

**Audited Financial Statements**

# **Michigan Collegiate Academy**

Roseville, Michigan

**June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
of Michigan Collegiate Academy**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Collegiate Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Collegiate 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, each major fund, and the aggregate remaining fund information of Michigan Collegiate Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan Collegiate Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate Academy's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Michigan Collegiate Academy's basic financial statements. The accompanying additional supplementary information, as identified in the Table of Contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, on our consideration of Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

Michigan Collegiate Academy (the “School”) offers readers of the School’s basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2023.

Management’s discussion and analysis is included at the beginning of the School’s basic financial statements to provide, in layman’s terms, the past and current position of the School’s financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements and other supplementary information. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Our basic financial statements provide these insights into the results of this year’s operations.

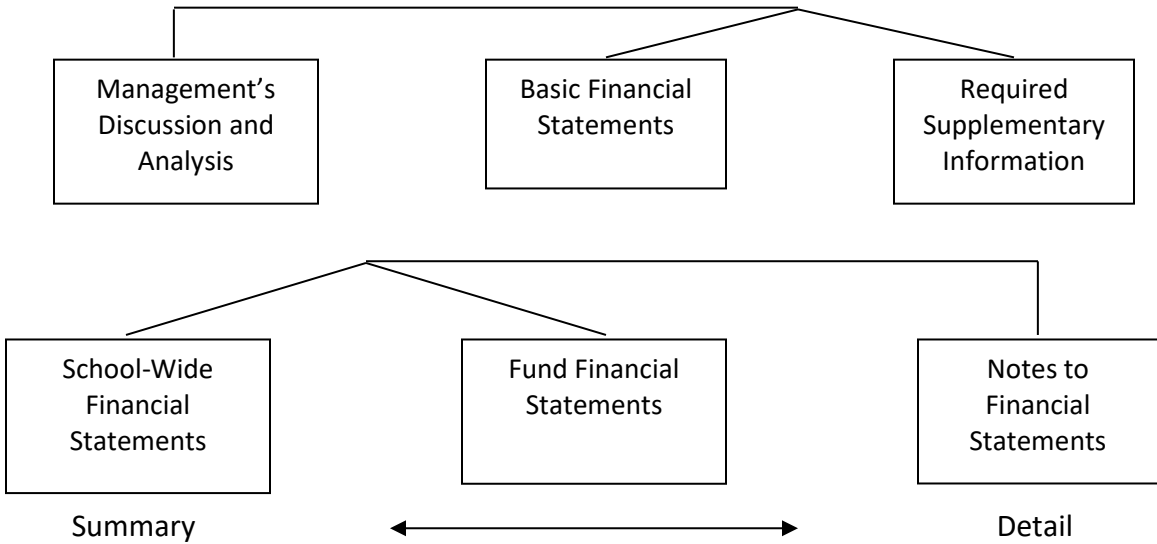
- ❖ The total cost of basic programs was \$2,813,850.
- ❖ Revenues were \$10,941,212 while expenditures and other financing uses were \$10,938,174 in the General Fund.
- ❖ The school has a positive General Fund balance of \$1,918,956.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- ❖ The first two statements are school-wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- ❖ The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- ❖ The governmental fund statements tell how basic services such as regular and special education were financed.

**Figure A-1  
Organization of MCA's Annual Financial Report**



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2  
Major Features of School-Wide and Fund Financial Statements**

|  | <b>School-Wide Statements</b>  | <b>Government Funds</b>   |
|--|--|---|
| Scope                                  | Entire school (except fiduciary funds)   | The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance  |
| Required financial statements          | *Statement of net position<br>*Statement of activities                             | *Balance sheet<br>*Statement of revenues, expenditures and changes in fund balances   |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                    | Modified accrual accounting and current financial resources   |
| Type of asset/liability information    | All assets and liabilities both financial and capital, short-term and long-term    | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included                     |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |



Figure A-2 summarizes the major features of the school's financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **SCHOOL-WIDE STATEMENTS**

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the school's net position and how it has changed. Net position – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has one kind of fund:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

## **FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The school's financial position is the product of many factors.

### **General Fund Budgetary Analysis**

Over the course of the year, the school reviewed and amended the annual operating budget several times.

### **Financial Outlook**

The Michigan Collegiate Academy's financial forecast continues to be optimistic heading into the 2023/2024 school year.

- ❖ The federal government made grants available of approximately \$3,934,000 to mitigate additional costs related to the coronavirus during the fiscal year 2022-2023. Approximately \$3,182,000 of that amount is budgeted to be received and expended during fiscal year 2023-2024. These funds will provide the School the opportunity to further improve the school's facilities, staff, and curriculum.
- ❖ The state aid foundation rate has been increased by \$458 per pupil for the 2023/2024 school year and will provide the School an opportunity to solidly its standing in the community by maintaining staff, improving education and social programs, and upgrading facilities and technology for students.

**Figure A-3**  
**Michigan Collegiate Academy's Net Position**

|                                    | <u>2023</u>         | <u>2022</u>         |
|------------------------------------|---------------------|---------------------|
| Current and other assets           | \$ 5,755,085        | \$ 5,799,161        |
| Capital assets                     | <u>10,926,377</u>   | <u>11,302,216</u>   |
| Total assets and deferred outflows | 16,681,462          | 17,101,377          |
| Long-term debt outstanding         | 10,762,313          | 11,490,097          |
| Current liabilities                | <u>2,402,657</u>    | <u>2,806,419</u>    |
| Total liabilities                  | 13,164,970          | 14,296,516          |
| Net position:                      |                     |                     |
| Net investment in capital assets   | (563,720)           | (1,125,319)         |
| Restricted                         | 2,208,858           | 2,064,052           |
| Unrestricted                       | <u>1,871,354</u>    | <u>1,866,128</u>    |
| Total net position                 | <u>\$ 3,516,492</u> | <u>\$ 2,804,861</u> |

**Figure A-4**  
**Changes in Michigan Collegiate Academy's Net Position**

|   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Revenues:                               |             |             |
| Program revenues:                       |             |             |
| Charges for services                    | \$ 24,069   | \$ 47,075   |
| Federal and state operating grants      | 3,560,453   | 4,315,398   |
| General revenues:                       |             |             |
| State aid – unrestricted                | 7,942,919   | 7,720,361   |
| Miscellaneous                           | 109,452     | 43,144      |
| Total revenues                          | 11,636,893  | 12,125,978  |
| Expenses:                               |             |             |
| Instruction                             | 4,224,518   | 4,827,820   |
| Support services                        | 5,326,146   | 5,543,401   |
| Interest on long-term debt              | 603,747     | 639,956     |
| Unallocated depreciation / amortization | 770,851     | 714,239     |
| Total expenses                          | 10,925,262  | 11,725,416  |
| Change in net position                  | \$ 711,631  | \$ 400,562  |

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of fiscal year 2023, the School had invested \$16,533,485 in capital assets, including land, facilities and improvements, computers, equipment, leased assets, and software. See Note 5 for a listing of capital assets, and the accumulated depreciation/amortization.

