

MICHIGAN EDUCATIONAL CHOICE CENTER
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023



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**MICHIGAN EDUCATIONAL CHOICE CENTER
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Michigan Educational Choice Center
Detroit, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Michigan Educational Choice Center (the Academy), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. 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* and related reconciliations 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 GAAS. In our opinion, the schedule of expenditures of federal awards and related reconciliations 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 the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
October 30, 2023

**MICHIGAN EDUCATIONAL CHOICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of Michigan Educational Choice Center (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements and related footnotes disclosures, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Academy exceeded its liabilities at the close of the most recent fiscal year by \$1,998,047 (net position).
- The Academy's total net position decreased by \$180,033. The decrease was primarily due to the recalculation of the Right to Use asset associated with the Building lease.
- The general fund had an increase in fund balance of \$123,038, but transferred \$18,977 to the Food service fund at the end of the year to cover the negative fund balance. Unassigned fund balance after the transfer, for the general fund was \$1,678,232.
- The food service had a negative fund balance of \$18,977, which was alleviated by a transfer from the General Fund at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Academy's assets and liabilities with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

One of the most important questions asked about the Academy's finances is, "Is the Academy better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Academy as a whole and about its activities in a manner that helps to answer this question. The reader will need to consider other nonfinancial factors such as political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

**MICHIGAN EDUCATIONAL CHOICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Government-Wide Financial Statements (Continued)

Governmental Activities – Since all of the Academy's basic services are principally supported by intergovernmental revenues, all activities are considered to be governmental activities, including instruction, support services, and food services. Intergovernmental revenues (unrestricted and restricted State Aid) and federal grants finance most of these activities.

The government-wide financial statements can be found on page 9-10 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The Academy has one type of fund: governmental funds. Governmental funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported in the governmental fund balance sheet.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy adopts annual appropriated budgets for its General Fund and Food Service Special Revenue Fund. A budgetary comparison schedule has been provided for the General Fund, the Academy's major governmental fund, to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements begin on page 15 of this report.

**MICHIGAN EDUCATIONAL CHOICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Other Information

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represents the required comparison of the budget and actual results on the Academy's budgetary basis for the General Fund. This information begins on page 23 of this report.

Supplementary Information (SI) includes the schedule of expenditures of federal awards (SEFA) and other financial schedules related to the SEFA. Supplementary information begins on page 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. The following table provides a summary of the Academy's net position as of June 30, 2023.

| | Governmental Activities as of June 30, | | Percentage Change |
|----------------------------------|---|--------------|----------------------|
| | 2023 | 2022 | |
| ASSETS | | | |
| Other Assets | \$ 2,097,192 | \$ 1,897,952 | 10 % |
| Capital Assets | 1,197,099 | 938,735 | 28 |
| Total Assets | 3,294,291 | 2,836,687 | 16 |
| LIABILITIES | | | |
| Accounts Payable | 101,483 | 22,273 | 356 |
| Lease Liability | 877,284 | 336,700 | 161 |
| Accrued Expenses | 288,238 | 299,634 | (4) |
| Unearned Revenue | 29,239 | - | 100 |
| Total Liabilities | 1,296,244 | 658,607 | 97 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 319,815 | 602,035 | (47) |
| Restricted for Food Service | - | 1,874 | (100) |
| Unrestricted | 1,678,232 | 1,574,171 | 7 |
| Total Net Position | \$ 1,998,047 | \$ 2,178,080 | (8) |

A portion of the Academy's net position (16%) reflects its investment in capital assets. The Academy uses these capital assets to provide services to students consequently, these assets are not available for future spending.

The above analysis focuses on the net position. The change in net position of the Academy's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 12.

The results of this year's operations for the Academy as a whole are reported in the statement of activities (see table on the following page), which shows the changes in net position for fiscal year.

**MICHIGAN EDUCATIONAL CHOICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The Academy's net position decreased by \$180,033 during the current fiscal year. The decrease in net position differs from the change in fund balances and a reconciliation appears on page 14.

