



CORNERSTONE

**MADISON-CARVER
ACADEMY**

**(A Michigan Public School Academy)
Financial Statements
For the Year Ended
June 30, 2022**



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Madison-Carver Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and the aggregate remaining fund information of Madison-Carver Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Madison-Carver Academy 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, the major fund (General Fund), and the aggregate remaining fund information of Madison-Carver 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 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 Madison-Carver 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 Madison-Carver 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 Madison-Carver 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 Madison-Carver Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison-Carver Academy's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2022, on our consideration of the Madison-Carver 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 the Madison-Carver 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 Madison-Carver Academy's internal control over financial reporting and compliance.

The Clairmount Group

The Clairmount Group, PLC
Detroit, MI 48226
November 4, 2022

Madison-Carver Academy Management's Discussion and Analysis

This section of the Madison-Carver Academy (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2022. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using the Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Other Supplemental Information

Madison-Carver Academy Management's Discussion and Analysis (continued)

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

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

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

Madison-Carver Academy Management's Discussion and Analysis (continued)

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2022:

	Governmental Activities (in thousands)	
	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current and other assets	\$1,640	\$1,596
Capital assets - net of accumulated depreciation	2,260	47
Total Assets	3,899	1,643
<u>Liabilities</u>		
Current liabilities	\$1,055	\$1,271
Non current liabilities	2,630	-
Total Liabilities	3,685	1,271
<u>Deferred Inflows of Resources</u>		
Unavailable revenue	19	-
<u>Net Position</u>		
Invested in capital assets	-370	47
Restricted	75	16
Unrestricted	490	308
Total Net Position	195	371
Total Liabilities, Deferred Inflows and Net Position	\$3,899	\$1,643

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below.

The Academy's net position was \$195 thousand on June 30, 2022. Capital assets, net of related debt totaling \$-370.0 thousand, compare the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from General Fund operations as the debt service comes due. Restricted net position is reported separately to show enabling legislation that limit the Academy's ability to use those assets for day-to-day operations.

Madison-Carver Academy

Management's Discussion and Analysis (continued)

The \$490.0 thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2022 and 2021

	Governmental Activities (in thousands)	
<u>Revenues</u>	<u>2022</u>	<u>2021</u>
Program Revenues:		
Operating grants and contributions	\$2,999.2	\$1,622.0
General Revenues:		
State foundation allowance	5,189.7	5,082.7
Other	.4	16.7
Total Revenues	<u>8,189.3</u>	<u>6,721.5</u>
Function/Program Expenses:		
Instruction	3,706.3	2,899.5
Support services	4,356.7	3,439.1
Depreciation	626.6	58.8
Total Expenses	<u>8,689.5</u>	<u>6,397.3</u>
Increase/(Decrease) in Net Position	<u><u>-\$ (500.2)</u></u>	<u><u>\$ (324.2)</u></u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$8.7 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$2.9 million. We paid for the remaining "public benefit" portion of our governmental activities with \$5.2 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

Madison-Carver Academy Management's Discussion and Analysis (continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's taxpayers by each of these functions. Since unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the Academy had approximately \$2.3 million invested in net capital assets, including leasehold improvements, furniture, and equipment. The amount represents a net increase, including additions and depreciation, of approximately \$2.0 million from last year.

The Academy's Funds

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

As the Academy completed this year, the governmental funds reported a combined fund balance of \$565.3 thousand, which is an increase of \$.6 thousand from last year.

In the General Fund, our principal operating fund, the fund balance is \$490.1thousand. General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

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

There were significant revisions made to the 2021-2022 General Fund original budget. Budgeted revenues were increased from \$6.9 million to 8.1 million due to an increase in the awarding of various grants. As a result, the budgeted fund balance was increased from \$313 thousand to \$490 thousand.