**Figure A-5**  
**Michigan Collegiate Academy's Capital Assets**

|   | <b>Balance<br/>June 30, 2023</b> | <b>Balance<br/>June 30, 2022</b> |
|---|----------------------------------|----------------------------------|
| Land  | \$ 4,025,718                     | \$ 4,025,718                     |
| Construction in process                       | 33,915                           | -                                |
| Right to use assets                           | 1,073,728                        | 1,312,305                        |
| Building and improvements                     | 10,960,947                       | 10,906,483                       |
| Furniture                                     | 327,563                          | 327,563                          |
| Computers                                     | 111,614                          | 62,755                           |
| Sub-total                                     | 16,533,485                       | 16,634,824                       |
| Less: accumulated depreciation / amortization | 5,607,108                        | 5,332,608                        |
| Net book value of assets                      | \$ 10,926,377                    | \$ 11,302,216                    |

## Long-Term Debt

- ❖ A summary of long-term debt service activities is as follows:

**Figure A-6**  
**Michigan Collegiate Academy's Long-Term Obligations**

|                             | <u>Balance</u><br><u>June 30, 2023</u> | <u>Balance</u><br><u>June 30, 2022</u> |
|-----------------------------|--|--|
| Direct borrowing            | \$ 495,097                             | \$ 907,535                             |
| Revenue bonds               | <u>10,995,000</u>                      | <u>11,520,000</u>                      |
| Total long-term obligations | <u>\$ 11,490,097</u>                   | <u>\$ 12,427,535</u>                   |

## FACTORS BEARING ON THE SCHOOL'S FUTURE

- ❖ Effective use of additional federal and state aid funds.
- ❖ Maintaining staffing levels.
- ❖ Positive enrollment trends
- ❖ State aid foundation continued grant stabilization

## CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the School's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the management office at:

The Romine Group 7877 Stead, Utica, MI 48317 (586)731-5300

# MICHIGAN COLLEGIATE ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2023

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

|   |            |
|---|------------|
| Cash and cash equivalents                 | \$ 537,485 |
| Investments - restricted for debt service | 2,077,577  |
| Accounts receivable                       | 5,390      |
| Due from other governmental units         | 3,076,641  |
| Prepaid expenses                          | 57,992     |
|   | <hr/>      |
| Total current assets                      | 5,755,085  |

#### Capital Assets - Net of Accumulated Depreciation / Amortization

10,926,377

Total assets and deferred outflows

\$ 16,681,462

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

|                                  |            |
|----------------------------------|------------|
| Accounts payable                 | \$ 600,206 |
| Notes payable                    | 178,287    |
| Unearned revenue                 | 249,052    |
| Other accrued expenses           | 647,328    |
| Long-term debt - current portion | 727,784    |
|                                  | <hr/>      |
| Total current liabilities        | 2,402,657  |

#### Long-Term Debt - Long-Term Portion

10,762,313

#### Net Position

|  |                      |
|--|----------------------|
| Net investment in capital assets                     | (563,720)            |
| Restricted for debt service                          | 2,208,858            |
| Unrestricted   | 1,871,354            |
|  | <hr/>                |
| Total net position                                   | 3,516,492            |
|  | <hr/>                |
| Total liabilities, deferred inflows and net position | <u>\$ 16,681,462</u> |

See accompanying notes to financial statements

# MICHIGAN COLLEGIATE ACADEMY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

|   |               | Program Revenues        |                     | Net (Expense)<br>Revenues and<br>Changes in<br>Net Position |
|---|---------------|-------------------------|---------------------|---|
|   | Expenses      | Charges for<br>Services | Operating<br>Grants | Government<br>Type<br>Activities                            |
| <b>Functions</b>                        |               |                         |                     |   |
| Instruction                             |               |                         |                     |   |
| Basic programs                          | \$ 2,813,850  | \$ -                    | \$ 371,023          | \$ (2,442,827)  |
| Added needs                             | 1,410,668     | -                       | 1,668,442           | 257,774   |
| Support services                        |               |                         |                     |   |
| Pupil support services                  | 317,759       | -                       | 317,759             | -   |
| Instructional staff support services    | 508,327       | -                       | 382,801             | (125,526)   |
| General administration                  | 909,806       | -                       | -                   | (909,806)   |
| School administration                   | 696,807       | -                       | -                   | (696,807)   |
| Business support services               | 36,400        | -                       | -                   | (36,400)  |
| Operations and maintenance              | 834,363       | -                       | 114,210             | (720,153)   |
| Pupil transportation services           | 834,412       | -                       | 48,569              | (785,843)   |
| Central support services                | 119,322       | -                       | 20,725              | (98,597)  |
| Athletic activities                     | 444,189       | 6,640                   | -                   | (437,549)   |
| Other student activities                | 15,053        | 17,429                  | -                   | 2,376   |
| Food services                           | 604,883       | -                       | 632,099             | 27,216  |
| Community services                      | 4,825         | -                       | 4,825               | -   |
| Unallocated depreciation / amortization | 770,851       | -                       | -                   | (770,851)   |
| Unallocated interest                    | 603,747       | -                       | -                   | (603,747)   |
| Total primary government                | \$ 10,925,262 | \$ 24,069               | \$ 3,560,453        | (7,340,740)   |
| <b>General Purpose Revenues</b>         |               |                         |                     |   |
| State school aid - unrestricted         |               |                         |                     | 7,942,919   |
| Miscellaneous revenues                  |               |                         |                     | 109,452   |
| Total general purpose revenues          |               |                         |                     | 8,052,371   |
| Change in net position                  |               |                         |                     | 711,631   |
| Net position - July 1, 2022             |               |                         |                     | 2,804,861   |
| Net position - June 30, 2023            |               |                         |                     | \$ 3,516,492  |