For the fiscal year ended June 30, 2023, the Academy-wide results of operations was:

| | Governmental Activities Year Ended June 30, | | Percentage Change |
|-------------------------------------|--|---------------------|----------------------|
| | 2023 | 2022 | |
| REVENUES | | | |
| Operating Grants and Contributions: | | | |
| Program Revenues | \$ 1,157,067 | \$ 1,637,401 | (29)% |
| General Revenues: | | | |
| State Sources - Unrestricted | 2,605,779 | 2,426,212 | 7 |
| Local Sources | 148,387 | 14,327 | 100 |
| Total Revenues | 3,911,233 | 4,077,940 | (4) |
| EXPENDITURES | | | |
| Instruction | 1,824,832 | 2,106,571 | (13) |
| Support Services | 1,661,672 | 1,741,834 | (5) |
| Debt Service | 2,754 | - | 100 |
| Depreciation - Unallocated | 60,404 | 77,304 | (22) |
| Amortization of Lease Obligation | 541,604 | 18,983 | |
| Total Expenditures | 4,091,266 | 3,944,692 | 4 |
| CHANGE IN NET POSITION | (180,033) | 133,248 | |
| Beginning Net Position | 2,178,080 | 2,044,832 | |
| ENDING NET POSITION | <u>\$ 1,998,047</u> | <u>\$ 2,178,080</u> | |

GENERAL FUND BUDGETING AND OPERATING HIGHLIGHTS

The Academy's budget is prepared according to Michigan law. Separate budgets are adopted for the Academy's General Fund and Food Service Special Revenue Fund.

During the fiscal year ended June 30, 2018, the Academy entered into a new authorizer agreement with Central Michigan University (CMU) to be the fiscal agent for the Academy. The term of the latest agreement expires June 2026.

The Academy amended the budget of the General Fund once. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the Academy's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

The General Fund actual revenue was \$3,709,836. That amount is less than the final budget estimate of \$4,704,642. The variance was due to the change in budgeted enrollment estimate at the Academy.

The actual expenditures of the General Fund were \$3,586,798, which was less than the final budget estimate of \$3,637,165. The variance was due to a change in predicted facility expenses and the change in the enrollment estimate.

**MICHIGAN EDUCATIONAL CHOICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

GENERAL FUND BUDGETING AND OPERATING HIGHLIGHTS (CONTINUED)

The General Fund had total revenues of \$3,709,836 and total expenditures of \$3,56,798 with a net increase in the fund balance of \$123,038 and an ending fund balance of \$1,697,209.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Academy's investment in capital assets for its governmental activities as of June 30, 2023 amounted to \$1,197,099 (net of accumulated depreciation and amortization). This investment in capital assets included computers, equipment, leasehold improvements, and a right to use asset. The right to use asset was recorded as part of the adoption of GASB 87, *Leases*, during the year. Capital assets at fiscal year-end included the following:

| | |
|--|----------------------------|
| Right to Use Lease Asset - Building | \$ 840,880 |
| Computers, Equipment, and Leasehold Improvements | <u>356,219</u> |
| Total, Net of Accumulated Depreciation and Amortization | <u><u>\$ 1,197,099</u></u> |

Additional information on the Academy's capital assets can be found in Note 4.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors will affect the Academy in the future and were considered in preparing the Academy's budget for the 2023-24 fiscal year:

- Student enrollment for the 2021-22 fiscal year was originally anticipated to be 306 students but a budget update noted a decline in enrollment to 251 students. Enrollment in the 2023-24 fiscal year is expected to be consistent with 256 students.

The Michigan Educational Choice Center's 2023-2024 adopted budget is as follows:

| | |
|--------------|------------------------|
| Revenue | \$ 3,543,839 |
| Expenditures | <u>3,540,463</u> |
| Net Budget | <u><u>\$ 3,376</u></u> |

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is intended to provide our parents and community with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to email Eva Spilker at espilker@phalenacademies.org.