Economic Factors Affecting Next Year's Budgets:

The Academy's administration considered many factors when setting the Academy's 2022-2023 fiscal year budget. One of the most important factors affecting last year's budget was the continued impact of the COVID-19 pandemic which made budgeting challenging. The continued uncertainty in enrollment with the move back to 100% in-person learning still exists. The increase in per pupil funding at the state level from \$8,100 to \$9,150 has helped to cope with some of this uncertainty

The June 2022-2023 budget adopted in June was based on an estimated student enrollment expected in September 2022. Approximately 69 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Madison-Carver Academy
Statement of Net Position
June 30, 2022

Assets	
Current Assets	
Cash and investments	\$ 269,647
Accounts receivable	33,503
Due from other governmental units	<u>1,336,440</u>
Total current assets	1,639,590
Capital Assets - net of accumulated depreciation	<u>2,259,819</u>
Total assets	<u>\$ 3,899,409</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Accounts payable	\$ 202,048
Accrued salaries payable	290,975
Note payable	247,340
Unearned revenue	236,074
Other accruals	<u>78,542</u>
Total current liabilities	<u>1,054,979</u>
Non Current Liabilities	
Long term lease obligations	2,630,000
Deferred inflows of resources	
Unavailable revenue	19,313
Net Position	
Net investment in capital assets	(370,181)
Restricted - Food services	75,287
Unrestricted	<u>490,011</u>
Total net position	<u>195,117</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,899,409</u>

Madison-Carver Academy
Statement of Activities
June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Activities</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Net (Expense)</u>
		<u>Services</u>	<u>and Contributions</u>	<u>Revenues and</u>
				<u>Changes in Net Assets</u>
Primary government-Governmental Activities:				
Instruction	\$ 3,706,257	\$ -	\$ 2,617,839	\$ (1,088,418)
Support services				
Pupil	473,270	-	-	(473,270)
Instructional	341,226	-	15,240	(325,986)
General administration	1,045,180	-	-	(1,045,180)
School administration	331,335	-	-	(331,335)
Business services	41,751	-	-	(41,751)
Operation and maintenance	1,518,148	-	-	(1,518,148)
Pupil transportation and services	7,745	-	-	(7,745)
Central services	249,399	-	-	(249,399)
Other services	26,099	-	-	(26,099)
Community services	10,272	-	-	(10,272)
Food services	312,275	-	366,128	53,853
Depreciation unallocated	626,551	-	-	(626,551)
Total Governmental Activities	<u>\$ 8,689,508</u>	<u>\$ -</u>	<u>\$ 2,999,207</u>	\$ (5,690,301)
General Revenues:				
State aid not restricted to specific purposes				5,189,673
Other income				392
Total general revenues				<u>5,190,065</u>
Change in net position				(500,236)
Net Position, beginning of year				<u>695,353</u>
Net Position, end of year				<u>\$ 195,117</u>

Madison-Carver Academy
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Non Major Special Revenue Fund	Total
Assets			
Cash and cash equivalents	\$ 269,647	\$ -	\$ 269,647
Accounts receivable	33,503	-	33,503
Due from other governmental units	1,310,992	25,448	1,336,440
Due from other funds	765,478	815,317	1,580,795
Total assets	\$ 2,379,620	\$ 840,765	\$ 3,220,385
Liabilities			
Accounts payable	\$ 202,048	\$ -	\$ 202,048
Accrued salaries	290,975	-	290,975
Unearned revenue	236,074	-	236,074
Notes payable	247,340	-	247,340
Due to other funds	815,317	765,478	1,580,795
Accrued expenditures-other	78,542	-	78,542
Total liabilities	1,870,296	765,478	2,635,774
Deferred inflows of resources			
Unavailable revenue	19,313	-	19,313
Fund Balance			
Restricted	-	75,287	75,287
Unassigned	490,011	-	490,011
Total fund balance	490,011	75,287	565,298
Total liabilities, deferred inflows resources and fund balance	\$ 2,379,620	\$ 840,765	\$ 3,220,385

Madison-Carver Academy
Reconciliation of the Total Governmental
Fund Balance to Net Position of Governmental Activities
June 30, 2022

Fund Balance - Total governmental funds \$ 565,298

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

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

Cost of capital assets 3,638,822

Accumulated depreciation (1,379,003)

2,259,819

Long-term liabilities including lease liabilities are
not due and payable in current period and therefore
are not reported as liabilities in the funds.