See accompanying notes to financial statements

## MICHIGAN COLLEGIATE ACADEMY

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2023

#### ASSETS

|                                   | General             | Debt<br>Service     | Non-Major         | Total               |
|-----------------------------------|---------------------|---------------------|-------------------|---------------------|
| Cash and cash equivalents         | \$ 486,529          | \$ -                | \$ 50,956         | \$ 537,485          |
| Investments                       | -                   | 2,077,577           | -                 | 2,077,577           |
| Accounts receivable               | 5,390               | -                   | -                 | 5,390               |
| Due from other funds              | 34,834              | -                   | 115,159           | 149,993             |
| Due from other governmental units | 3,076,641           | -                   | -                 | 3,076,641           |
| Prepaid expenses                  | 57,992              | -                   | -                 | 57,992              |
|                                   | <u>\$ 3,661,386</u> | <u>\$ 2,077,577</u> | <u>\$ 166,115</u> | <u>\$ 5,905,078</u> |
| Total assets                      | <u>\$ 3,661,386</u> | <u>\$ 2,077,577</u> | <u>\$ 166,115</u> | <u>\$ 5,905,078</u> |

#### LIABILITIES AND FUND BALANCE

##### Liabilities

|                        |                  |          |               |                  |
|------------------------|------------------|----------|---------------|------------------|
| Accounts payable       | \$ 600,206       | \$ -     | \$ -          | \$ 600,206       |
| Notes payable          | 178,287          | -        | -             | 178,287          |
| Due to other funds     | 115,159          | -        | 34,834        | 149,993          |
| Unearned revenue       | 249,052          | -        | -             | 249,052          |
| Other accrued expenses | 599,726          | -        | -             | 599,726          |
|                        | <u>1,742,430</u> | <u>-</u> | <u>34,834</u> | <u>1,777,264</u> |
| Total liabilities      | <u>1,742,430</u> | <u>-</u> | <u>34,834</u> | <u>1,777,264</u> |

##### Fund Balance

|                                    |                     |                     |                   |                     |
|------------------------------------|---------------------|---------------------|-------------------|---------------------|
| Nonspendable                       | 57,992              | -                   | -                 | 57,992              |
| Restricted                         | -                   | 2,077,577           | 131,281           | 2,208,858           |
| Unassigned                         | 1,860,964           | -                   | -                 | 1,860,964           |
|                                    | <u>1,918,956</u>    | <u>2,077,577</u>    | <u>131,281</u>    | <u>4,127,814</u>    |
| Total fund balance                 | <u>1,918,956</u>    | <u>2,077,577</u>    | <u>131,281</u>    | <u>4,127,814</u>    |
|                                    | <u>\$ 3,661,386</u> | <u>\$ 2,077,577</u> | <u>\$ 166,115</u> | <u>\$ 5,905,078</u> |
| Total liabilities and fund balance | <u>\$ 3,661,386</u> | <u>\$ 2,077,577</u> | <u>\$ 166,115</u> | <u>\$ 5,905,078</u> |

See accompanying notes to financial statements

## MICHIGAN COLLEGIATE ACADEMY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2023

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

|  |                            |
|--|----------------------------|
| <b>Total Governmental Fund Balances</b>  | \$ 4,127,814               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,533,485 and the accumulated depreciation / amortization is \$5,607,108. | 10,926,377                 |
| Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.   | (47,602)                   |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.   | <u>(11,490,097)</u>        |
| <b>Net Position of Governmental Activities</b>   | <u><u>\$ 3,516,492</u></u> |

See accompanying notes to financial statements



## MICHIGAN COLLEGIATE ACADEMY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

|  | General      | Debt<br>Service | Non-Major  | Total        |
|--|--------------|-----------------|------------|--------------|
| <b>Revenues</b>  |              |                 |            |              |
| Local sources  | \$ 69,723    | \$ 53,559       | \$ 10,239  | \$ 133,521   |
| State sources  | 9,011,290    | -               | 13,588     | 9,024,878    |
| Federal sources  | 1,388,180    | -               | 618,295    | 2,006,475    |
| Interdistrict sources  | 472,019      | -               | -          | 472,019      |
| Total governmental fund revenues   | 10,941,212   | 53,559          | 642,122    | 11,636,893   |
| <b>Expenditures</b>  |              |                 |            |              |
| Instruction  |              |                 |            |              |
| Basic programs   | 2,813,850    | -               | -          | 2,813,850    |
| Added needs  | 1,410,668    | -               | -          | 1,410,668    |
| Support services   |              |                 |            |              |
| Pupil support services   | 317,759      | -               | -          | 317,759      |
| Instructional staff support services   | 508,327      | -               | -          | 508,327      |
| General administration   | 909,806      | -               | -          | 909,806      |
| School administration  | 696,807      | -               | -          | 696,807      |
| Business support services  | 30,307       | 6,093           | -          | 36,400       |
| Operations and maintenance   | 834,363      | -               | -          | 834,363      |
| Pupil transportation services  | 834,412      | -               | -          | 834,412      |
| Central support services   | 119,322      | -               | -          | 119,322      |
| Athletic activities  | 444,189      | -               | -          | 444,189      |
| Other student activities   | -            | -               | 15,053     | 15,053       |
| Food services  | -            | -               | 604,883    | 604,883      |
| Community services   | 4,825        | -               | -          | 4,825        |
| Capital outlay   | 395,012      | -               | -          | 395,012      |
| Debt principal and interest  | 434,023      | 1,109,350       | -          | 1,543,373    |
| Total governmental fund expenditures   | 9,753,670    | 1,115,443       | 619,936    | 11,489,049   |
| Excess (deficiency) of revenues over expenditures  | 1,187,542    | (1,061,884)     | 22,186     | 147,844      |
| <b>Other Financing Sources (Uses)</b>  |              |                 |            |              |
| Operating transfers in   | -            | 1,184,504       | -          | 1,184,504    |
| Operating transfers out  | (1,184,504)  | -               | -          | (1,184,504)  |
| Total other financing sources (uses)   | (1,184,504)  | 1,184,504       | -          | -            |
| Excess (deficiency) of revenues and other financing sources over expenditures and other uses | 3,038        | 122,620         | 22,186     | 147,844      |
| Fund balance - July 1, 2022  | 1,915,918    | 1,954,957       | 109,095    | 3,979,970    |
| Fund balance - June 30, 2023   | \$ 1,918,956 | \$ 2,077,577    | \$ 131,281 | \$ 4,127,814 |

See accompanying notes to financial statements

## MICHIGAN COLLEGIATE ACADEMY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

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

|   |                   |
|---|-------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b> | <b>\$ 147,844</b> |
|---|-------------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| Capital outlay                        | \$ 395,012       |           |
| Depreciation and amortization expense | <u>(770,851)</u> | (375,839) |

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

|                             |              |                |
|-----------------------------|--------------|----------------|
| Repayment of loan principal | \$ 937,438   |                |
| Interest expense            | <u>2,188</u> | <u>939,626</u> |

|  |                          |
|--|--------------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b><u>\$ 711,631</u></b> |
|--|--------------------------|

# MICHIGAN COLLEGIATE ACADEMY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Michigan Collegiate Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Michigan Collegiate Academy, formerly known as Conner Creek Academy East 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 June 9, 1999, and began operation in July 1999.