MICHIGAN EDUCATIONAL CHOICE CENTER
STATEMENT OF NET POSITION
JUNE 30, 2023

| | <u>Governmental Activities</u> |
|-----------------------------------|------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,416,235 |
| Due from Other Governmental Units | 680,957 |
| Capital Assets, Net | <u>1,197,099</u> |
| Total Assets | <u>3,294,291</u> |
| LIABILITIES | |
| Accounts Payable | 101,483 |
| Lease Liability | 877,284 |
| Accrued Expenses | 288,238 |
| Unearned Revenue | <u>29,239</u> |
| Total Liabilities | <u>1,296,244</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 319,815 |
| Unrestricted | <u>1,678,232</u> |
| Total Net Position | <u><u>\$ 1,998,047</u></u> |

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

| | | Program Revenues | Governmental Activities |
|-----------------------------------|---------------------|--|--|
| | | | Net (Expense) |
| | | Operating Grants and Contributions | Revenue and Change in Net Position |
| FUNCTIONS/PROGRAMS | <u>Expenses</u> | <u>Contributions</u> | |
| Governmental Activities: | | | |
| Instruction | \$ 1,824,832 | \$ 955,670 | \$ (869,162) |
| Support Services | 1,661,672 | 201,397 | (1,460,275) |
| Debt Services | 2,754 | - | (2,754) |
| Depreciation - Unallocated | 60,404 | - | (60,404) |
| Amoritzation - Unallocated | 541,604 | - | (541,604) |
| Totals | <u>\$ 4,091,266</u> | <u>\$ 1,157,067</u> | <u>(2,934,199)</u> |
| General Revenues: | | | |
| State Sources - Unrestricted | | | 2,605,779 |
| Other General Revenues | | | 148,387 |
| Total General Revenues | | | <u>2,754,166</u> |
| CHANGE IN NET POSITION | | | (180,033) |
| Net Position - Beginning of Year | | | <u>2,178,080</u> |
| NET POSITION - END OF YEAR | | | <u>\$ 1,998,047</u> |

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

| | General | Nonmajor Fund Food Service | Total |
|-------------------------------------|---------------------|----------------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,416,235 | \$ - | \$ 1,416,235 |
| Due from Other Governmental Units | 680,957 | - | 680,957 |
| Total Assets | <u>\$ 2,097,192</u> | <u>\$ -</u> | <u>\$ 2,097,192</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 101,483 | \$ - | \$ 101,483 |
| Accrued Expenditures | 288,238 | - | 288,238 |
| Unearned Revenue | 29,239 | - | 29,239 |
| Total Liabilities | 418,960 | - | 418,960 |
| FUND BALANCES | | | |
| Unassigned | 1,678,232 | - | 1,678,232 |
| Total Fund Balances | <u>1,678,232</u> | <u>-</u> | <u>1,678,232</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,097,192</u> | <u>\$ -</u> | <u>\$ 2,097,192</u> |

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023**

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$ 1,678,232 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund financial statements. | |
| Capital Assets | 2,365,375 |
| Less: Accumulated Depreciation | (607,689) |
| Less: Accumulated Amortization | <u>(560,587)</u> |
| Capital Assets, Net of Accumulated Depreciation and Amortization | 1,197,099 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Lease Liability | <u>(877,284)</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 1,998,047</u></u> |

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2023**

| | General | Nonmajor Fund Food Service | Total |
|--|----------------------------|----------------------------------|----------------------------|
| REVENUES | | | |
| Operating Grants and Contributions: | | | |
| Federal Sources | \$ 955,670 | \$ 195,172 | \$ 1,150,842 |
| General Revenues: | | | |
| State Sources | 2,605,779 | 6,225 | 2,612,004 |
| Local Sources | 148,387 | | 148,387 |
| Total Revenues | <u>3,709,836</u> | <u>201,397</u> | <u>3,911,233</u> |
| EXPENDITURES | | | |
| Instruction | 1,824,832 | - | 1,824,832 |
| Support Services | 1,467,814 | 222,248 | 1,690,062 |
| Debt Service: | | | |
| Principal - Lease Obligations | 291,398 | - | 291,398 |
| Interest and Fiscal Charges | 2,754 | - | 2,754 |
| Total Expenditures | <u>3,586,798</u> | <u>222,248</u> | <u>3,809,046</u> |
| Excess (Deficit) of Revenues Over Expenditures | <u>123,038</u> | <u>(20,851)</u> | <u>102,187</u> |
| Other Financing Sources (Uses) | | | |
| Transfer In | - | 18,977 | 18,977 |
| