

(A Michigan Public School Academy)
Financial Statements
For the Year Ended
June 30, 2023



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#### **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 School Service Fund of Madison-Carver Academy as of and for the year ended June 30, 2023, 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 School Service Fund information of Madison-Carver Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2023, 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, PLC

The Clairmount Group, PLC Detroit, Michigan November 1, 2023

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, 2023. 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 nonmajor School 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

#### 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 School 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.

#### The Academy as a Whole

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

	(in thousands)		
<u>Assets</u>	<u>2023</u>	2022	
Current and other assets	\$2,093.4	\$1,640.0	
Capital assets - net of accumulated depreciation	221.4	2,260.0	
Total Assets	\$2,314.8	\$3,899.0	
<u>Liabilities</u> Current liabilities	1,512.7	1,055.0	
Net Position			
Invested in capital assets	221.4	19.0	
Restricted	71.4	-370.0	
Unrestricted	509.3	490.0	
Total Net Position	802.1	195.0	
Total Liabilities and Net Position	\$2,314.8	\$3,899.0	

The above analysis focuses on the net position. The change in net position of the Academy's governmental activities is discussed below.

The Academy's net position was \$736.8 thousand on June 30, 2023. Capital assets of \$221.41 thousand, 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.

The \$509.3 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, which shows the changes in net position for fiscal years 2023 and 2022.

	(in thousands)		
Revenues	<u>2023</u>	<u>2022</u>	
Program Revenues:			
Operating grants and contributions	\$2,269.1	\$2,999.2	
General Revenues:			
State foundation allowance	5,298.7	5,189.7	
Other	277.5	4	
Total Revenues	7,845.3	8,189.3	
Function/Program Expenses:			
Instruction	2,928.5	3,706.3	
Support services	4,851.8	4,356.7	
Depreciation	107.7	626.6	
Total Expenses	7,888.1	8,689.5	
Prior period adjustment	649.7		
Change in Net Position	\$607.0	\$(500.2)	

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$7.8 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$2.3 million. We paid for the remaining "public benefit" portion of our governmental activities with \$5.5 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

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.

#### The General 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 \$580.7 thousand, which is an increase of \$15.4 thousand from last year.

In the General Fund, our principal operating fund, the fund balance is \$509.3 thousand. 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 2022-2023 General Fund original budget. Budgeted revenues were increased from \$93 thousand due to an increase in the awarding of various grants.

#### **Capital Assets**

As of June 30, 2023, the Academy had \$156,104 invested in net capital assets, net of accumulated depreciation and amortization.

		<u>2023</u>	<u>2022</u>
Building and improvements Furniture & Equipment	\$	218,174 840,748	\$ 203,824 805,564
Subtotal		1,058,922	 1,009,388
Less accumulated depreciation	-	837,548	 1,379,003
Total capital assets	\$	221,374	\$ (369,615)

#### **Economic Factors Affecting Next Year's Budgets**

The Academy's administration considered many factors when setting the Academy's 2023-2024 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 2023-2024 budget adopted in June was based on an estimated student enrollment expected in September 2023. 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.

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Current Assets		
Cash and investments	\$	383,244
Accounts receivable	Ψ	7,697
Due from other governmental units		1,702,457
Total current assets		2,093,398
		004.074
Capital Assets - net of accumulated depreciation		221,374
Total assets	\$	2,314,772
Liabilities and Net Position		
Liabilities		
Accounts payable	\$	902,241
Accrued salaries	•	287,476
Accrued other		21,678
Notes payable		241,223
Unearned revenue		60,055
Total current liabilities		1,512,673
Net Position		
Net investment in capital assets		221,374
Restricted		71,419
Unrestricted		509,306
Total net position		802,099
Total liabilities and net position	\$	2,314,772