Lease asset obligation (2,630,000)

Total Net Position - Governmental activities \$ 195,117

Madison-Carver Academy
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
June 30, 2022

	General Fund	Non Major Special Revenue Fund	Total
Revenues			
Local sources	\$ 398	\$ -	\$ 398
State sources	5,812,042	5,186	5,817,228
Federal sources	2,005,518	366,128	2,371,646
Total revenues	7,817,958	371,314	8,189,272
Expenditures			
Current			
Instruction services			
Basic programs	2,467,348	-	2,467,348
Added needs	1,256,979	-	1,256,979
Total instruction	3,724,327	-	3,724,327
Support services			
Pupil	473,270	-	473,270
Instructional	341,226	-	341,226
General administration	1,045,180	-	1,045,180
School administration	331,335	-	331,335
Business services	41,751	-	41,751
Operation and maintenance	1,523,983	-	1,523,983
Pupil transportation and services	7,745	-	7,745
Central services	292,770	-	292,770
Other services	26,099	-	26,099
Total support services	4,083,359	-	4,083,359
Community services	10,272	-	10,272
Food services	-	312,275	312,275
Total expenditures	7,817,958	312,275	8,130,233
Net change in fund balance	-	59,039	59,039
Fund Balance - Beginning of year	490,011	16,248	506,259
Fund Balance - End of year	\$ 490,011	\$ 75,287	\$ 565,298

Madison-Carver Academy
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2022

Net Change in Fund Balance - Total governmental funds	59,039
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Amounts reported for governmental activities in the
statement of activities are different because:

Depreciation expense	(626,551)
Capital asset additions	<u>67,276</u>

Change in Net Position of Governmental Activities	<u><u>(500,236)</u></u>
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Madison-Carver Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on January 3, 2001, and began operation in July 2014.

On July 1, 2017, the Academy entered into a seven-year contract with Grand Valley State University’s Board of Trustees to charter a public school academy through June 30, 2024. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays Grand Valley State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022, were approximately \$134,624.

Administrative Services

The Academy entered into a management agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group (“Cornerstone”). The management company was instrumental in the founding of the Academy. The management company is responsible for all of the management, operations, administration and educational program of the Academy. In addition, the Academy reimburses the management company for all employee-related and operating costs. The Academy pays a management fee of twelve percent of the gross revenue of the Academy, excluding school lunch revenue and funds raised by students or parents through fundraising events. The total paid for these services amounted to approximately \$886,466 for the year ended June 30, 2022. The Management Company forgave approximately \$22,534 of management fees which is reflected as accounts receivable in the Academy’s financial statements as of year end. On June 30, 2022, the management company is due approximately \$105,937 for accounts payable and other reimbursements of costs incurred on behalf of the Academy.

Measurement Focus, Basis Accounting and Financial Statement Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

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

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

Fund Financial Statements – Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Academy's major governmental fund is the General Fund.

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

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

The Academy reports the following major governmental funds:

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

Madison-Carver Academy
Notes to Financial Statements (continued)
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the Academy reports the following fund type:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy’s Special Revenue Fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Assets, Liabilities, and Net Position

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

Due to/from other funds – In general, outstanding balances between funds are reported as “due to/from other funds”. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds”.

Receivables– Receivables on June 30, 2022, consist primarily of amounts due from the Management company. The receivable is expected to be fully collected.

Due from other governmental units– Receivables on June 30, 2022, consist primarily of state school aid and grant revenue due from the State of Michigan and the Federal Government, respectively. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of this financial statement.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Capital Assets – Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings and improvements	10 to 50 years
Furniture and other equipment	5 to 15 years
Computers and software	3 to 10 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities – All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Leases – The Academy is a lessee for noncancellable leases of a school building. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the governmental activities column in the academy-wide financial statements. The Academy recognizes lease assets and liabilities with an initial value of \$5,000 or more.

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments.

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

Lease assets are reported with other capital assets and lease liabilities on the statement of net position

Net Position – Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position consists of the following:

Net investment in capital assets – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – Consists of restricted assets less any accrued interest.

Unrestricted net position – Consists of all other assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

Use of Estimates - The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Michigan Public School Accounting Manual – The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

Adoption of New Accounting Pronouncement – During the current year, the Academy adopted GASB Statement No. 87 Leases. As a result, the statement of net position now includes a liability for the present value of payments expected to be made and right-to-use assets as a lessee, and an asset and deferred inflows for payments expected to be received as a lessor.

