

**LINCOLN-KING ADAMS-YOUNG
ACADEMY**

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2024

LINCOLN-KING ADAMS-YOUNG ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln-King Adams-Young Academy
Detroit, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the General and Food Service Funds, and the aggregate remaining fund information of Lincoln-King Adams-Young Academy (the "Academy") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General and Food Services Funds, and the aggregate remaining fund information of Lincoln-King Adams-Young Academy, as of June 30, 2024, 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 Lincoln-King Adams-Young 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.

Correction of an Error

As discussed in Note 12 to the financial statements, the governmental activities and the General Fund have been restated to reflect errors in notes receivable, payables, capital assets and unearned revenue. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Lincoln-King Adams-Young Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule 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 Lincoln-King Adams-Young Academy's basic financial statements. The food service fund budgetary schedule 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 is 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 food service fund budgetary schedule 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.

To the Board of Directors
Lincoln-King Adams-Young Academy
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of Lincoln-King Adams-Young 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 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 Lincoln-King Adams-Young Academy's internal control over financial reporting and compliance.

UHY LLP

Farmington Hills, Michigan
December 20, 2024

LINCOLN-KING ADAMS-YOUNG ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2024

This section of Lincoln-King Adams-Young Academy’s (the “Academy”) annual financial report presents our discussion and analysis of the Academy’s financial performance during the year ended June 30, 2024. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

Using this 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 Lincoln-King Adams-Young Academy financially as a whole. The Academy-Wide 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 detail on whether there are more or fewer financial resources that can be spent in the near future to finance programs. The fund financial statements look at the Academy’s operations in more detail than the Academy-wide statements by providing information about the Academy’s funds. The components of the annual report are as follows:

Management’s Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Academy-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Budgetary Information for Major Fund

Other Supplementary Information

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Reporting the Academy as a Whole – Academy-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 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 – which is 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 quality of the education provided and the safety of the schools, to assess 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 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 Fund – 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.

The governmental funds of the Academy use the following accounting approach:

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 the governmental fund in a reconciliation.

LINCOLN-KING ADAMS-YOUNG ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2024 and 2023:

	Governmental Activities 2024	Restated 2023
	<u>2024</u>	<u>2023</u>
ASSETS		
Current and other assets	\$ 9,532,186	\$ 7,345,654
Capital assets	<u>1,100,065</u>	<u>1,277,017</u>
Total assets	<u>10,632,251</u>	<u>8,622,671</u>
LIABILITIES		
Current liabilities	9,513,667	5,328,841
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	87,028
NET POSITION		
Net investment in capital assets	1,100,065	1,277,017
Restricted	1,254	-
Unrestricted	<u>17,265</u>	<u>1,929,785</u>
Total net position	<u>\$ 1,118,584</u>	<u>\$ 3,206,802</u>
Total liabilities, deferred inflows and net position	<u>\$ 10,632,251</u>	<u>\$ 8,622,671</u>

The above analysis focuses on the net position (see above table). The change in net position (see table below) of the Academy's governmental activities is discussed below. The Academy's net position was \$1,118,584 at June 30, 2024. Capital assets totaling \$1,100,065 represent the original cost less depreciation of the Academy's capital assets.

The \$17,265 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.

LINCOLN-KING ADAMS-YOUNG ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The Academy as a Whole (Continued)

The 2023 amounts below were restated for items incorrectly reported in the prior year including items that were reported as notes payables, revenues, receivables and capital assets. Additional information is included in Note 12 of the financial statements.

The results of the year's operations for the Academy as a whole are reported in the statement of activities (see table below), which shows the changes in net position for fiscal years 2024 and 2023.

	Governmental Activities	
	2024	Restated 2023
	<u>2024</u>	<u>2023</u>
Revenues:		
Program Revenues -		
Charges for services	\$ 126,514	\$ -
Operating grants and contributions	3,836,896	10,023,626
General Revenues -		
State foundation allowance	15,193,600	13,521,465
Other	<u>411,698</u>	<u>1,796,529</u>
Total revenues	<u>19,568,708</u>	<u>25,341,620</u>
Functions/program expenses:		
Instruction	8,299,996	7,771,853
Support services	11,856,716	10,409,385
Food service	1,031,519	1,018,230
Community service	85,003	18,927
Depreciation (unallocated)	<u>383,692</u>	<u>940,864</u>
Total functions/program expenses	<u>21,656,926</u>	<u>20,159,259</u>
Decrease in net position	(2,088,218)	5,182,361
Beginning net position	<u>3,206,802</u>	<u>(1,975,559)</u>
Ending net position	<u><u>\$ 1,118,584</u></u>	<u><u>\$ 3,206,802</u></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$21,656,926. Certain activities were partially funded from those who benefited from the programs or by other governments that subsidized certain programs with grants of \$3,386,896. We paid for the remaining "public benefit" portion of our governmental activities with \$15,196,600 in state foundation allowance and \$538,212 in other revenues, i.e., interest, donations, etc.

The Academy experienced a decrease in net position of \$2,088,488, which was due to operating expenses.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

The Academy as a Whole (Continued)

As discussed above, the net cost shows the financial burden placed on the State and the Academy's taxpayers by each function. Since unrestricted State aid constitutes the vast majority of the Academy's 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 Academy's Governmental 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 held accountable for the resources the State 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 \$(5,818,515), which is a decrease of \$3,443,741 from last year's restated balance.

In the General Fund, our principal operating fund, the fund balance was \$(5,818,769). The General Fund balance is available to fund costs related to allowable school operating purposes. Based on initial calculations, we had anticipated receiving an ESSER award of \$6,904,375 prior to June 30, 2024 to resolve this deficit. The final award was not received until September of 2024 and the amount received was \$5,836,034. This amount has been recorded on the Governmental Funds Balance Sheet as Deferred Inflows of Resources – Unavailable revenue.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget at its 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 in June 2024. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

The final budget amendment decreased local sources by \$762,400, increased state sources by \$139,000 and federal sources by \$7,048,575 due to less contributions made by a private source, increased funding available by the state, and increased funding available by federal grants, respectively.