				Progra	m Reve	niies	 Activities t (Expense)
			Char	ges for		rating Grants	venues and
Functions/Programs		Expenses		vices	•	Contributions	es in Net Assets
<u> </u>							 <u> </u>
Primary government-Governmental Activities:							
Instruction	\$	2,928,525	\$	-	\$	1,964,730	\$ (963,795)
Support services							
Pupil		457,443		-		=	(457,443)
Instructional		712,659		-		17,810	(694,849)
General administration		951,288		-		-	(951,288)
School administration		369,362		-		-	(369,362)
Business services		68,601		-		-	(68,601)
Operation and maintenance		1,631,886		-		-	(1,631,886)
Pupil transportation and services		5,136		-		-	(5,136)
Central services		263,546		-		-	(263,546)
Other services		48,352		-		-	(48,352)
Food services		338,283		-		286,573	(51,710)
Community activity		5,269		-		-	(5,269)
Unallocated depreciation		107,724	-	-		<u>-</u>	(107,724)
Total Governmental Activities	\$	7,888,074	\$	-	\$	2,269,113	\$ (5,618,961)
Other income	estricte	ed to specific pur	poses				 5,298,707 277,492
Total gene	ral reve	enues					 5,576,199
Prior period ad	justmei	nt - Correction of	an Error				 649,744
Change in net	position	า					606,982
Net Position, b	eginnin	g of year					 195,117
Net Position, e	nd of y	ear					\$ 802,099

#### Madison-Carver Academy Governmental Funds Balance Sheet June 30, 2023

	General Fund	Scho	n-Major ool Service Fund		Total
Assets					
Cash and cash equivalents	\$ 383,244	\$	-	\$	383,244
Accounts receivable	7,697		-		7,697
Due from other governmental units	1,690,086		12,371		1,702,457
Due from other funds	 -		76,996	·	76,996
Total assets	\$ 2,081,027	\$	89,367	\$	2,170,394
Liabilities					
Accounts payable	\$ 884,292	\$	17,948	\$	902,240
Accrued salaries	287,476		-		287,476
Accrued other	21,678		-		21,678
Notes payable	241,223		-		241,223
Unearned revenue	60,055		-		60,055
Due to other funds	 76,996	-			76,996
Total liabilities	1,571,720		17,948		1,589,668
Fund Balance					
Unassigned	509,307		71,419		580,726
Total liabilities and fund balance	\$ 2,081,027	\$	89,367	\$	2,170,394

#### Madison-Carver Academy Reconciliation of the Total Governmental Fund Balance to Net Position of Governmental Activities Year Ended June 30, 2023

Fund Balance - Total governmental funds		\$ 580,726
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  Accumulated depreciation	\$ 1,058,922 837,549	 221,373
Total Net Position - Governmental activities		\$ 802.099

#### Madison-Carver Academy Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

	 General Fund	Non-Major School Service Fund		Total Governmental Funds	
Revenues					
Local sources	\$ 287,422	\$	-	\$	287,422
State sources	5,298,707		6,319		5,305,026
Federal sources	 1,972,611		280,254		2,252,865
Total revenues	7,558,740		286,573		7,845,313
Expenditures					
Current					
Instruction services					
Basic programs	1,822,185		-		1,822,185
Added needs	 1,106,340				1,106,340
Total instruction	2,928,525		-		2,928,525
Support services					<del>-</del>
Pupil	457,443		-		457,443
Instructional	712,659		-		712,659
General administration	951,288		-		951,288
School administration	369,362		-		369,362
Business services	68,601		-		68,601
Operation and maintenance	1,681,420		-		1,681,420
Pupil transportation and services	5,136		-		5,136
Central services	263,546		-		263,546
Other services	 48,352				48,352
Total support services	4,557,807		-		4,557,807
Food services	-		338,283		338,283
Community activity	5,269		-		5,269
Other financing sources (uses)			47.040		47.040
Operarting transfers in	- (47.040)		47,843		47,843
Operating transfers out	 (47,843)				(47,843)
Total financing souces(uses)	(47,843)		47,843		-
Total expenditures	7,539,444		290,440		7,829,884
Net change in fund balance	19,296		(3,867)		15,429
Fund Balance - Beginning of year	 490,011		75,286		565,297
Fund Balance - End of year	\$ 509,307	\$	71,419	\$	580,726

# 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 For the Year Ended June 30, 2023

Net Change in Fund Balance - Total governmental funds	\$ 15,429
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation and amortization expense Capital additions	(107,724) 49,533
Prior period adjustment	 649,744
Change in Net Position of Governmental Activities	\$ 606.982

#### **NOTE 1 – NATURE OF OPERATIONS**

#### **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, 2023, were approximately \$126,816

#### **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 \$821,002 for the year ended June 30, 2023. On June 30, 2023, the management company is due approximately \$95,207 for accounts payable and other reimbursements of costs incurred on behalf of the Academy.

