u>156</u>
Revenues over expenses	(3,010)
Total assets at beginning of year	<u>20,125</u>
Assets reported on the Balance Sheet-Statement of Net Position	<u><u>\$ 17,115</u></u>

NOTE E—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities
- Inputs other than quoted prices that are observable for
- Inputs that are derived principally from or corroborated market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE E—FAIR VALUE MEASUREMENTS—Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost
MILAF External Investment pool - MAX Class	<u>\$ 209,513</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Assets managed by others: The assets are valued based upon the School's allocable share of the Community Foundation for Muskegon County's pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities.

The assets managed by others are valued monthly by the Community Foundation and are allocated based upon each organization's calculated share of the Community Foundation's pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The School calculates the fair value of its beneficial interest in the pooled investment assets held by the Community Foundation based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes all management and investment decisions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value on a recurring basis as of June 30, 2022:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets managed by others	\$ -	\$ 17,115	\$ -	\$ 17,115

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE F—LEASE RECEIVABLE

During July 2019, the School leased a portion of its building to Covenant Academies Foundation. The lease is for six years and the School will receive annual payments of \$24,000. The School recognized \$20,767 in lease revenue and \$3,233 in interest revenue during the current fiscal year related to the lease. As of June 30, 2022, the School's receivable for lease payments was \$69,510. Also, the School has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflows of resources was \$69,510.

NOTE G—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	7,136	-	7,136	-
	<u>22,136</u>	<u>-</u>	<u>7,136</u>	<u>15,000</u>
Capital assets, being depreciated:				
Buildings and improvements	883,309	21,515	-	904,824
Land improvements	24,643	-	-	24,643
	<u>907,952</u>	<u>21,515</u>	<u>-</u>	<u>929,467</u>
Less accumulated depreciation:				
Buildings and improvements	154,878	29,079	-	183,957
Land improvements	137	1,643	-	1,780
	<u>155,015</u>	<u>30,722</u>	<u>-</u>	<u>185,737</u>
Total capital assets, being depreciated, net	<u>752,937</u>	<u>(9,207)</u>	<u>-</u>	<u>743,730</u>
Capital assets, net	<u>\$ 775,073</u>	<u>\$ (9,207)</u>	<u>\$ 7,136</u>	<u>\$ 758,730</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 27,650
Support services	<u>3,072</u>
	<u>\$ 30,722</u>

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE H—CONTINGENCIES

Grant Programs

The School participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

NOTE I—OTHER INFORMATION

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2022 or any of the prior three years.

Employee Services Agreement

The School leases its employees from an employee leasing company and is not required to have these School employees covered by MPSERS. Expenditures for employee costs such as salaries and wages, payroll taxes, and benefits under the management services agreements have been recorded and reported in conformance with the State of Michigan's standard chart of accounts.

Management Agreement

The School entered into a management agreement with Covenant Academies Foundation, effective July 1, 2016, to provide educational and administrative services. The agreement expires on June 30, 2024. For the year ended June 30, 2022, Covenant Academies Foundation service fees totaled \$198,520.

NOTE J—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the School implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Muskegon Covenant Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE J—CHANGE IN ACCOUNTING PRINCIPLE—Continued

The restatement at beginning of the year had no impact on net position. The change in the lease receivable and deferred inflows of resources is as follows:

	Lease receivable	Deferred inflows of resources- Unavailable revenues
Balances at beginning of year, as previously stated	\$ -	\$ -
Adoption of GASB Statement 87	90,277	90,277
	<hr/>	<hr/>
Balances at beginning of year, as restated	\$ 90,277	\$ 90,277
	<hr/>	<hr/>

NOTE K—UPCOMING ACCOUNTING PRNOUNCEMENT

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the School District’s 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Covenant Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2022

	Budgeted amounts			Variance with
	Original	Final	Actual	final budget
REVENUES				
Local sources	\$ 62,821	\$ 55,228	\$ 58,603	\$ 3,375
State sources	1,471,286	1,368,445	1,378,941	10,496
Federal sources	301,045	238,805	223,033	(15,772)
Total revenues	1,835,152	1,662,478	1,660,577	(1,901)
EXPENDITURES				
Instruction				
Basic programs	355,454	292,073	283,768	8,305
Added needs	289,468	280,774	263,815	16,959
Support services				
Pupil	166,813	98,661	102,071	(3,410)
Instructional staff	3,043	-	-	-
General administration	267,172	253,360	253,333	27
School administration	398,667	352,799	339,742	13,057
Business	37,500	26,036	23,920	2,116
Operations and maintenance	209,324	231,749	200,469	31,280
Pupil transportation services	20,000	10,000	9,903	97
Central	34,057	32,370	32,343	27
Community services	39,735	52,341	51,689	652
Capital outlay	-	7,766	7,766	-
Outgoing transfers and other transactions	3,576	2,901	-	2,901
Total expenditures	1,824,809	1,640,830	1,568,819	72,011
Excess (deficiency) of revenues over (under) expenditures	\$ 10,343	\$ 21,648	91,758	\$ 70,110
Fund balance at beginning of year			1,858,893	
Fund balance at end of year			\$ 1,950,651	