The final budget amendment increased instruction by \$853,300, increased supporting services by \$2,988,125 and total expenditures by \$4,058,025.

LINCOLN-KING ADAMS-YOUNG ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

General Fund Budgetary Highlights (Continued)

Expenditures exceeded budgeted amounts as follows:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic Programs	\$ 6,022,800	\$ 6,185,579	\$ (162,779)
Supporting services			
Pupil	1,646,900	1,700,702	(53,802)
School administration	988,900	1,002,393	(13,493)
Business support	191,200	205,028	(13,828)
Operations and maintenance	4,522,300	4,524,398	(2,098)
Food Service Fund			
Expenditures	980,600	1,031,519	(50,919)

Capital Assets

As of June 30, 2024, the Academy had \$1,110,065 invested in capital assets representing an decrease of \$176,952 from 2023. The decrease is due capital asset deletions and the annual depreciation on assets. Additional information on the Academy's capital assets can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The June 2024-2025 budget adopted in June was based on an estimated student enrollment expected in September 2024. Approximately 79 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.

Lincoln-King Adams-Young Academy
STATEMENT OF NET POSITION
June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 9,469
Accounts receivable	256,746
Due from other governmental units	8,970,298
Due from affiliate	294,998
Prepaid items	675
Capital assets - net of accumulated depreciation	<u>1,100,065</u>
Total assets	10,632,251
LIABILITIES	
Accounts payable	3,124,062
Accrued expenditures	4,233,724
Accrued salaries payable	1,357,875
Due to affiliate	342,063
Deferred revenue	<u>455,943</u>
Total liabilities	9,513,667
NET POSITION	
Investment in capital assets	1,100,065
Restricted	1,254
Unrestricted	<u>17,265</u>
Total net position	<u><u>\$ 1,118,584</u></u>

Lincoln-King Adams-Young Academy
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
FUNCTIONS/PROGRAMS				
Governmental activities -				
Instruction	\$ 8,299,996	\$ -	\$ 2,920,282	\$ (5,379,714)
Supporting services	11,856,716	126,514	156,567	(11,573,635)
Food services	1,031,519	-	760,047	(271,472)
Community activity	85,003	-	-	(85,003)
Depreciation (unallocated)	383,692	-	-	(383,692)
Total governmental activities	<u>\$ 21,656,926</u>	<u>\$ 126,514</u>	<u>\$ 3,836,896</u>	<u>\$ (17,693,516)</u>
GENERAL REVENUES				
				15,193,600
State aid - unrestricted				411,698
Other income				<u>15,605,298</u>
Total general revenues				<u>15,605,298</u>
				<u>(2,088,218)</u>
Change in net position				<u>(2,088,218)</u>
				(5,723,595)
NET POSITION - beginning of year				(5,723,595)
				8,930,397
Adjustment - correction of error				<u>8,930,397</u>
				3,206,802
NET POSITION - beginning of year, restated				<u>3,206,802</u>
				1,118,584
NET POSITION - end of year				<u>\$ 1,118,584</u>

Lincoln-King Adams-Young Academy
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Non-major Food Service Fund	Total
ASSETS			
Cash	\$ 9,469	\$ -	\$ 9,469
Accounts receivable	256,746	-	256,746
Due from other governmental units	8,967,072	3,226	8,970,298
Due from other funds	-	135,362	135,362
Due from related party	294,998	-	294,998
Due from affiliate	-	-	-
Prepaid items	-	675	126,514
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,528,285</u>	<u>\$ 139,263</u>	<u>\$ 9,667,548</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	2,986,293	137,769	\$ 3,124,062
Due to affiliate	342,063	-	342,063
Due to other funds	135,362	-	135,362
Accrued expenditures	4,233,724	-	4,233,724
Accrued salaries payable	1,357,635	240	1,357,875
Unearned revenue	455,943	-	455,943
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	9,511,020	138,009	9,649,029
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,836,034	-	5,836,034
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflows of resources	<u>15,347,054</u>	<u>138,009</u>	<u>15,485,063</u>
 FUND BALANCE			
Non-spendable - prepaid items	-	675	675
Restricted	-	579	579
Unassigned	(5,818,769)	-	(5,818,769)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(5,818,769)</u>	<u>1,254</u>	<u>(5,817,515)</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 9,528,285</u>	<u>\$ 139,263</u>	<u>\$ 9,667,548</u>

Lincoln-King Adams-Young Academy
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2024

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ (5,817,515)

Total net position for governmental activities in the statement of net position is different because:

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

Add - capital assets	2,498,407
Deduct - accumulated depreciation	(1,398,342)

Certain revenue of the government-wide financial statements is earned but not considered available in the governmental funds and is, therefore reported as deferred inflows of resources	<u>5,836,034</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,118,584

Lincoln-King Adams-Young Academy
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
For the Year Ended June 30, 2024