In June 2021, the Academy extended a contract with Ferris 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 Academy pays Ferris State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023 were approximately \$236,980.

In July 2021, the Academy entered into an agreement with The Romine Group, Inc (“TRG”) to provide a variety of services including payroll, other human resource services and various business services. The contract runs coterminous with their authorizer agreement. The Academy is obligated to pay TRG 10% of State School Aid for these services. TRG agreed to cap management fees at \$610,000 for the year. The total paid for these services amounted to \$610,000 for the year ended June 30, 2023.

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. These criteria include significant operational or financial relationships with the public school academy. Based on application of criteria, the Academy does not contain component units.

#### **Fund Financial Statements**

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

# MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities, are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund (Food Services)** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

**Special Revenue Fund (Student Activities)** - The Academy presently maintains an activity fund to record the transactions of student groups for school and school-related purposes. The student activity fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the student activity fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

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

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.

## **MICHIGAN COLLEGIATE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

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

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

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

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

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

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain

## **MICHIGAN COLLEGIATE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations.

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

#### **Receivables**

Receivables at June 30, 2023 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2023 and are considered current for the purposes of these financial statements.

#### **Prepaid Assets**

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

#### **Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 10 – 50 years |
| Furniture and equipment   | 5 – 15 years  |
| Computers and software    | 3 – 10 years  |

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### Net Position

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

#### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

## **MICHIGAN COLLEGIATE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

#### **Leases**

##### *Leases and Subscription Based IT Arrangements (SBITA)*

The Academy is a lessee for a noncancelable lease/subscription of a building, equipment and software. The Academy recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

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

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

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

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

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

#### **Estimates**

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



## **MICHIGAN COLLEGIATE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **Upcoming Accounting Pronouncements**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. 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 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. Comparison of board approved appropriations to actual expenditures is detailed on page 21 of these financial statements.

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Academy had the following investments:

| <u>Type</u>                          | <u>S&amp;P Rating</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|--------------------------------------|-----------------------|-------------------|-----------------------|
| Deposits:                            |                       |                   |                       |
| Demand deposits                      |                       |                   | \$ 537,485            |
| Investments:                         |                       |                   |                       |
| U.S. Treasury and agency obligations | AAAm                  | Various           | <u>2,077,577</u>      |
| Total deposits and investments       |                       |                   | <u>\$ 2,615,062</u>   |

The above amounts are reported in the financial statements as follows:

|  |  |  |                     |
|--|--|--|---------------------|
| Deposits:  |  |  |                     |
| Cash - General fund                              |  |  | \$ 486,529          |
| Cash - Special revenue - food services fund      |  |  | 1,154               |
| Cash - Special revenue - student activities fund |  |  | <u>49,802</u>       |
| Total deposits                                   |  |  | 537,485             |
| Investments:                                     |  |  |                     |
| Investments - Debt service fund                  |  |  | <u>2,077,577</u>    |
| Total deposits and investments                   |  |  | <u>\$ 2,615,062</u> |

#### Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

## **MICHIGAN COLLEGIATE ACADEMY**

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### **NOTE 3 - DEPOSITS AND INVESTMENTS - Continued**

#### **Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

#### **Concentration of Credit Risk**

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

#### **Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2023, \$321,015 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2023.

#### **Custodial Credit Risk - Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### **Foreign Currency Risk**

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

#### **Fair Value**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data).

The Academy does not have any investments that are subject to the fair value measurement.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

|                 |                            |
|-----------------|----------------------------|
| State sources   | \$ 1,677,273               |
| Federal sources | <u>1,399,368</u>           |
| Total           | <u><u>\$ 3,076,641</u></u> |

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 5 - CAPITAL ASSETS

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

|  | <u>Balance</u><br><u>July 1, 2022</u> | <u>Additions</u>    | <u>Disposals</u> | <u>Balance</u><br><u>June 30, 2023</u> |
|--|---------------------------------------|---------------------|------------------|--|
| Capital assets not subject to depreciation               |                                       |                     |                  |  |
| Land   | \$ 4,025,718                          | \$ -                | \$ -             | \$ 4,025,718                           |
| Construction in process                                  | -                                     | 33,915              | -                | 33,915                                 |
| Capital assets subject to depreciation<br>/ amortization |                                       |                     |                  |  |
| Right to use - assets                                    | 1,312,305                             | -                   | 496,351          | 815,954                                |
| Right to use - subscription-based IT                     | -                                     | 257,774             |                  | 257,774                                |
| Building and improvements                                | 10,906,483                            | 54,464              | -                | 10,960,947                             |
| Furniture and equipment                                  | 327,563                               | -                   | -                | 327,563                                |
| Computer   | 62,755                                | 48,859              | -                | 111,614                                |
| Total asset cost basis                                   | 16,634,824                            | 395,012             | 496,351          | 16,533,485                             |
| Accumulated depreciation / amortization                  |                                       |                     |                  |  |
| Right to use - assets                                    | 417,607                               | 417,607             | 496,351          | 338,863                                |
| Right to use - subscription-based IT                     | -                                     | 42,962              |                  | 42,962                                 |
| Building and improvements                                | 4,558,883                             | 290,113             | -                | 4,848,996                              |
| Furniture and equipment                                  | 314,617                               | 1,895               | -                | 316,512                                |
| Computer   | 41,501                                | 18,274              | -                | 59,775                                 |
| Sub-total  | 5,332,608                             | 770,851             | 496,351          | 5,607,108                              |
| Total net capital assets                                 | <u>\$ 11,302,216</u>                  | <u>\$ (375,839)</u> | <u>\$ -</u>      | <u>\$ 10,926,377</u>                   |