Upcoming Accounting Pronouncements - In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ended June 30, 2023.

Madison-Carver Academy
Notes to Financial Statements (continued)
June 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner; the Academy amended the budget to reflect changes in funding from federal and state sources.

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. The Academy is in compliance with the Uniform Budget and Accounting Act.

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government's 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 has designated one bank for the deposit of its funds.

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 a bank failure, the Academy's deposits may not be returned to it. At year end, the Academy's deposits of \$336,112 were not fully insured by the FDIC.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables as of year-end were as follows:

State of Michigan	\$	1,054,368
Federal		282,072
	\$	<u>1,336,440</u>

All receivables were deemed collectible as of June 30, 2022.

Madison-Carver Academy
Notes to Financial Statements (continued)
June 30, 2022

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated:				
Building and improvements	\$ 203,824	\$ -	\$ -	\$ 203,824
Rights to use assets	-	2,630,000	-	2,630,000
Furniture & Equipment	<u>737,722</u>	<u>67,276</u>	<u>-</u>	<u>804,998</u>
Subtotal	941,546	2,697,276	-	3,638,822
Accumulated depreciation:				
Building and improvements	203,824	-	-	203,824
Rights to use assets	-	526,000	-	526,000
Furniture & Equipment	<u>548,628</u>	<u>100,551</u>	<u>-</u>	<u>649,179</u>
Subtotal	752,452	626,551	-	1,379,003
Net capital assets being depreciated	<u>\$ 189,094</u>	<u>\$ 2,070,725</u>	<u>\$ -</u>	<u>\$ 2,259,819</u>

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

NOTE 6 – LEASES

The Academy leases certain assets from various third parties. The assets leased include a school building. Payments for the school building are variable dependent upon student enrollment. Lease activity is included in Note 5.

NOTE 7 – UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. The majority of unavailable revenue relate to federal grant funding not yet received.

Unearned revenue relates to certain state grants where funding, primarily Section 31a At-Risk funding, was received in advance of programs being offered or completed.

At June 30, 2022, the components of unearned revenue were as follows

	Deferred Inflow Unavailable	Liability Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements.	\$ -	\$ 236,074
Grant payments not received until subsequent to 60 days after year end	<u>19,313</u>	<u>-</u>
	<u>\$ 19,313</u>	<u>\$ 236,074</u>

Madison-Carver Academy
Notes to Financial Statements (continued)
June 30, 2022

NOTE 8 – NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$1,377,000 at an interest rate of 3.3 percent. The borrow was utilized for working capital. The interest paid was \$24,876.

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Borrowing - 20/21	\$ 126,935	\$ -	\$ 126,935	\$ -
State Aid Borrowing - 21/22	-	1,377,000	1,129,660	247,340
Total	<u>\$ 126,935</u>	<u>\$ 1,377,000</u>	<u>\$ 1,256,595</u>	<u>\$ 247,340</u>

NOTE 9 – RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by its management company which qualifies under the provisions of Section 403(b) of the Internal Revenue Code. The Academy matches 25% of an employee's first 6% of the contributed funds. Eligible leased employees may contribute up to 15% of their salaries under the terms of this plan.

NOTE 10 – LEASED EMPLOYEES

The Academy leases substantially its entire staff from Cornerstone Educational Service is responsible for providing personnel to the Academy and the Academy shall reimburse CES for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – CONTINGENCIES

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

NOTE 13 – SUBSEQUENT EVENTS

On September 1, 2022 the Academy participated in the State Aid Borrowing Program and borrowed \$1,353,000 at a rate of 5.4% percent.