	General Fund	Non-major Food Service Fund	Total
REVENUES			
Local sources	\$ 538,212	\$ -	\$ 538,212
State sources	15,193,600	38,563	15,232,163
Federal sources	1,544,375	721,484	2,265,859
Total revenues	<u>17,276,187</u>	<u>760,047</u>	<u>18,036,234</u>
EXPENDITURES			
Current -			
Instruction services -			
Basic programs	\$ 6,185,579	\$ -	\$ 6,185,579
Added needs	2,114,417	-	2,114,417
Total instruction services	<u>8,299,996</u>	<u>-</u>	<u>8,299,996</u>
Supporting services -			
Pupil	1,700,702	-	1,700,702
Instructional	1,037,355	-	1,037,355
General administration	2,475,926	-	2,475,926
School administration	1,002,393	-	1,002,393
Business services	205,028	-	205,028
Operation and maintenance	4,524,398	-	4,524,398
Pupil transportation and services	85,026	-	85,026
Central services	748,002	-	748,002
Other services	284,627	-	284,627
Total supporting services	<u>12,063,457</u>	<u>-</u>	<u>12,063,457</u>
Food services	<u>-</u>	<u>1,031,519</u>	<u>1,031,519</u>
Community activity	<u>85,003</u>	<u>-</u>	<u>85,003</u>
Total expenditures	<u>20,448,456</u>	<u>1,031,519</u>	<u>21,479,975</u>
Revenues under expenditures	<u>(3,172,269)</u>	<u>(271,472)</u>	<u>(3,443,741)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	272,726	272,726
Transfer to other funds	<u>(272,726)</u>	<u>-</u>	<u>(272,726)</u>
Total financing sources (uses)	<u>(272,726)</u>	<u>272,726</u>	<u>-</u>
Net change in fund balance	<u>(3,444,995)</u>	<u>1,254</u>	<u>(3,443,741)</u>
FUND BALANCE - beginning of year	(2,265,067)	-	(2,265,067)
ADJUSTMENT - correction of error	<u>(108,707)</u>	<u>-</u>	<u>(108,707)</u>
FUND BALANCE - beginning of year, restated	<u>(2,373,774)</u>	<u>-</u>	<u>(2,373,774)</u>
FUND BALANCE - end of year	<u>\$ (5,818,769)</u>	<u>\$ 1,254</u>	<u>\$ (5,817,515)</u>

Lincoln-King Adams-Young Academy

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,443,741)

Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	206,741
Depreciation expense	(383,692)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	<u>1,532,474</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,088,218)

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 – NATURE OF OPERATIONS

The accounting policies of Lincoln-King Adams-Young Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The following is a summary of the Academy’s significant accounting policies:

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 2021.

On July 1, 2021, the Academy entered into a five-year contract with Grand Valley State University’s Board of Trustees to charter a public- school academy through June 30, 2026. 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 accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. This criteria includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy’s reporting entity, and which organizations are legally separate component units of the Academy. Based on these criteria, the Academy had no component units.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide Financial Statements

The Academy-wide statement of net position presents governmental activities using the *economic resources measurement focus* and *accrual basis of accounting*. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. Governmental activities are normally supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted state aid, and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

The Academy reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Additionally, the Academy reports the following fund-type:

Special Revenue (Food Service) Fund – The Food Service Fund is used to account for specific revenues that are restricted to expenditures for food service operations.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

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

Receivables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is necessary.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings and equipment, are reported in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

Capital assets are expensed in the fund financial statements at the time of purchase within the activity code that will utilize the asset. If the asset is not identified with an activity, it is reported within the capital outlay activities.

Capital assets are depreciated using the straight-line method over the estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and other equipment	5 - 15 years

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors.

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

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

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

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the Academy's financial statements when adopted. The Academy is currently evaluating the implications of the pronouncements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, that updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities or compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement is effective for the Academy's fiscal year ending June 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the reporting unit report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, it requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for the Academy's fiscal year ending June 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement is effective for the Academy's fiscal year ending June 30, 2026.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 – 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 and the Food Services Funds 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 the Academy 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.

Expenditures Over Appropriations

The General Fund and the Food Service Fund had expenditures in excess of amounts appropriated as follows:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic Programs	\$ 6,022,800	\$ 6,185,579	\$ (162,779)
Supporting services			
Pupil	1,646,900	1,700,702	(53,802)
School administration	988,900	1,002,393	(13,493)
Business support	191,200	205,028	(13,828)
Operations and maintenance	4,522,300	4,524,398	(2,098)
Food Service Fund			
Expenditures	980,600	1,031,519	(50,919)

NOTE 4 – 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 with Michigan offices. The Academy has designated one bank for the deposit of its funds.

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 of \$9,469 and bank balance of the Academy’s deposits was \$13,601. At year all such balances insured.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 5 – CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance As Restated	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 533,717	\$ 56,847	\$ -	\$ 590,564
Furniture and equipment	1,757,949	149,624	-	1,907,573
	<u>2,291,666</u>	<u>206,471</u>	<u>-</u>	<u>2,498,137</u>
Accumulated depreciation -				
Building and improvements	167,007	41,364	-	208,371
Furniture and equipment	847,643	342,058	-	1,189,701
	<u>1,014,650</u>	<u>383,422</u>	<u>-</u>	<u>1,398,072</u>
Net capital assets , being depreciated	<u>\$ 1,277,016</u>	<u>\$ (176,951)</u>	<u>\$ -</u>	<u>\$ 1,100,065</u>

Depreciation expense of \$383,422 was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances are as follows

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Food service fund	General fund	<u>\$ 135,362</u>

This balance resulted from transfer noted below net with reimbursement of costs.

Transfers to/from Other Funds

Receiving Fund	Expending Fund	Amount
Food service fund	General fund	<u>\$ 272,726</u>

The transfer was made to assist in covering operational costs.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 – LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2021, through June 30, 2026. The lease includes variable payments based on 15% of the per-pupil student enrollment amount. The amounts paid under the lease was \$1,791,047 for the year ended June 30, 2024.

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

NOTE 8 – NOTES PAYABLE

In the year ended June 30, 2022, the Academy entered into a short-term loan with the New Common School Foundation borrowing \$4,000,000 at a rate of 7.5%. The payment was due over a 12-month period.

The Academy participated in the State Aid Borrowing Program and borrowed \$3,616,000 at an interest rate of 6.25 percent. The borrowing was utilized for working capital. The ending balance is \$-0- for the year ended June 30, 2024. The interest paid was \$315,752.