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

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 6 – NOTES PAYABLE

#### Loan Information

|                     | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u>        | <u>Other</u>   |                                     |                                  |
|---------------------|--------------------------|---------------------------------|--|-------------------------------------|----------------------------------|
| SAAN 21/22          | 3.30%                    | August, 2022                    | Paid in full.  |                                     |                                  |
| SAAN 22/23          | 5.40%                    | August, 2023                    | Issued to provide funds to Academy to finance school operations; secured by future state aid payments. |                                     |                                  |
|                     |                          | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u>   | <u>Retirements<br/>and Payments</u> | <u>Balance<br/>June 30, 2023</u> |
| SAAN 21/22          |                          | \$ 179,622                      | \$ -   | \$ 179,622                          | \$ -                             |
| SAAN 22/23          |                          | -                               | 1,000,000  | 821,713                             | 178,287                          |
| Total notes payable |                          | <u>\$ 179,622</u>               | <u>\$ 1,000,000</u>  | <u>\$ 1,001,335</u>                 | <u>\$ 178,287</u>                |

### NOTE 7 – OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30, 2023 may be summarized as follows:

|   | <u>Net Position</u> | <u>Funds</u>      |
|---|---------------------|-------------------|
| Purchased services - payroll and benefits | \$ 547,705          | \$ 547,705        |
| University oversight fee                  | 43,107              | 43,107            |
| Interest                                  | 56,516              | 8,914             |
| Total other accrued expenses              | <u>\$ 647,328</u>   | <u>\$ 599,726</u> |

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2023:

#### Loan Information

|                             | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Other</u>  |
|-----------------------------|--------------------------|--------------------------|---|
| Direct borrowing - building | 3%                       | June, 2026               | Monthly payments of \$12,419  |
| Direct borrowing - copiers  | 3%                       | September, 2025          | Monthly payments of \$2,685   |
| Direct borrowing - buses    | 3%                       | June, 2023               | Monthly payments of \$21,140  |
| Revenue bond                | 5%                       | June, 2037               | Collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of the State school aid payments and funds held in trust for debt service. |

#### Loan Activity

|                             | <u>Balance<br/>July 1, 2022</u> | <u>Additions</u> | <u>Retirements<br/>and Payments</u> | <u>Balance<br/>June 30, 2023</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------|---------------------------------|------------------|-------------------------------------|----------------------------------|--------------------------------|
| Direct borrowing - building | \$ 561,075                      | \$ -             | \$ 134,029                          | \$ 427,046                       | \$ 138,105                     |
| Direct borrowing - copiers  | 96,854                          | -                | 28,803                              | 68,051                           | 29,679                         |
| Direct borrowing - buses    | 249,606                         | -                | 249,606                             | -                                | -                              |
| Revenue bond                | 11,520,000                      | -                | 525,000                             | 10,995,000                       | 560,000                        |
| Total                       | <u>\$ 12,427,535</u>            | <u>\$ -</u>      | <u>\$ 937,438</u>                   | <u>\$ 11,490,097</u>             | <u>\$ 727,784</u>              |

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

|             | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2024        | \$ 727,784       | \$ 583,784      |
| 2025        | 757,888          | 550,680         |
| 2026        | 769,425          | 516,408         |
| 2027        | 645,000          | 483,225         |
| 2028        | 675,000          | 450,975         |
| 2029 - 2033 | 3,945,000        | 1,683,675       |
| 2034 - 2037 | 3,970,000        | 534,188         |

## MICHIGAN COLLEGIATE ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 9 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its funds as follows:

|              | <u>General</u> | <u>Debt Service</u> |
|--------------|----------------|---------------------|
| Transfer In  | \$ -           | \$ 1,184,504        |
| Transfer Out | 1,184,504      | -                   |

As stipulated by the Academy's revenue bond agreement as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



## SUPPLEMENTARY INFORMATION

## MICHIGAN COLLEGIATE ACADEMY

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance    |
|--|--------------------|-----------------|--------------|-------------|
| <b>Revenues</b>  |                    |                 |              |             |
| Local sources  | \$ 478,000         | \$ 66,290       | \$ 69,723    | \$ 3,433    |
| State sources  | 8,956,400          | 9,240,310       | 9,011,290    | (229,020)   |
| Federal sources  | 4,543,201          | 4,835,003       | 1,388,180    | (3,446,823) |
| Interdistrict sources  | -                  | 481,476         | 472,019      | (9,457)     |
| Total general fund revenues  | 13,977,601         | 14,623,079      | 10,941,212   | (3,681,867) |
| <b>Expenditures</b>  |                    |                 |              |             |
| Instruction  |                    |                 |              |             |
| Basic programs   | 2,936,425          | 2,851,534       | 2,813,850    | (37,684)    |
| Added needs  | 2,385,365          | 2,564,903       | 1,410,668    | (1,154,235) |
| Support services   |                    |                 |              |             |
| Pupil support services   | 262,398            | 428,070         | 317,759      | (110,311)   |
| Instructional staff support services   | 166,000            | 543,760         | 508,327      | (35,433)    |
| General administration   | 804,000            | 910,322         | 909,806      | (516)       |
| School administration  | 717,468            | 701,606         | 696,807      | (4,799)     |
| Business support services  | 89,000             | 30,314          | 30,307       | (7)         |
| Operations and maintenance   | 3,816,771          | 1,068,482       | 834,363      | (234,119)   |
| Pupil transportation services  | 1,016,310          | 826,300         | 834,412      | 8,112       |
| Central support services   | 156,008            | 141,541         | 119,322      | (22,219)    |
| Athletic activities  | 404,575            | 407,206         | 444,189      | 36,983      |
| Other student activities   | 53,000             | 24,333          | -            | (24,333)    |
| Community services   | 12,800             | 8,967           | 4,825        | (4,142)     |
| Capital outlay   | -                  | 2,490,000       | 395,012      | (2,094,988) |
| Debt principal and interest  | -                  | 434,100         | 434,023      | (77)        |
| Total general fund expenditures  | 12,820,120         | 13,431,438      | 9,753,670    | (3,677,768) |
| Excess (deficiency) of revenues<br>over expenditures   | 1,157,481          | 1,191,641       | 1,187,542    | (4,099)     |
| <b>Other Financing Sources (Uses)</b>  |                    |                 |              |             |
| Operating transfers out  | (1,131,984)        | (1,184,505)     | (1,184,504)  | 1           |
| Excess (deficiency) of revenues<br>and other financing sources<br>over expenditures and other uses | 25,497             | 7,136           | 3,038        | (4,098)     |
| Fund balance - July 1, 2022  | 1,915,918          | 1,915,918       | 1,915,918    | -           |
| Fund balance - June 30, 2023   | \$ 1,941,415       | \$ 1,923,054    | \$ 1,918,956 | \$ (4,098)  |