#### NOTE 2 - 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:

#### Measurement Focus, Basis Accounting and Financial Statement Presentation

#### **Government-Wide Financial Statements**

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

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Government-Wide Financial Statements**

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

Net position should be 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**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

#### **Fund Classification**

The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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.

School Service Fund - The School Service Fund is used to account for the food service operations. The fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the fund will be covered by an operating transfer from the general fund. The fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Cash and Cash Equivalents**

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

#### **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".

#### **Due from Other Governmental Units**

Receivables consist primarily of state school aid due from the State of Michigan and the federal government.

#### **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

#### **Accounts Payable and Accrud Liabilities**

All payables and accrued liabilities 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.

#### **Net Position**

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

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Fund Balance**

Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

#### **Estimates**

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

#### NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023, the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 22 of these financial statements.

#### **NOTE 4 – RESTATEMENT OF BEGINNING NET POSITION**

The Academy's beginning net position has been restated to reflect the cumulative effect of prior period adjustments. The adjustment was made to properly reflect the building lease that was incorrectly accounted for under GASB 86, Leases in the prior year.

	Governmental Activities	
Government-wide net position as of June 30, 2022	\$	195,117
Prior period adjustment		
Capital asset adjustment		649,744
Net position as of June 30, 2022	\$	844,861

#### **NOTE 5 – DEPOSITS AND INVESTMENTS**

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

Custodial Credit Risk— Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The carrying value and bank balance of the Academy's deposits was \$383,244. At year end, \$233,618 of the Academy's deposits were not insured by FDIC.

#### NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS

Receivables as of year-end were as follows:

State of Michigan	\$ 926,974
Federal	775,483
	\$ 1,702,457

Management of the Academy evaluates its receivables for collectability annually. At June 30, 2023, Management believes all receivables are collectible, and no allowance is necessary.

#### **NOTE 7 - CAPITAL ASSETS**

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

	eginning Balance	А	dditions	Dis	posals	Ending Balance
Governmental Activities		-		-		 
Capital assets being depreciated:						
Building and improvements	\$ 203,824	\$	14,350	\$	-	\$ 218,174
Furniture & Equipment	805,564		35,184		-	840,748
Subtotal	 1,009,388	'	49,534		-	 1,058,922
Accumulated depreciation:						
Building and improvements	203,824		391		-	204,215
Furniture & Equipment	591,270		107,333		-	698,603
Subtotal	 795,094		107,724			902,818
Net capital assets being depreciated	\$ 214,294	\$	(58,190)	\$		\$ 156,104

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

#### NOTE 8 - LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2022 through June 30, 2023. The lease includes variable lease payments that are not considered a lease liability because they are not fixed in substance. The lease is based on 15% of student enrollment. Lease payments totaled \$612.979

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, Leases based on variable payment structure.

#### **NOTE 9 – UNEARNED REVENUE**

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, 2023, unearned revenue was \$60,055.

#### **NOTE 10 - NOTES PAYABLE**

The Academy participated in the State Aid Borrowing Program and borrowed \$1,353,000 at an interest rate of 5.4 percent. The borrow was utilized for working capital. The interest paid was \$32,162.

	Beginning			Ending
	Balance	Additions	Reductions	Balance
State Aid Borrowing	\$ 247,340	\$ 1,353,000	\$ 1,359,117	\$ 241,223

#### **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.

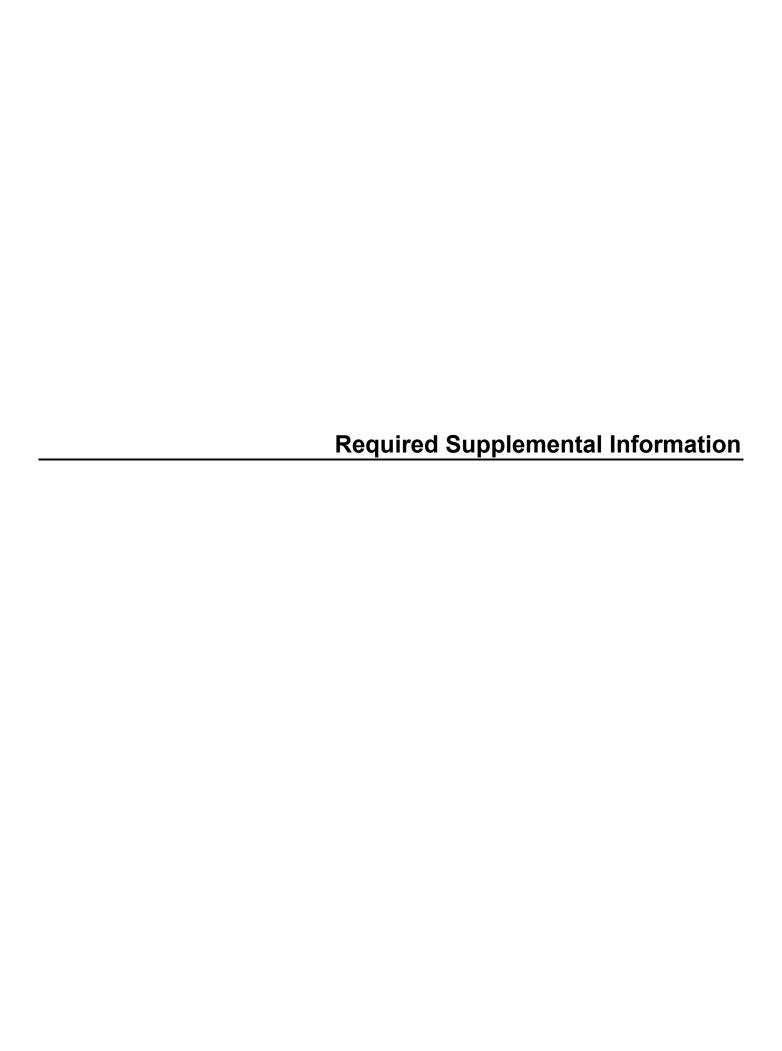
#### **NOTE 12 - CONTINGENCIES**

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**

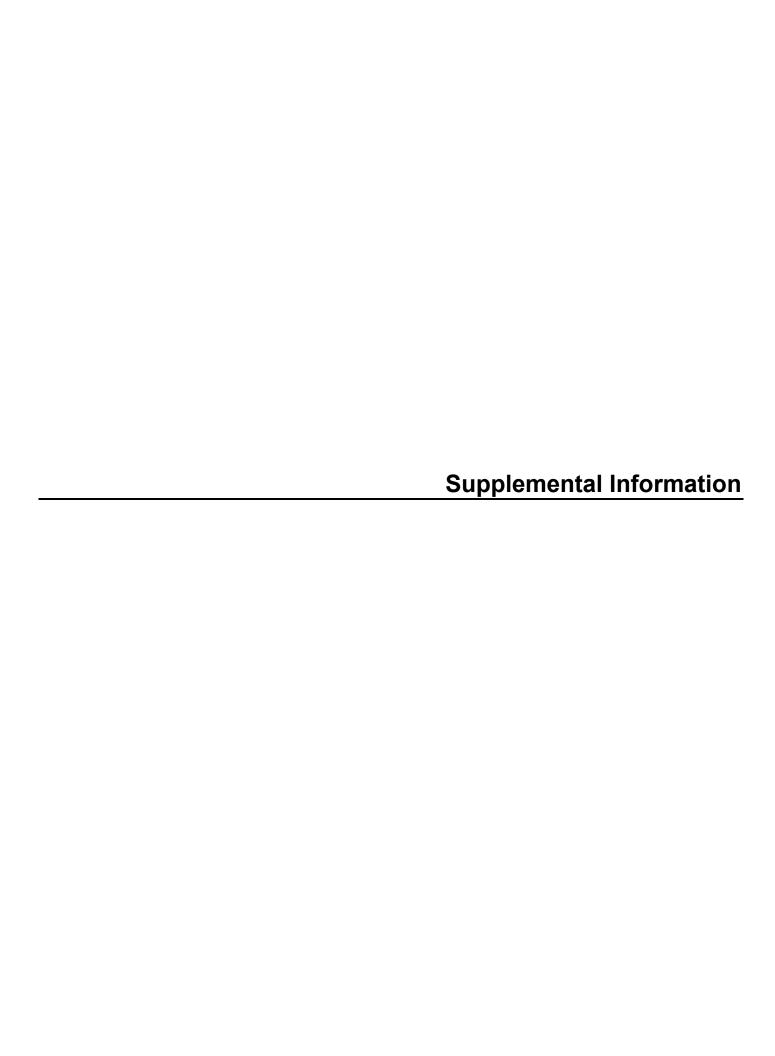
On September 1, 2023, the Academy participated in the State Aid Borrowing Program and borrowed \$394,000 at a rate of 6.25% percent.