The activity for notes payable for the year ended June 30, 2024, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
New Common Foundation	\$ 909,866	\$ -	\$ 909,866	\$ -
State Aid revenue note: Series 2023B	<u>-</u>	<u>3,616,000</u>	<u>3,616,000</u>	<u>-</u>
Total	<u>\$ 909,866</u>	<u>\$ 3,616,000</u>	<u>\$ 4,525,866</u>	<u>\$ -</u>

NOTE 9 – 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.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 – 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 11 - ADMINISTRATION/OPERATIONAL CONTRACTS AND RELATED PARTY TRANSACTIONS

The Academy pays Grand Valley State University three percent of State Aid as administrative fees. The total administrative fees were \$372,682 for the year ended June 30, 2024. Of that amount, \$61,448 was payable at June 30, 2024.

The Academy entered into an agreement with Three Pillars: An Educational Provider d/b/a Cornerstone Education Group (“Cornerstone”) to provide a variety of services including financial management, educational programs, education consulting, and teacher training. For the year ended June 30, 2024, the total for these services was \$2,005,273 for financial and administrative management services and \$10,476,389 for educational services. Of that amount \$4,116,652 was payable at June 30, 2024.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The Academy recorded prior period adjustments to the General Fund as noted below:

	Reporting Units Affected by Restatements of Beginning Balances	
	<u>Governmental Activities</u>	<u>General Fund</u>
June 30, 2023, as previously reported	<u>\$ (5,723,595)</u>	<u>\$ (2,265,067)</u>
Error corrections:		
Note payable	4,284,110	
Earned revenue	4,303,559	
Capital assets - additions	1,368,132	
Capital assets - accumulated depreciation	(916,697)	
Accounts receivable - other	<u>(108,707)</u>	<u>(108,707)</u>
June 30, 2023, as restated	<u><u>\$ 3,206,802</u></u>	<u><u>\$ (2,373,774)</u></u>

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 12 – PRIOR PERIOD ADJUSTMENT (Continued)

The adjustment to note payable is a result of the following:

In June, 2022, the Board of the Washington Parks Academy passed a resolution that allows Washington Parks Academy to grant up to \$5,000,000 of funds to Lincoln-King Adams-Young Academy. In the fiscal years ended June 30, 2023 and June 30, 2022 grants were made by Washington-Parks Academy in the amounts of \$3,345,325 and \$683,605, respectively. Such amounts which were recorded as a loan should have been recorded as grant revenue. If the funds had been recorded as revenue, findings 2023-005 and 2022-009 would have not been applicable as such findings related to the use of ESSER funds.

The adjustment to earned revenue relates to a grant award for ESSER III federal funds that stipulated an obligation period of March 13, 2020, through September 20, 2024. The Academy reported expenditures for such grants in the years 2021 and 2022 in the amount of earned revenue noted above.

The adjustments to capital assets resulted from the Academy's review of the capital asset activity and balance for the year ended June 30, 2023.

NOTE 13 – SUBSEQUENT EVENT

In August and September 2024, the Academy received award notices for American Rescue Plan (ARP) ESSER III Formula Allocations in the amounts of \$4,038,540 and \$1,797,494 respectively. The obligation period for both awards was March 13, 2020, through September 20, 2024. The Academy had allowable expenditures for such grants in the years 2021 and 2022 amounting to \$4,303,559 and recorded a period adjustment as reported in Note 12. The remaining balance of \$1,532,475 was earned in the year ended June 30, 2024. All such funds were received by the Academy in October 2024.

Subsequent events have been reviewed to the statement of financial position through December 20, 2024, the date the financials were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Lincoln-King Adams-Young Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2024

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
Local sources	\$ 1,241,000	\$ 478,600	\$ 264,151	\$ (214,449)
Private sources	-	-	274,061	274,061
State sources	14,906,000	15,045,000	15,193,600	148,600
Federal sources	1,374,000	8,422,575	1,544,375	(6,878,200)
Total revenues	17,521,000	23,946,175	17,276,187	(6,669,988)
EXPENDITURES				
Instruction -				
Basic programs	5,876,000	6,022,800	6,185,579	(162,779)
Added needs	1,500,000	2,206,500	2,114,417	92,083
Total instruction	7,376,000	8,229,300	8,299,996	(70,696)
Supporting services-				
Pupil	1,315,000	1,646,900	1,700,702	(53,802)
Instructional	650,000	1,058,300	1,037,355	20,945
General administration	2,386,000	3,314,625	2,475,926	838,699
School administration	900,000	988,900	1,002,393	(13,493)
Business support	250,000	191,200	205,028	(13,828)
Operations and maintenance	3,400,000	4,522,300	4,524,398	(2,098)
Pupil transportation and services	50,000	87,000	85,026	1,974
Central services	790,000	828,400	748,002	80,398
Other services	225,000	316,500	284,627	31,873
Total supporting services	9,966,000	12,954,125	12,063,457	890,668
Community service	14,000	85,600	85,003	597
Outgoing transfers	165,000	310,000	-	310,000
Total expenditures	17,521,000	21,579,025	20,448,456	1,130,569
Revenues under expenditures	-	2,367,150	(3,172,269)	(7,800,557)
OTHER FINANCING USES				
Transfer to other funds	-	-	(272,726)	(272,726)
Net change in fund balance	-	2,367,150	(3,444,995)	(8,073,283)
FUND BALANCE - July 1, 2023, as restated	(2,373,774)	(2,373,774)	(2,373,774)	-
FUND BALANCE - June 30, 2024	<u>\$ (2,373,774)</u>	<u>\$ (6,624)</u>	<u>\$ (5,818,769)</u>	<u>\$ (5,812,145)</u>

OTHER SUPPLEMENTARY INFORMATION

Lincoln-King Adams-Young Academy
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
For the year ended June 30, 2024

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
State sources	\$ 39,000	\$ 12,600	\$ 38,563	\$ 25,963
Federal sources	779,000	658,000	721,484	63,484
Total revenues	818,000	670,600	760,047	89,447
EXPENDITURES				
Food service	983,000	980,600	1,031,519	(50,919)
Revenues under expenditures	(165,000)		(271,472)	38,528
OTHER FINANCING SOURCES				
Transfer from other funds	165,000	310,000	272,726	(37,274)
Net change in fund balance	-	310,000	1,254	1,254
FUND BALANCE - July 1, 2023	-	-	-	-
FUND BALANCE - June 30, 2024	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 1,254</u>	<u>\$ 1,254</u>



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
Lincoln-King Adams-Young 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 General Fund, and the aggregate remaining fund information of Lincoln-King Adams-Young Academy (the "Academy") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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. 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 2024-001, 2024-002, 2024-003 that we consider to be material weaknesses.

To the Board of Directors
Lincoln-King Adams-Young Academy
Page Two

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-003.

The Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln-King Adams-Young Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The 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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Farmington Hills, Michigan
December 20, 2024



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
Lincoln-King Adams-Young Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lincoln-King Adams-Young Academy’s (the “Academy”) 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 the Academy’s major federal programs for the year ended June 30, 2024. The 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, the 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, 2024.

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 the 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 the 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 the Academy's federal programs.

Auditor's Responsibilities 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 the 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 the 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 the 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 the Academy's 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 the 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-004, 2024-005, 2024-006, 2024-007 and 2024-008. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The 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.

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.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004, 2024-005, 2024-006, 2024-007 and 2024-008 to be material weaknesses.

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.

To the Board of Directors
Lincoln-King Adams-Young Academy
Page Four

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The 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.

UHY LLP

Farmington Hills, Michigan
December 20, 2024

Lincoln-King Adams-Young Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

Federal Grantor/ Pass Through Grantor/Program Title	Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue at July 1, 2023	(Memo Only) Prior Years Expenditures	Current Year Expenditures	Adjustments & Transfers	Current Year Cash Receipts/ In-kind/ Adjustments	Accrued (Unearned) Revenue at June 30, 2024	Current Year Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE									
<i>Passed-through: Michigan Department of Education:</i>									
Child nutrition cluster:									
School breakfast program -	10.553								
231970		\$ 132,151	\$ 6,755	\$ 118,058	\$ 14,093	\$ -	\$ 20,848	\$ -	\$ -
241970		112,851	-	-	112,851	-	112,851	-	-
		<u>245,002</u>	<u>6,755</u>	<u>118,058</u>	<u>126,944</u>	<u>-</u>	<u>133,699</u>	<u>-</u>	<u>-</u>
National school lunch program -	10.555								
240910		34,436	-	-	34,436	-	34,436	-	-
231980		13,912	418	13,015	897	-	1,315	-	-
241980		19,608	-	-	19,608	-	19,608	-	-
231960		512,176	23,157	-	52,610	-	75,767	-	-
241960		438,949	-	-	438,949	-	438,949	-	-
		<u>1,019,081</u>	<u>23,575</u>	<u>13,015</u>	<u>546,500</u>	<u>-</u>	<u>570,075</u>	<u>-</u>	<u>-</u>
USDA commodities (non-cash assistance) - entitlement	10.555								
Entitlement Commodities 2023-2024		42,440	-	-	42,440	-	42,440	-	-
		<u>1,061,521</u>	<u>23,575</u>	<u>13,015</u>	<u>588,940</u>	<u>-</u>	<u>612,515</u>	<u>-</u>	<u>-</u>
SFSP Operating 2023-2024 - Summer food service program	10.559								
230900		3,871	-	-	3,871	-	3,871	-	-
Total child nutrition cluster		<u>1,310,394</u>	<u>30,330</u>	<u>131,073</u>	<u>719,755</u>	<u>-</u>	<u>750,085</u>	<u>-</u>	<u>-</u>
Local Food For Schools: 2023-2024	10.185								
230985		1,729	-	-	1,729	-	1,729	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>1,312,123</u>	<u>30,330</u>	<u>131,073</u>	<u>721,484</u>	<u>-</u>	<u>751,814</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION									
<i>Passed-through: Wayne County Regional Educational Service Agency</i>									
Special education cluster:									
IDEA flowthrough -									
2021-2022	84.027A	197,950	8,583	8,583	-	-	8,583	-	-
2022-2023	84.027A	299,431	18,146	299,431	-	-	18,146	-	-
2023-2024	84.027A	287,630	-	-	287,630	-	138,885	148,745	-
Total special education cluster		<u>785,011</u>	<u>26,729</u>	<u>308,014</u>	<u>287,630</u>	<u>-</u>	<u>165,614</u>	<u>148,745</u>	<u>-</u>
<i>Passed-through: Michigan Department of Education:</i>									
Title I, grants to local educational agencies:									
Title I, Part A -									
221530	84.010A	714,416	-	104,634	-	44,143	(44,143)	-	-
231530	84.010A	890,843	244,204	693,038	64,194	-	308,398	-	-
241530	84.010A	905,018	-	-	874,701	-	710,618	164,083	-
		<u>2,510,277</u>	<u>244,204</u>	<u>797,672</u>	<u>938,895</u>	<u>44,143</u>	<u>974,873</u>	<u>164,083</u>	<u>-</u>

Lincoln-King Adams-Young Academy
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