## MICHIGAN COLLEGIATE ACADEMY

### COMBINING BALANCE SHEET – NON-MAJOR FUNDS JUNE 30, 2023

#### ASSETS

|                           | Special Revenue  |                       | Total      |
|---------------------------|------------------|-----------------------|------------|
|                           | Food<br>Services | Student<br>Activities |            |
| Cash and cash equivalents | \$ 1,154         | \$ 49,802             | \$ 50,956  |
| Due from other funds      | 115,159          | -                     | 115,159    |
|                           | \$ 116,313       | \$ 49,802             | \$ 166,115 |
| Total assets              | \$ 116,313       | \$ 49,802             | \$ 166,115 |

#### LIABILITIES AND FUND BALANCE

|                                       |            |           |            |
|---------------------------------------|------------|-----------|------------|
| <b>Liabilities</b>                    |            |           |            |
| Due to other funds                    | \$ -       | \$ 34,834 | \$ 34,834  |
| <b>Fund Balance</b>                   |            |           |            |
| Restricted                            | 116,313    | 14,968    | 131,281    |
| Total liabilities and<br>fund balance | \$ 116,313 | \$ 49,802 | \$ 166,115 |

## MICHIGAN COLLEGIATE ACADEMY

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2023

|   | Special Revenue  |                       | Total      |
|---|------------------|-----------------------|------------|
|   | Food<br>Services | Student<br>Activities |            |
| <b>Revenues</b>                                   |                  |                       |            |
| Local sources                                     | \$ -             | \$ 10,239             | \$ 10,239  |
| State sources                                     | 13,588           | -                     | 13,588     |
| Federal sources                                   | 618,295          | -                     | 618,295    |
|   | 631,883          | 10,239                | 642,122    |
| <b>Expenditures</b>                               |                  |                       |            |
| Support services                                  |                  |                       |            |
| Other student activities                          | -                | 15,053                | 15,053     |
| Food services                                     | 604,883          | -                     | 604,883    |
|   | 604,883          | 15,053                | 619,936    |
| Excess (deficiency) of revenues over expenditures | 27,000           | (4,814)               | 22,186     |
| Fund balance - July 1, 2022                       | 89,313           | 19,782                | 109,095    |
|   | \$ 116,313       | \$ 14,968             | \$ 131,281 |
| Fund balance - June 30, 2023                      | \$ 116,313       | \$ 14,968             | \$ 131,281 |

## MICHIGAN COLLEGIATE ACADEMY

### SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

#### Local Sources

|                      |               |
|----------------------|---------------|
| Authorizer grant     | \$ 11,744     |
| Student activities   | 7,190         |
| Other local revenues | <u>50,789</u> |
| Total local sources  | 69,723        |

#### State Sources

|                     |                  |
|---------------------|------------------|
| At risk             | 888,471          |
| Special education   | 179,900          |
| State aid           | <u>7,942,919</u> |
| Total state sources | 9,011,290        |

#### Federal Sources

|                       |                |
|-----------------------|----------------|
| IDEA                  | 188,499        |
| Title I               | 476,746        |
| Title II A            | 60,872         |
| Title IV              | 43,677         |
| Other program revenue | <u>618,386</u> |
| Total federal sources | 1,388,180      |

#### Interdistrict Sources

|                             |                      |
|-----------------------------|----------------------|
|                             | <u>472,019</u>       |
| Total general fund revenues | <u>\$ 10,941,212</u> |

# MICHIGAN COLLEGIATE ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

### Basic Programs

|                        |               |
|------------------------|---------------|
| Purchased services     | \$ 2,714,784  |
| Supplies and materials | 48,900        |
| Other expenditures     | <u>50,166</u> |
| Total basic programs   | 2,813,850     |

### Added Needs

|                        |              |
|------------------------|--------------|
| Purchased services     | 1,403,317    |
| Supplies and materials | <u>7,351</u> |
| Total added needs      | 1,410,668    |

### Pupil Support Services

|                                |               |
|--------------------------------|---------------|
| Guidance services              | 122,261       |
| Health services                | 21,500        |
| Psychological services         | 16,450        |
| Speech pathology and audiology | 87,506        |
| Social work services           | <u>70,042</u> |
| Total pupil support services   | 317,759       |

### Instructional Staff Support Services

|  |               |
|--|---------------|
| Purchased services                         | 487,957       |
| Supplies and materials                     | 8,608         |
| Other expenditures                         | <u>11,762</u> |
| Total instructional staff support services | 508,327       |

### General Administration

|                              |              |
|------------------------------|--------------|
| Purchased services           | 898,749      |
| Repairs and maintenance      | 1,329        |
| Other expenditures           | <u>9,728</u> |
| Total general administration | 909,806      |

### School Administration

|                             |               |
|-----------------------------|---------------|
| Purchased services          | 646,864       |
| Supplies and materials      | 28,147        |
| Other expenditures          | <u>21,796</u> |
| Total school administration | 696,807       |

# MICHIGAN COLLEGIATE ACADEMY

## SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2023

### **Business Support Services**

|                    |        |
|--------------------|--------|
| Other expenditures | 30,307 |
|--------------------|--------|

### **Operations and Maintenance**

|                         |         |
|-------------------------|---------|
| Purchased services      | 445,859 |
| Repairs and maintenance | 158,545 |
| Rentals                 | 31,808  |
| Supplies and materials  | 198,151 |

|                                  |         |
|----------------------------------|---------|
| Total operations and maintenance | 834,363 |
|----------------------------------|---------|

### **Pupil Transportation Services**

|                         |         |
|-------------------------|---------|
| Purchased services      | 711,263 |
| Repairs and maintenance | 16,215  |
| Supplies and materials  | 102,883 |
| Other expenditures      | 4,051   |

|                                     |         |
|-------------------------------------|---------|
| Total pupil transportation services | 834,412 |
|-------------------------------------|---------|

### **Central Support Services**

|                         |         |
|-------------------------|---------|
| Repairs and maintenance | 118,832 |
| Supplies and materials  | 490     |

|                                |         |
|--------------------------------|---------|
| Total central support services | 119,322 |
|--------------------------------|---------|

### **Athletic Activities**

|                        |         |
|------------------------|---------|
| Purchased services     | 280,451 |
| Supplies and materials | 83,367  |
| Other expenditures     | 80,371  |

|                           |         |
|---------------------------|---------|
| Total athletic activities | 444,189 |
|---------------------------|---------|