Subsequent events have been evaluated through November 1, 2023, 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.



#### Madison-Carver Academy Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 65,000	\$ 300,000	\$ 252,789	\$ (47,211)
State sources	5,263,000	5,205,000	5,298,707	93,707
Federal sources	2,200,000	2,116,000	2,007,241	(108,759)
Total Revenue	7,528,000	7,621,000	7,558,737	(62,263)
Expenditures				
Current				
Instruction:				
Basic programs	2,539,000	2,030,000	1,822,185	(207,815)
Added needs	1,134,000	1,100,000	1,106,340	6,340
Total Instruction	3,673,000	3,130,000	2,928,525	(201,475)
Support Services:				
Pupil	489,000	401,000	457,443	56,443
Instructional	292,000	735,000	712,659	(22,341)
General administration	1,046,000	841,000	951,288	110,288
School administration	300,000	380,000	369,362	(10,638)
Business support	27,000	69,000	68,601	(399)
Operation and maintenance	1,364,000	1,700,000	1,681,420	(18,580)
Pupil transportation and services	6,000	6,000	5,136	(864)
Central services	300,000	256,000	263,546	7,546
Other services	24,000	46,000	48,349	2,349
Community Service	7,000	3,000	5,269	2,269
Outgoing Transfers		54,000	47,843	(6,157)
Total Expenditures	7,528,000	7,621,000	7,539,441	(81,559)
Net Change in Fund Balance	-	-	19,296	19,296
Fund Balance - July 1, 2022	<u> </u>			
Fund Balance - June 30, 2023	\$ -	\$ -	\$ 19,296	\$ 19,296





## 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, 2023, 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 1, 2023.

#### **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 2023-001- 2023-003 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 2023-001-2023-003.

#### 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, PLC Detroit, Michigan 48226 November 1, 2023



## 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, 2023. 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, 2023.

#### 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 2023-001-2023-003 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, PLC

The Clairmount Group, PLC Detroit, Michigan 48226 November 1, 2023

#### Madison-Carver Academy Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Program Title/Project Number/Subrecipient Name	Assistance Living Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
U.S. Department of Agriculture - Passed through the State of Michigan Child Nutrition Cluster: Noncash assistance (Commodities): Entitlement Commodities - 2022-2023	10.565	\$ -	\$ -	\$ -	\$ -	\$ 17,527	\$ 17,527	\$ -
Cash Assistance: National School Breakfast Program: Project Number 221970 Project Number 221971 Project Number 231970 Total National School Breakfast Program	10.553	10,135 104,045 76,557 190,737	112,548 112,548	8,503 - 8,503	- - - -	10,135 8,503 72,512 91,150	10,135 - - - - - - - - - - - - - - - - - - -	- 4,045 4,045
National School Lunch Program: Project Number 220910 Project Number 221960 Project Number 221961 Project Number 230910 Project Number 231960 Project Number 231980 Total National School Lunch Program	10.555	15,508 15,066 150,917 8,652 132,209 4,600 326,952	- 164,780 - - - 164,780	- 16,946 - - - 16,946	- - - - - -	15,508 15,066 16,946 8,652 124,953 4,600 185,725	15,508 15,066 - 8,652 132,210 	- - - 7,257 - - 7,257
Total Child Nutrition Cluster:  Pandemic EBT Local Levels Costs  Program Number 220980	10.649	517,689	277,328	25,449		294,401	280,254	11,302
Total U.S Department of Agriculture Nutrition		518,317	277,328	25,449		295,029	280,882	11,302

#### Madison-Carver Academy Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Program Title/Project Number/Subrecipient Name	Assistance Living Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
U.S. Department of Education -								
Passed through the Wayne County ISD -								
Special Education Cluster:								
IDEA, Part B	84.027							
Project number 100450 1213		139,100	118,925	118,925	19,313	138,238	-	-
Project number 100450 1213		128,576				120,631	128,576	7,945
Total IDEA, Part B		267,676	118,925	118,925	19,313	258,869	128,576	7,945
Passed through the Michigan Department of Education -								
Title I. Part A:	84.010							
Project Number 211530 2021		418,007	68,265	-	6,688	(6,688)	_	_
Project Number 221530 2122		380,985	294,004	(3,226)	(68,265)	65,039	_	_
Project Number 231530 2223		410,407	-	-	-	302,391	393,529	91,138
Total Title I Part A		1,209,399	362,269	(3,226)	(61,577)	360,742	393,529	91,138
		1,200,000	,	(=,===)	(= 1,= 1 )	,- :-	,	,
Title II, Part A:	84.367							
Project number 220520 2122		62,149	9,966	8,433	(5,274)	13,707	-	-
Project number 230520 2223		88,032					17,810	17,810
Total Title II Part A		150,181	9,966	8,433	(5,274)	13,707	17,810	17,810
Title IV, Part A:	84.424							
Project number 230520 2223	02.	55,389		_	_	_	2,251	2,251
Total Title IV Part A		55,389					2,251	2,251
		00,000					2,20 .	2,201
Education Stabilization Fund								
Governor's Emergency Education Relief (GEER)	84.425C							
Project number 211202 2122		14,000	14,000	14,000		14,000		
Total GEER		14,000	14,000	14,000	-	14,000	-	-
Elementary and Secondary School Emergency Relief (ESSER)	84.425D							
Project number 203712 1920	04.4200	320,890	104,719	103,124	(10,247)	113,371	_	_
Project number 213712 20-21		1,024,999	711,333	100,124	(10,247)	83,849	313,666	229,817
Project number 213782 2223		31,017	711,000	_	_	-	31,017	31,017
Total ESSER		1,376,906	816,052	103,124	(10,247)	197,220	344,683	260,834
American Rescue Plan - Elementary and Secondary								
School Emergency Relief (ARP ESSER)	84.425U							
Project number 213713 2122		2,303,640	646,961	15,368		663,906	1,074,888	426,350
Total Education Stabilization Fund		3,694,546	1,477,013	132,492	(10,247)	875,126	1,419,571	687,184
Total U.S. Department of Education		5,377,191	1,968,173	256,624	(57,785)	1,508,443	1,961,736	806,328
Total Federal Awards		\$ 5,895,508	\$ 2,245,501	\$ 282,073	\$ (57,785)	\$ 1,803,473	\$ 2,242,619	\$ 817,630

#### Madison-Carver Academy Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

#### 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, 2023. 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 the 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 the timing of cash receipts.

Cash received per the Grant Auditor Report	\$ 1,578,472
Cash received after June 30, 2022	113,371
Cash received after June 30, 2023	 (164,767)
Cash received per the Schedule of Expenditures of Federal Awards	\$ 1,527,076

#### Note 3 - Noncash Assistance

The value of noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### Note 4 - Indirect Cost Rate

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

#### Madison-Carver Academy Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditor's Results					
Financial Statements					
Type of auditor's report issued: <b>Unmodified</b>					
Internal control over financial reporting:					
Material weakness(es) identified?		X	_Yes		_No
<ul> <li>Significant deficiency(ies) identified that are not considered to be material weaknesses?</li> </ul>			_Yes	X	_None Noted
Noncompliance material to financial statements noted?			_Yes	X	_No
Federal Awards					
Internal control over major programs:					
Material weakness(es) identified?		X	_Yes		_No
Significant deficiency(ies) identified that are not considered to be material weaknesses?			_Yes	X	_None Noted
Type of auditor's report issued on compliance for major prog	ırams:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			_Yes	X	_No
Identification of major programs:					
Assistance Listing Number			ederal Progra	m or Cluste	r:
84.425 84.425D 84.425U	Elementary	Stabilization Fu and Secondar Rescue Plan - E Relief	y School Eme		
Dollar threshold used to distinguish between type A and type	B programs:	\$750,000			
Auditee qualified as low-risk auditee?			_Yes	X	_No

#### Section II - Financial Statement Findings

Reference Number	Findings
2023-001, 2023-002	Finding Type: Material Weakness (Repeat Finding)
	<u>Criteria</u>
	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.
	Condition
	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.