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Federal Grantor/ Pass Through Grantor/Program Title	Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue at July 1, 2023	(Memo Only) Prior Years Expenditures	Current Year Expenditures	Adjustments and Transfers	Current Year Cash Receipts/ In-kind/ Adjustments	Accrued (Unearned) Revenue at June 30, 2024	Current Year Expenditures Passed to Subrecipients
Title II, grants to local educational agencies:									
Title II, Part A -									
230520	84.367A	185,929	15,751	29,361	20,753	-	36,504	-	-
240520	84.367A	170,426	-	-	135,515	-	83,568	51,947	-
		<u>356,355</u>	<u>15,751</u>	<u>29,361</u>	<u>156,268</u>	<u>-</u>	<u>120,072</u>	<u>51,947</u>	<u>-</u>
Title IV, Part A Student Support & Academic Enrichment:									
230750	84.424A	95,974	10,493	17,173	18,405	-	28,898	-	-
240750	84.424A	110,715	-	-	98,957	-	68,059	30,898	-
		<u>206,689</u>	<u>10,493</u>	<u>17,173</u>	<u>117,362</u>	<u>-</u>	<u>96,957</u>	<u>30,898</u>	<u>-</u>
Education stabilization fund (ESF):									
COVID-19: ESSER II - 98c learning loss 213782	84.425D	63,802	63,802	63,802	-	-	63,802	-	-
COVID-19: ESSR III formula - American rescue plan 213713	84.425U	4,038,540	-	3,924,129	114,411	-	-	114,411	-
COVID-19: ESSR III formula - American rescue plan 213716	84.425U	1,797,494	-	379,431	1,418,063	-	-	1,418,063	-
COVID-19: MV ARP Homeless II 211012	84.425W	15,130	-	-	1,675	-	-	1,675	-
		<u>5,914,966</u>	<u>63,802</u>	<u>4,367,362</u>	<u>1,534,149</u>	<u>-</u>	<u>63,802</u>	<u>1,534,149</u>	<u>-</u>
Total U.S. Department of Education		<u>9,773,298</u>	<u>360,979</u>	<u>5,211,568</u>	<u>3,034,304</u>		<u>1,421,318</u>	<u>1,929,822</u>	<u>-</u>
Total federal awards		<u>\$ 11,085,421</u>	<u>\$ 391,309</u>	<u>\$ 5,342,641</u>	<u>\$ 3,755,788</u>		<u>\$ 2,173,132</u>	<u>\$ 1,929,822</u>	<u>\$ -</u>

LINCOLN-KING ADAMS-YOUNG ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lincoln-King Adams-Young Academy (the "Academy") for the year ended June 30, 2024. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended 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).

Revenue has been accrued at June 30, 2024 to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as unearned revenue. USDA commodities have been recognized as revenue and expenditures when received by the Academy.

For purposes of charging indirect costs to federal awards, the Academy has not elected to use the 10% de minimus cost rate.

The Academy administers a number of federal grants, which are paid under reimbursement arrangements in which the Academy bills the Michigan Department of Education (MDE) or other pass-through grantors for allowable costs incurred. The programs identified on the Schedule are reported in the General and Special Revenue Funds of the Academy.

Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance (commodities) received was determined in accordance with the provisions of the Uniform Guidance. The Recipient Entitlement Balance Report is utilized to determine the value of commodities distributed to the Academy.

NOTE 3 - CASH MANAGEMENT SYSTEM AND GRANT AUDITOR REPORT UTILIZATION

The Academy utilizes the MDE NexSys System and Grant Auditor Report (GAR) in preparing the Schedule.

LINCOLN-KING ADAMS-YOUNG ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2024

NOTE 4 – GRANT AUDITOR’S REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor’s Report to prepare the expenditure schedule for federal awards. There were no expectations for Entitlement and IDEA Part B cash receipts, which were not included in CMS.

Cash Received - Grant Auditor's Report	\$ 1,870,947
Amounts Excluded from Grant Auditor's Report:	
IDEA	165,614
Entitlement Commodities	42,440
Amounts included in Grant Auditor's Report:	
Cash Received after June 30, 2023 and recognized in current year	94,131
Cash Received after June 30, 2024 and recognized in subsequent year	-
Cash Received - Schedule of Expenditures of Federal Awards	<u>\$ 2,173,132</u>

NOTE 5 – SUBSEQUENT EVENTS

All subsequent events relative to the major programs were evaluated through December 20, 2024, the date the accompanying reports were available to be issued.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2024

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 not considered to be material weaknesses? Yes X None noted

Noncompliance material to the financial statements noted? X Yes None noted

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None reported

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

Identification of major program:

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
84.425	Education Stabilization Fund	Unmodified
84.010A	Title I Grants to Local Education Agencies	Unmodified

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

Is the auditee qualified as a low-risk auditee? Yes X No

Section II – Financial Statement Audit Findings

Prior Year – Yes
 Current Year – Yes

Section III – Federal Program Audit Findings

Prior Year – Yes
 Current Year – Yes

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

**Reference
Number**

Findings

2024-001

Finding Type – Material weakness in internal controls over financial reporting - Material adjusting entries (repeat findings 2023-001 and 2023-002)

Repeat Finding - Yes

Criteria – Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles. Statement on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in the Audit,” specifies that if material audit adjustments are required to be proposed, the entity has a material weakness in internal control over financial reporting.

Condition – During our audit, we noted balances did not agree to supporting schedules and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy’s general ledger to the appropriate balances.

Cause – The Academy’s internal controls did not detect all misstatements necessary to properly report year-end balances and certain accounts were not reconciled to subsidiary records.

Effect – As a result of this condition significant entries were proposed, including a prior period adjustment to the Academy’s fund balance and net position.

Recommendation – Management has already taken action by reviewing and approving the proposed audit adjustments. In addition to eliminate/reduce future material audit adjustments, the Academy administration should evaluate the process in current use to review the work generated from the year-end closing process prior to formally closing the “books” for the annual financial statement audit.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Findings

2024-002

Finding Type – Material weakness in internal control – Bank reconciliations

Repeat Finding - No

Criteria – Management is required to create proper internal controls over cash, that requires a monthly bank reconciliation to be performed on all cash accounts within an entity to determine that the ending bank balance is reconciled to the general ledger balance on a timely basis and all reconciling items are properly accounted for and recorded.

Condition – The Academy did not prepare timely bank reconciliations for the months of January through April 2024. The reconciled January through April 2024 bank reconciliations were not completed until June 2024.

Context – Four out of twelve months of bank reconciliations were not reconciled on a timely basis.