Subsequent events have been evaluated through November 4, 2022, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

Madison-Carver Academy
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 80,000	\$ 65,000	\$ 398	\$ (64,602)
State sources	5,650,000	5,664,000	5,812,042	148,042
Federal sources	1,200,000	2,345,000	2,005,518	(339,482)
	<u>6,930,000</u>	<u>8,074,000</u>	<u>7,817,958</u>	<u>(256,042)</u>
Total Revenue				
Expenditures				
Current				
Instruction:				
Basic programs	2,225,000	2,674,000	2,467,348	(206,652)
Added needs	<u>845,000</u>	<u>1,204,000</u>	<u>1,256,979</u>	<u>52,979</u>
Total Instruction	3,070,000	3,878,000	3,724,327	(153,673)
Support Services:				
Pupil	430,000	493,000	473,270	(19,730)
Instructional	350,000	344,000	341,226	(2,774)
General administration	1,010,000	1,112,000	1,045,180	(66,820)
School administration	265,000	329,000	331,335	2,335
Business support	45,000	32,000	41,751	9,751
Operation and maintenance	1,400,000	1,542,000	1,523,983	(18,017)
Pupil transportation and services	12,000	7,000	7,745	745
Central services	300,000	301,000	292,770	(8,230)
Other services	20,000	28,000	26,099	(1,901)
Community Services	5,000	8,000	10,272	2,272
Outgoing Transfers	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support Services	3,857,000	4,196,000	4,093,631	(102,369)
Total Expenditures	6,927,000	8,074,000	7,817,958	(256,042)
Net Change in Fund Balance	3,000	-	-	-
Fund Balance - July 1, 2021	<u>310,199</u>	<u>490,011</u>	<u>490,011</u>	<u>-</u>
Fund Balance - June 30, 2022	<u>\$ 313,199</u>	<u>\$ 490,011</u>	<u>\$ 490,011</u>	<u>\$ -</u>

Supplemental Information



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

**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
Madison-Carver Academy

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison-Carver Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Madison-Carver Academy's basic financial statements, and have issued our report thereon dated November 4, 2022.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. There were no material weaknesses discovered. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001- 2022-006 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001-2022-06.

Madison-Carver Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Madison-Carver Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Madison-Carver Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Clairmount Group

Detroit, MI

November 4, 2022



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Madison-Carver Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison-Carver Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Madison-Carver Academy's major federal programs for the year ended June 30, 2022. Madison-Carver Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison-Carver Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Madison-Carver Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Madison-Carver Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Madison-Carver Academy federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Madison-Carver Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Madison-Carver Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Madison-Carver Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Madison-Carver Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001-2022-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Madison-Carver Academy's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Madison-Carver Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Clairmount Group

Detroit, Michigan
November 4, 2022

Madison-Carver Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022
U.S. Department of Agriculture								
Passed through the State of Michigan								
Child Nutrition Cluster:								
Cash Assistance:								
National School Breakfast Program:	10.553							
Project Number 211971		\$ 104,045	\$ -	\$ -	\$ -	\$ 104,045	\$ 112,548	\$ 8,503
National School Lunch Program:	10.555							
Project Number 221961		150,917	-	-	-	147,834	164,780	16,946
Project Number 220910		15,311	-	-	-	15,312	15,312	-
Project Number 211965		67,955	-	-	-	67,955	67,955	-
Project Number 221980		2,747	-	-	-	2,747	2,747	-
Total school lunch		236,930	-	-	-	233,848	250,794	16,946
Summer Food Service Program for Children :								
Project Number 210904	10.599	2,786	23,464	2,786	-	2,786	2,786	-
Total Child Nutrition Cluster		343,761	23,464	2,786	-	340,679	366,128	25,449
Pandemic EBT Local Level Costs	10.649	614	-	-	-	614	614	-
Total U.S. Department of Agriculture		344,375	23,464	2,786	-	341,293	366,742	25,449
U.S. Department of Education:								
Passed through the Wayne County ISD								
Special Education Cluster:	84.027							
IDEA Part B								
Project number 100450 1213		139,100	-	-	-	-	118,925	118,925