### **Community Services**

|                        |       |
|------------------------|-------|
| Purchased services     | 2,080 |
| Supplies and materials | 2,745 |

|                          |       |
|--------------------------|-------|
| Total community services | 4,825 |
|--------------------------|-------|

### **Capital Outlay**

|         |
|---------|
| 395,012 |
|---------|

### **Debt Principal and Interest**

|         |
|---------|
| 434,023 |
|---------|

|                                 |                     |
|---------------------------------|---------------------|
| Total general fund expenditures | <u>\$ 9,753,670</u> |
|---------------------------------|---------------------|

# APPENDIX

## Federal Awards Report





**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Directors  
of Michigan Collegiate 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, each major fund, and the aggregate remaining fund information of Michigan Collegiate Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Collegiate Academy’s basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Michigan Collegiate 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 Michigan Collegiate Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Collegiate 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Michigan Collegiate 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023



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

**To the Board of Directors  
of Michigan Collegiate Academy**

**Report on Compliance for Each Major Federal Program  
*Opinion on Each Major Federal Program***

We have audited Michigan Collegiate Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Michigan Collegiate Academy's major federal programs for the year ended June 30, 2023. Michigan Collegiate 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, Michigan Collegiate Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate 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 Michigan Collegiate Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

*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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.



Croskey Lanni, PC

Rochester, Michigan  
October 30, 2023

# MICHIGAN COLLEGIATE ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

| Program Title/Project<br>Number Subrecipient Name  | Grant/<br>Project<br>Number | Federal<br>ALN | Approved<br>Awards<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>July 1, 2022 | Adjustments<br>and<br>Transfers | Federal Funds/<br>Payments<br>In-kind<br>Received | Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>June 30, 2023 | Current Year<br>Cash<br>Transferred To<br>Subrecipient |
|--|-----------------------------|----------------|------------------------------|---|---|---------------------------------|---|--------------|--|--|
| <b>Clusters:</b>   |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Child Nutrition Cluster - U.S. Department of Agriculture -<br/>Passed Through Michigan Department of Education:</b> |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>National School Lunch Program:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>Noncash Assistance (Commodities) -</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| National School Lunch Program Commodities 2022-2023  | N/A                         | 10.555         | \$ 36,534                    | \$ -                                      | \$ -  | \$ -                            | \$ 36,534   | \$ 36,534    | \$ -   | \$ -   |
| National School Lunch Program Bonus Commodities 2022-2023  | N/A                         | 10.555         | 354                          | -   | -   | -                               | 354   | 354          | -  | -  |
| <b>Total National School Lunch Program Commodities Noncash Assistance</b>  |                             | 10.555         | 36,888                       | -   | -   | -                               | 36,888  | 36,888       | -  | -  |
| <b>Cash Assistance -</b>   |                             |                |                              |   |   |                                 |   |              |  |  |
| COVID-19 - Supply Chain Assistance 2022-2023   | 220910                      | 10.555         | 41,177                       | 15,270                                    | (5,171)   | -                               | 20,736  | 10,034       | (15,873)   | -  |
| National School Lunch Program 2022-2023  | 221960/ 231960              | 10.555         | 364,983                      | -   | -   | -                               | 364,983   | 364,983      | -  | -  |
| <b>Total National School Lunch Program Cash and Noncash Assistance</b>   |                             | 10.555         | 443,048                      | 15,270                                    | (5,171)   | -                               | 422,607   | 411,905      | (15,873)   | -  |
| <b>National School Breakfast Program:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| National School Breakfast Program 2022-2023  | 221970/ 231970              | 10.553         | 179,867                      | -   | -   | -                               | 179,867   | 179,867      | -  | -  |
| <b>Summer Food Service Program:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| Summer Food Service Program Operating 2022-2023  | 220900                      | 10.559         | 8,085                        | -   | -   | -                               | 8,085   | 8,085        | -  | -  |
| <b>Fresh Fruit and Vegetable Program:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| Fresh Fruit and Vegetable Program 2021-2022  | 220950                      | 10.582         | 20,691                       | 13,089                                    | 8,407   | -                               | 8,407   | -            | -  | -  |
| Fresh Fruit and Vegetable Program 2022-2023  | 230950                      | 10.582         | 17,810                       | -   | -   | -                               | 6,622   | 17,810       | 11,188   | -  |
| <b>Total Fresh Fruit and Vegetable Program</b>   |                             | 10.582         | 38,501                       | 13,089                                    | 8,407   | -                               | 15,029  | 17,810       | 11,188   | -  |
| <b>Total Child Nutrition Cluster</b>   |                             |                | 669,501                      | 28,359                                    | 3,236   | -                               | 625,588   | 617,667      | (4,685)  | -  |
| <b>Special Education Cluster - U.S. Department of Education -<br/>Passed through the Macomb ISD:</b>                   |                             |                |                              |   |   |                                 |   |              |  |  |
| <b>IDEA Special Education – Formula Grants to ISDs:</b>  |                             |                |                              |   |   |                                 |   |              |  |  |
| IDEA Flowthrough 2122  | 220450                      | 84.027A        | 187,201                      | 187,201                                   | 84,319  | -                               | 84,319  | -            | -  | -  |
| IDEA Flowthrough 2223  | 230450                      | 84.027A        | 188,499                      | -   | -   | -                               | -   | 188,499      | 188,499  | -  |
| <b>Total IDEA Flowthrough</b>  |                             | 84.027A        | 375,700                      | 187,201                                   | 84,319  | -                               | 84,319  | 188,499      | 188,499  | -  |
| <b>American Rescue Plan Individuals with Disabilities Education Act (ARP-IDEA):</b>                                    |                             |                |                              |   |   |                                 |   |              |  |  |
| COVID-19 - ARP-IDEA 2122   | 221280                      | 84.027X        | 51,034                       | 51,034                                    | 17,879  | -                               | 17,879  | -            | -  | -  |
| <b>Total Special Education Cluster</b>   |                             |                | 426,734                      | 238,235                                   | 102,198   | -                               | 102,198   | 188,499      | 188,499  | -  |