Cause/Effect – There was personnel turnover during the year in roles that assisted in reconciling the bank statements.

Recommendation – Although there is a formal policy regarding the month-end cash reconciliations and approval process, the process was not followed. We recommend that management review its policies and institute controls to assure that they are followed in the future.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Findings

2024-003

Finding Type – Material weakness in internal control over compliance and material noncompliance – Filing of financial statements (repeat finding 2023-003).

Repeat Finding - Yes

Criteria – Management is required to file the financial statements with the Michigan Department of Education by November 1, 2024.

Condition – The Academy did not file the financial audit timely in accordance with State School Aid Act MCL 388.1718.

Context – The financial audit for June 30, 2024, was not issued and filed with Michigan Department of Education as of November 1, 2024.

Cause/Effect – The general ledger balance required material entries and support for compliance and controls over major federal programs under the Uniform Guidance was not readily available for the audit.

Recommendation – We recommend that year-end closing procedures be adopted and items relating to federal programs be maintained to document compliance and controls over compliance to ensure records are available for an audit.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDINGS

**Reference
Number**

Finding

2024-004

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund

Federal Award Identification Number and Year: 213716

Pass-through Entity – Michigan Department of Education

Finding Type – Material weakness in internal control over compliance

Repeat Finding - No

Criteria – Per 2 CFR § 200.303, The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing for Cash Management, it was noted that 1 out of 1 drawdown request selected for testing did not have evidence of review and approval.

Identification of How Questioned Costs Were Computed – N/A

Questioned Costs – None

Cause – Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect – Drawdown requests did not have evidence of review and approval.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-004

Recommendation – We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

2024-005

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.010A, Department of Education, Title I Grants to Local Educational Agencies

Federal Award Identification Number and Year: 231530 and 241530

Pass-through Entity – Wayne County Regional Educational Service Agency

Finding Type – Material weakness in internal control over compliance

Repeat Finding - No

Criteria – Per 2 CFR § 200.303, The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing for Cash Management, it was noted that 4 out of 4 drawdowns request selected for testing did not have evidence of review and approval.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

<u>Reference Number</u>	<u>Finding</u>
2024-005	<p>Identification of How Questioned Costs Were Computed – N/A</p> <p>Questioned Costs – None</p> <p>Cause – Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.</p> <p>Effect – Drawdown requests did not have evidence of review and approval.</p> <p>Recommendation – We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.</p> <p>View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.</p>
2024-006	<p>Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund</p> <p>Federal Award Identification Number and Year: 213716</p> <p>Pass-through Entity – Michigan Department of Education</p> <p>Finding Type – Material weakness in internal control over compliance</p> <p>Repeat Finding - No</p>

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-006

Criteria – Per 2 CFR § 200.303, The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing for Reporting, it was noted that 1 out of 1 report selected for testing did not have evidence of review and approval.

Identification of How Questioned Costs Were Computed – N/A

Questioned Costs – None

Cause – Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect – Reports did not have evidence of review and approval.

Recommendation – We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-007

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.010A, Department of Education, Title I Grants to Local Educational Agencies

Federal Award Identification Number and Year: 231530 and 241530

Pass-through Entity – Wayne County Regional Educational Service Agency

Finding Type – Material weakness in internal control over compliance

Repeat Finding – No

Criteria – Per 2 CFR § 200.303, The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing for Reporting, it was noted that 1 out of 1 report selected for testing did not have evidence of review and approval.

Identification of How Questioned Costs Were Computed – N/A

Questioned Costs – None

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-007

Cause – Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect – Reports did not have evidence of review and approval.

Recommendation – We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

2024-008

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.425, Department of Education, Education Stabilization Fund and Assistance Listing Number 84.010A, Department of Education, Title I Grants to Local Educational Agencies

Federal Award Identification Number and Year: 213716, 231530 and 241530

Pass-through Entity – Michigan Department of Education

Finding Type – Material weakness over compliance

Repeat Finding - No

Criteria – Per 2 CFR 200.512 (a) (1), the audit must be completed, and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. Per 2 CFR 200.501 (b), a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-008

Condition – The data collection form was not submitted within the required time as required by 2 CFR 200.512 for the year ended June 30, 2023.

Identification of How Questioned Costs Were Computed – N/A

Questioned Costs – None

Cause – The Academy’s books and records for the 2023 fiscal year were not reconciled or closed in a timely manner. The data collection form was not submitted within the required time.

Effect – Data collection form were not submitted on time.

Recommendation – We recommend that the Academy develop a reliable system to close the financial records in a timely manner.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

2024-009

Assistance Listing Number, Federal Agency, and Program Name: Assistance Listing Number 84.010A, Department of Education, Title I Grants to Local Educational Agencies

Federal Award Identification Number and Year: 231530 and 241530

Pass-through Entity – Wayne County Regional Educational Service Agency

Finding Type – Material weakness in internal control over compliance

Repeat Finding – No

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION III – FEDERAL AWARDS FINDING (Continued)

**Reference
Number**

Finding

2024-009

Criteria – Per 2 CFR § 200.303, The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – During our testing for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, it was noted that 2 out of 16 personnel selected for payroll testing were not included in the Academy’s – Grant Funded Staff Listing. In addition, we noted that for 1 out of 16 personnel selected for testing, there was no evidence of review or approval of colleague assignment letter.

Identification of How Questioned Costs Were Computed – N/A

Questioned Costs – None

Cause – Management did not fully implement their internal control policies and procedures as there was no evidence of review and approvals, nor was documentation retained.

Effect – Reports did not have evidence of review and approval.

Recommendation – We recommend that management review its procedures and controls in place to ensure that reports and supporting documentation are retained and have proper evidence of review and approval.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION IV – PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

The responses below for findings identified in the 2023 audit report, identified as 2023-001 through 2023-005, were provided by Mary Ann Johnson, Director of Finance.