Madison-Carver Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022
Passed through the Michigan Department of Education: Title I, Part A	84.010							
Project number 211530 2021		431,383	363,116	37,901	-	106,166	68,265	-
Project number 221530 2122		380,985	-	-	-	297,230	294,004	(3,226)
Total Title I, Part A		812,368	363,116	37,901	-	403,396	362,269	(3,226)
Passed through the Michigan Department of Education: Title II, Part A	84.367							
Project number 210520 2021		56,315	34,716	154	-	5,427	5,273	-
Project number 221530 2122		62,149	-	-	-	1,533	9,966	8,433
Total Title II, Part A		118,464	34,716	154	-	6,960	15,239	8,433
Passed through the Michigan Department of Education: Title IV, Part A	84.424							
Project number 210750 20/21		37,947	-	(1,242)		(1,242)	-	-
Passed through the Michigan Department of Education: Education Stabilization Fund								
Governor's Emergency Education Relief (GEER)	84.425C							
Project number 201200		53,356	-	-	-	28,085	28,085	-
Project number 211202		-	-	-	-	-	14,000	14,000
Total GEER		53,356	-	-	-	28,085	42,085	14,000
Elementary and Secondary School Emergency Relief (ESSER)	84.425D							
Project number 203710		320,890	205,923	20,858	-	22,454	104,719	103,123
Project number 203720		32,089	20,861	-		10,781	10,781	-
Project number 213712		1,024,999	10,425	10,425		711,333	700,908	-
Project number 213752		23,880	-	-	-	3,017	3,017	-
Total ESSER		1,401,858	237,209	31,283	-	747,585	819,425	103,123
American Rescue Plan- Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U							
Project number 213713 2122		1,721,870	-	-		631,593	646,961	15,368
Total Education Stabilization Fund		3,177,084	237,209	31,283	-	1,407,263	1,508,471	132,491
Total U.S. Department of Education		4,284,963	635,041	68,096	-	1,816,377	2,004,904	256,623
Total federal awards		\$ 4,629,338	\$ 658,505	\$ 70,882	\$ -	\$ 2,157,670	\$ 2,371,646	\$ 282,072

Note 1 – Basis of Presentation and Significant Accounting Policies

The accompanying schedule of federal awards (the “Schedule”) includes the federal grant activity of Madison-Carver Academy under programs of the federal government for the year ended June 30, 2022. Expenditures reported on the Schedule are reported on the same basis of accounting as the general purpose financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in or used in preparation of the general purpose financial statements.

Because the Schedule presents only a selected portion of the operations of Madison-Carver Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Madison-Carver Academy. Pass-through entity identifying numbers are presented where available.

Note 2 – Grant Auditor’s Report

Management has utilized the Cash Management System (CMS) Grant Auditor’s Report in preparing the schedule of expenditure of federal awards. There were no exceptions due to timing of cash receipts.

Note 3– Indirect Cost Rate

Management has elected to not use the 10-percent de minimis indirect cost rate allowed und the Uniform Guidance.

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
84.425	Education Stabilization Fund
84.425 C	Governor's Emergency Education Relief (GEER)
84.425D	Elementary and Secondary School Emergency Relief (ESSERS II)
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings

Reference Number	Findings
2022-001	<p>Finding Type: Material Weakness (Repeat Finding)</p> <p><u>Criteria</u></p> <p>The Academy’s internal control structure should ensure that the accounting data is appropriately calculated, reconciled, and reported in accordance with generally accepted accounting principles.</p> <p><u>Condition</u></p> <p>The Academy’s accounts required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.</p> <p><u>Cause/Effect</u></p> <p>While the accounts were reconciled throughout the year, the reconciliations completed had certain instances where the year-end reconciliation process didn’t match h to the general ledger.</p> <p><u>Recommendation</u></p> <p>The Academy should institute monthly and yearly closing procedures to ensure that all accounts are reconciled and match the general ledger.</p> <p><u>Management’s Response</u></p> <p>The Accounting Manager will adhere to the established monthly checklist and physically check off items as they are completed including the date of completion. Management will review monthly close procedural checklist to ensure established process have been followed and completed and sign off on each month after completion/close is verified.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2022-002	<p>Finding Type: Material Weakness</p> <p><u>Criteria</u></p> <p>The Academy should have appropriate overall monitoring of the general ledger to ensure timely and accurate financial statements.</p> <p><u>Condition</u></p> <p>The Academy lacked appropriate overall monitoring of account balances during the year to compile complete and accurate financial reports that resulted in many auditor-proposed journal entries.</p> <p><u>Cause/Effect</u></p> <p>The Academy did not identify the resources necessary to ensure general ledger accounts were monitored and analyzed by appropriate individuals, including taking an overview of fund activity to finalize the accounting records.</p> <p>As a result of the lack of appropriate overall monitoring procedures, there were many auditor-proposed journal entries.</p> <p><u>Recommendation</u></p> <p>The Academy should develop an overall monitoring procedure to ensure that all fund activity is complete, accurate, and logical. This includes assigning an appropriate individual to each general ledger account and several individuals be responsible for the entire general ledger and financial statements to perform monitoring, analytical analysis, and adjustment as needed.</p> <p><u>Management's Response</u></p> <p>Director of finance will review staffing resources and make appropriate adjustments to ensure that adequate levels of staffing and quality staff are recruited and retained. New ERP software has been purchased to facilitate input, reporting, and analysis of fund accounting and accurate GL classification.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2022-003	<p>Finding Type: Material Weakness and material noncompliance</p> <p><u>Criteria</u></p> <p>There should be a process in place to ensure that the Academy complies with laws and regulations.</p> <p><u>Condition</u></p> <p>There were instances identified where the Academy was not in compliance with laws and regulations. State School Aid Act MCL 388.1718 requires that annual audits are submitted by November 1 to the Michigan Department of Education.</p> <p><u>Cause/Effect</u></p> <p>There was a change in staff and staff shortages which led to noncompliance with MCL 388.1718.</p> <p><u>Recommendation</u></p> <p>We recommend that the Academy implement a process that identifies specific individuals for identifying and monitoring applicable compliance requirements throughout the year.</p> <p><u>Management's Response</u></p> <p>Necessary review and analysis of GL accounts will be completed according to the established month end and annual close procedure check lists. Audit engagement will begin no later than August for 2023 SY. Any new, as well as current staff, will receive periodic in-services centered around the MI Public School Accounting manual to ensure thorough understanding of the expectations and processes for school fund accounting.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2022-004	<p>Finding Type: Material Weakness</p> <p><u>Criteria</u></p> <p>There should be a process to ensure grant revenue is accurately and timely recorded.</p> <p><u>Condition</u></p> <p>During our testing, we noted errors in recording various revenue, accounts receivable, and unearned revenue accounts. This included instances where revenues were not properly recorded, and drawdowns for grants were processed beyond the sixty-day requirement, which led to a reduction in revenue.</p> <p><u>Cause/Effect</u></p> <p>There is no process to ensure that grant revenues are timely and accurately accounted for.</p> <p><u>Recommendation</u></p> <p>We recommend that the Academy implement a process that would allow for the accurate recording of grant revenue and timely request of cash drawdowns.</p> <p><u>Management's Response</u></p> <p>Management will ensure experienced staff is recruited, retained and trained to support grant revenues are accurately drawn and reported to appropriate accountant for recording.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2022-005	<p>Finding Type: Material Weakness</p> <p><u>Criteria</u></p> <p>Invoices are approved by the building leader and the business office.</p> <p><u>Condition</u></p> <p>During our testing, we noted multiple invoices without proper approval.</p> <p><u>Cause/Effect</u></p> <p>The established internal control procedures related to approving an invoice were overlooked in several instances. The effect of unapproved invoices can cause unauthorized disbursements or budget overruns.</p> <p><u>Recommendation</u></p> <p>We recommend that the Academy implement procedures to ensure each invoice has the proper approval before payment.</p> <p><u>Management's Response</u></p> <p>Management has procured New ERP software that supports clear invoicing and purchasing approval processes within the system. Management will have individual trainings with building leaders to refine the purchasing approval process through the new accounting software as well as trainings with front office staff on the collection of the appropriate paperwork upon receipt of deliveries.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2022-006	<p>Finding Type: Material Weakness</p> <p><u>Criteria</u></p> <p>Internal control structure should show the custody over cash is segregated and accounted for to prevent thief and ensure accounting data is recorded correctly.</p> <p><u>Condition</u></p> <p>Of the items selected for testing cash receipt controls, there was no documentation of individuals handling cash, nor physical deposits logged.</p> <p><u>Cause/Effect</u></p> <p>While cash receipts were recorded in the ledger throughout the year, the supporting documentation did not present controls over cash. The effect was to cause missing documentation and unable to trace and agree on testing items to the deposit log.</p> <p><u>Recommendation</u></p> <p>The receivable process should be revamped to include a weekly deposit log that tracks and dates the individual collecting, the amount of money collected, the individual who deposited the funds, the purpose/reason for the funds, and includes account coding. After the deposit is made, all documents should be filed away together. If documented and the process is entirely followed by all those individuals handling cash, then receipts will be properly and easily recorded to ensure fairly statement monthly financial statements.</p> <p><u>Management's Response</u></p> <p>Management will train front office staff on the steps involved to add a cash receipts log to the established cash receipts process.</p>

Madison-Carver Academy
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

There were none.