#### Cause/Effect

While the accounts were reconciled throughout the year, the reconciliations completed had certain instances where the year-end reconciliation process didn't match to the general ledger.

#### Recommendation

The Academy should institute monthly and yearly closing procedures to ensure that all accounts are reconciled and match the general ledger.

#### Management's Response

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.

#### Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-002 2022-002	Finding Type: Material Weakness (repeat finding)
2022-002	<u>Criteria</u>
	The Academy should have appropriate overall monitoring of the general ledger to ensure timely and accurate financial statements.
	<u>Condition</u>
	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.
	<u>Cause/Effect</u>

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.

As a result of the lack of appropriate overall monitoring procedures, there we many auditor-proposed journal entries.

#### Recommendation

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.

#### Management's Response

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.

#### Section II – Financial Statement Findings (Continued)

Reference Number	Findings
2023-003 2022-006	Finding Type: Material Weakness (Repeat Finding)
2022-000	<u>Criteria</u>
	Internal control structure should show the custody over cash is segregated and accounted for to prevent thief and ensure accounting data is recorded correctly.
	<u>Condition</u>
	Of the items selected for testing cash receipt controls, there was no documentation of individuals handling cash, nor physical deposits logged.
	a tare

#### Cause/Effect

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.

#### Recommendation

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.

#### Management's Response

Management will train front office staff on the steps involved to add a cash receipts log to the established cash receipts process.

#### **Section III – Federal Award Findings and Questioned Costs**

There were none.

#### **Section IV - Summary Schedule of Prior Audit Findings**

Audit Number	Audit Finding	<u>Status</u>
2022-003	Compliance with State School Act MCL 388.1718	Corrective Action was taken
2022-004	Accounting of Grant Revenue	Corrective Action was taken
2022-005	Approval of invoices by building leaders and business office	Corrective Action was taken

## Madison-Carver Academy Correction Action Plan

Findings Reference	Responsible Party	Management View	Corrective Action Plan	Anticipated Date
			Investment in configuration of new	
			software will allow for more consistent	
			internal controls and proper reporting	
			to aid in monthly reconciliation and	
			close process. Department will create	
		Management acknowldeges that	and implement a monthly close	
		although they have done work to	checklist that will be adhered to and	
		improve this finding, monthly/yearly	followed up on by the Accounting	
		close procedures were not completed	Manager. This list will include revenue	
2023-001	Accounting Manager	consistently.	and grant reconciliations as well.	1/1/2024-3/31/2024
			Investment in configuration of new	
			software will allow for more consistent	
			internal controls and proper reporting	
			to aid in monthly reconciliation and	
			close process. Department will create	
			and implement a monthly close	
			checklist that will be adhered to and	
			followed up on by the Accounting	
	Director of	Management acknowldeges that	Manager. This list will include revenue	
	Finance/Accounting	although they have done work to	and grant reconciliations as well. Final	
	Manager/Senior	improve this finding, monthly/yearly	GL review will be completed by Director	
	Accountant Team	close procedures were not completed	of Finance and signed off on prior to	
2023-002	Lead	consistently.	EOM	1/1/2024-3/31/2024
			Management will train front office staff	
			on the steps involved to add a cash	
			receipts log to the established cash	
			receipts process. Investments have	
	Accounting	Management acknowledges that the	already been made into a new system	
	Manager/Grants	cash handling procedures were not	to aid schools in going cashless	
2023-004	Accountant	consistently followed at the school level.	(eventlink).	11/30/2023
2023-004	Accountant	consistently rollowed at the school level.	(evenumk).	11/30/2023