Finding 2023-001:

2023-001: Material weakness - 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.

Status of finding: The Academy has not cleared this finding, which has been repeated in the current year as finding 2024-001.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year.

Planned corrective action: See finding 2024-001.

Finding 2023-002:

2023-002: Material weakness - 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.

Status of finding: The Academy has not cleared this finding, which has been repeated in the current year as finding 2024-001.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year.

Planned corrective action: See finding 2024-001.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

SECTION IV – PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

FINANCIAL STATEMENT AUDIT FINDINGS

Finding 2023-003:

2023-003: Material Weakness and Material Noncompliance - 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 be submitted by November 1 to the Michigan Department of Education. Finally, the Academy was in violation of the Uniform Budgeting and Accounting Act in that there was a deviation from the amended budget.

Status of finding: The finding related to budget deviation has been corrected in the current year. Budget overruns were immaterial to the financial statements as a whole.

Status of finding: The Academy has not cleared the reporting submission which has been repeated in the current year as finding 2024-003.

Reason for reoccurrence: The financial records of the Academy were not closed in time to comply with the reporting requirements.

Planned corrective action: See finding 2024-003.

Finding 2023-004:

2023-004: Material Weakness and Material Noncompliance - The Academy did not monitor the budget to actuals on a regular basis.

Status of finding: Resolved. The Academy has deferred inflows from federal grants of \$5,836,034 as of June 30, 2024 that materially covers the fund deficit. The Academy received the federal award subsequent to year end, see Note 13 in the financial statements.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2024

FEDERAL AWARD FINDINGS

Finding 2023-005:

2023-005: Material Weakness – Noncompliance Finding - ESSERS Funding-

The Academy incurred related ESSER expenditures based on the intergovernmental agreement with Washington-Parks Academy. Pursuant to the intergovernmental agreement, which was approved by the relevant PSA Boards and the Authorizer, the Academy received ESSER funding as a second tier subrecipient. Also, Washington-Park's consolidated application, which included ESSER allocations to the Academy, was approved by the MDE.

Status of finding: Resolved

December 20, 2024

FEDERAL AUDIT CLEARINGHOUSE

RE: Lincoln-King Adams-Young Academy

CORRECTIVE ACTION PLAN

FISCAL YEAR ENDED: JUNE 30, 2024

RE: CORRECTIVE ACTION PLAN (CAP)

FINANCIAL STATEMENT AUDIT FINDINGS

Finding Number: 2024-001

Condition – During our audit, we noted balances did not agree to supporting schedules and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy’s general ledger to the appropriate balances.

Planned Corrective Action: Although the Academy has a month-end review process and month-end checklist in place to help catch material misstatements, the review process will be improved in the following ways:

- The Accounts Payable subledger will be compared monthly against the A/P Aging report to ensure no variances between the two.
- Additional subledger schedules will be maintained and reconciled monthly for all Balance Sheet accounts.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Finding Number: 2024-002

Condition – The Academy did not prepare timely bank reconciliations for the months of January through April 2024. The reconciled January through April 2024 bank reconciliations were not completed until June 2024.

Planned Corrective Action: The delays were due to a transition in finance staffing and the process will be adhered to going forward.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 2

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Finding Number: 2024-003

Condition – The Academy did not file the financial audit timely in accordance with State School Aid Act MCL 388.1718.

Planned Corrective Action: The delays were due to a transition in finance staffing and the process will be adhered to going forward.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AWARDS FINDINGS

Finding Number: 2024-004 ALN 84.425

Condition – During our testing for Cash Management, it was noted that 1 out of 1 drawdown request selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

- We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
- All Federal draws will have supporting documents that are reviewed, approved, and certified before funds are requested.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 3

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FEDERAL AWARDS FINDINGS (Continued)

Finding Number: 2024-005 ALN 84.010A

Condition – During our testing for Cash Management, it was noted that 4 out of 4 drawdowns request selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

- We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
- All Federal draws will have supporting documents that are reviewed, approved, and certified before funds are requested.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Finding Number: 2024-006 ALN 84.425

Condition – During our testing for Reporting, it was noted that 1 out of 1 report selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

- We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 4

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FEDERAL AWARDS FINDINGS (Continued)

Finding Number: 2024-007 ALN 84.010A

Condition – During our testing for Reporting, it was noted that 1 out of 1 report selected for testing did not have evidence of review and approval.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

- We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Finding Number: 2024-008

Condition – The data collection form was not submitted within the required time as required by 2 CFR 200.512 for the year ended June 30, 2023.

Planned Corrective Action: The audit for the year ended June 30, 2023 was not submitted to the Federal Audit Clearinghouse due to issues with the UEI numbers not being renewed timely on the Academy's side. The Finance Director is now responsible for the renewals going forward, and this will not be an ongoing issue in the future.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

FEDERAL AUDIT CLEARINGHOUSE

PAGE 5

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FEDERAL AWARDS FINDINGS (Continued)

Finding Number: 2024-009 ALN 84.010A

Condition – During our testing for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, it was noted that 2 out of 16 personnel selected for payroll testing were not included in the Academy’s – Grant Funded Staff Listing. In addition, we noted that for 1 out of 16 personnel selected for testing, there was no evidence of review or approval of colleague assignment letter.

Planned Corrective Action: Although the Academy has internal controls in place for approvals on journal entries, payments, transfers, and other disbursements, we will improve our processes in the following ways:

- We will ensure a signature and date are included on all paperwork needing review and approval going forward. If documents are electronic, there must be an electronic signature with a time stamp included.
- We have brought on a State and Federal Grants Consultant to ensure all required grant related paperwork is completed and saved in a shared location with the Finance Team.

Anticipated Completion Date: December 1, 2024

Point of Contact: Mary Ann Johnson

Sincerely,

Joseph Valentic, Chief Financial Officer



Mary Ann Johnson, Director of Finance