See accompanying notes to schedule of expenditures of federal awards

# MICHIGAN COLLEGIATE ACADEMY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2023

| Program Title/Project<br>Number Subrecipient Name  | Grant/<br>Project<br>Number | Federal<br>ALN | Approved<br>Awards<br>Amount | (Memo Only)<br>Prior Year<br>Expenditures | Accrued<br>(Deferred)<br>Revenue at<br>July 1, 2022 | Adjustments<br>and<br>Transfers | Federal Funds/<br>Payments<br>In-kind<br>Received | Expenditures        | Accrued<br>(Deferred)<br>Revenue at<br>June 30, 2023 | Current Year<br>Cash<br>Transferred To<br>Subrecipient |
|--|-----------------------------|----------------|------------------------------|---|---|---------------------------------|---|---------------------|--|--|
| <b>Other Federal Awards:</b>   |                             |                |                              |   |   |                                 |   |                     |  |  |
| <b>U.S. Department of Agriculture -</b>  |                             |                |                              |   |   |                                 |   |                     |  |  |
| <b>Passed Through the Michigan Department of Education:</b>                                      |                             |                |                              |   |   |                                 |   |                     |  |  |
| <b>Pandemic EBT Local Level Costs:</b>   |                             |                |                              |   |   |                                 |   |                     |  |  |
| COVID-19 - Pandemic EBT Local Level Costs 2022   | 220980                      | 10.649         | 628                          | -   | -   | -                               | 628   | 628                 | -  | -  |
| <b>U.S. Department of Education -</b>  |                             |                |                              |   |   |                                 |   |                     |  |  |
| <b>Passed Through the Michigan Department of Education:</b>                                      |                             |                |                              |   |   |                                 |   |                     |  |  |
| <b>Title I Part A: Improving Basic Programs Operated by LEAS:</b>                                |                             |                |                              |   |   |                                 |   |                     |  |  |
| Title I Part A 2122  | 221530                      | 84.010A        | 514,944                      | 468,826                                   | 468,826   | -                               | 468,826   | -                   | -  | -  |
| Title I Part A 2223  | 231530                      | 84.010A        | 559,249                      | -   | -   | -                               | -   | 476,746             | 476,746  | -  |
| <b>Total Title I Part A</b>  |                             | 84.010A        | 1,074,193                    | 468,826                                   | 468,826   | -                               | 468,826   | 476,746             | 476,746  | -  |
| <b>Title II Part A: Supporting Effective Instruction:</b>  |                             |                |                              |   |   |                                 |   |                     |  |  |
| Title II Part A 2122   | 220520                      | 84.367         | 62,160                       | 24,781                                    | 24,781  | -                               | 24,781  | -                   | -  | -  |
| Title II Part A 2223   | 230520                      | 84.367         | 96,715                       | -   | -   | -                               | -   | 60,872              | 60,872   | -  |
| <b>Total Title II Part A</b>   |                             | 84.367         | 158,875                      | 24,781                                    | 24,781  | -                               | 24,781  | 60,872              | 60,872   | -  |
| <b>Title IV Part A: Student Support and Academic Enrichment:</b>                                 |                             |                |                              |   |   |                                 |   |                     |  |  |
| Title IV Part A 2122   | 220750                      | 84.424A        | 37,425                       | 31,486                                    | 31,486  | -                               | 31,486  | -                   | -  | -  |
| Title IV Part A 2223   | 230750                      | 84.424A        | 43,677                       | -   | -   | -                               | -   | 43,677              | 43,677   | -  |
| <b>Total Title IV Part A</b>   |                             | 84.424A        | 81,102                       | 31,486                                    | 31,486  | -                               | 31,486  | 43,677              | 43,677   | -  |
| <b>Education Stabilization Fund:</b>   |                             |                |                              |   |   |                                 |   |                     |  |  |
| COVID-19 - GEER II Benchmark Assessment Funds 2022   | 211222                      | 84.425C        | 5,588                        | 5,588                                     | 5,588   | -                               | 5,588   | -                   | -  | -  |
| COVID-19 - Supplemental Elementary and Secondary School<br>Emergency Relief (ESSER II) 2021      | 213712                      | 84.425D        | 1,699,395                    | 1,045,086                                 | 837,857   | -                               | 837,857   | 298,643             | 298,643  | -  |
| COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122                             | 213713                      | 84.425U        | 3,819,315                    | 228,488                                   | 228,488   | -                               | 228,488   | 274,520             | 274,520  | -  |
| COVID-19 - ESSER II Discretionary – Section 23b(2b) Credit Recovery 2122                         | 213742                      | 84.425D        | 109,809                      | 107,712                                   | 11,250  | -                               | 11,250  | -                   | -  | -  |
| COVID-19 - ESSER II Discretionary – Section 23b(2c)<br>Before/After/Before-and-After School 2122 | 213752                      | 84.425D        | 25,000                       | 25,000                                    | 25,000  | -                               | 25,000  | -                   | -  | -  |
| COVID-19 - ESSER II – Section 98c Per-Pupil Payments for Learning Loss 2223                      | 213782                      | 84.425D        | 46,381                       | -   | -   | -                               | -   | 45,223              | 45,223   | -  |
| <b>Total Education Stabilization Fund</b>  |                             | 84.425         | 5,705,488                    | 1,411,874                                 | 1,108,183   | -                               | 1,108,183   | 618,386             | 618,386  | -  |
| <b>Total Federal Awards</b>  |                             |                | <u>\$ 8,116,521</u>          | <u>\$ 2,203,561</u>                       | <u>\$ 1,738,710</u>                                 | <u>\$ -</u>                     | <u>\$ 2,361,690</u>                               | <u>\$ 2,006,475</u> | <u>\$ 1,383,495</u>                                  | <u>\$ -</u>  |

See accompanying notes to schedule of expenditures of federal awards

## MICHIGAN COLLEGIATE ACADEMY

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

|   |                     |
|---|---------------------|
| General Fund  | \$ 1,388,180        |
| Special Revenue Fund  | <u>618,295</u>      |
| Federal expenditures per the schedule of expenditures of federal awards | <u>\$ 2,006,475</u> |

#### Federal Receivables

|  |                     |
|--|---------------------|
| Receivables from federal sources - As reported on financial statements                               | \$ 1,399,368        |
| Supply Chain Assistance Grant deferred revenue per the<br>schedule of expenditures of federal awards | <u>(15,873)</u>     |
| Federal receivables per the schedule of expenditures of federal awards                               | <u>\$ 1,383,495</u> |



# MICHIGAN COLLEGIATE ACADEMY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Michigan Collegiate Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Michigan Collegiate Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Michigan Collegiate Academy.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### NOTE 3 – INDIRECT COST RATE

Michigan Collegiate Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

### NOTE 4 - NONCASH ASSISTANCE

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

### NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**MICHIGAN COLLEGIATE ACADEMY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

**SECTION I - SUMMARY OF THE AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?  yes  none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

Assistance Listing Number(s)  
84.425

Name of Federal Program or Cluster  
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**NONE**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**NONE**