Section IV - Summary Schedule of Prior Audit Findings

Reference Number	Findings
2021-001	<p>Finding Type: Material Weakness <i>Audit finding was not corrected</i></p> <p><u>Criteria</u></p> <p>The Academy’s internal control structure should ensure that the accounting data is appropriately calculated, reconciled, and reported in accordance with generally accepted accounting principles.</p> <p><u>Condition</u></p> <p>The Academy’s accounts required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.</p> <p><u>Cause/Effect</u></p> <p>While the accounts were reconciled throughout the year, the reconciliations completed had certain instances where the year-end reconciliation process didn’t match h to the general ledger.</p> <p><u>Recommendation</u></p> <p>The Academy should institute monthly and yearly closing procedures to ensure that all accounts are reconciled and match the general ledger.</p>



Findings Reference	Responsible Party	Management View	Corrective Action Plan	Anticipated Date
2022-001	Accounting Manager	Management acknowledges that monthly/yearly close procedures were not followed systematically	The Accounting Manager will adhere to the established monthly checklist and physically check off items as they are completed including the date of completion. Management will review monthly close procedural checklist to ensure established process have been followed and completed and sign off on each month after completion/close is verified.	11/30/2022
2022-002	Director of Finance/Accounting Manager/Senior Accountant Team Lead	Management acknowledges that routine monitoring of GL accounts was not performed. Required staffing levels were not adequate to facilitate the review and analysis required to accurately maintain the GL accounts. Existing GL software was difficult to manage for input and reporting.	Director of finance will review staffing resources and make appropriate adjustments to ensure that adequate levels of staffing and quality staff are recruited and retained. New ERP software has been purchased to facilitate input, reporting, and analysis of fund accounting and accurate GL classification.	7/1/2022 - 1st Quarter 2023
2022-003	Director of Finance	Management acknowledges that due to staffing resources and consequential challenges with completing review and analysis of GL accounts, the audit process required more time to finalize. Management also notes that the audit started nearly two months later than normal due to the search for a new auditing firm. These two occurrences combined contributed to the audit not being filed timely.	Necessary review and analysis of GL accounts will be completed according to the established month end and annual close procedure check lists. Audit engagement will begin no later than August for 2023 SY. Any new, as well as current staff, will receive periodic in-services centered on the MI Public School Accounting manual to ensure thorough understanding of the expectations and processes for school fund accounting.	12/15/2022 and ongoing



Findings Reference	Responsible Party	Management View	Corrective Action Plan	Anticipated Date
2022-004	Accounting Manager/Grants Accountant	The Academy already has in place an established processes to ensure that grant revenues are timely and accurately accounted for. Management acknowledges that this process was not accurately systematically followed towards the end of the school year.	Management will ensure experienced staff is recruited, retained and trained to support grant revenues are accurately drawn and reported to appropriate accountant for recording.	1st quarter 2023
2022-005	Director of Finance	Management acknowledges that the established invoice approval process was not always adhered to.	Management has procured New ERP software that supports clear invoicing and purchasing approval processes within the system. Management will have individual trainings with building leaders to refine the purchasing approval process through the new accounting software as well as trainings with front office staff on the collection of the appropriate paperwork upon receipt of deliveries.	11/30/2022
2022-006	Director of Finance	While management acknowledges that some adjustments should be made at the building level to ensure the established collection policy is followed consistently to include a cash receipts log, management maintains that appropriate documentation is in place with appropriate internal controls including signatures for deposits.	Management will train front office staff on the steps involved to add a cash receipts log to the established cash receipts process.	11/30/2022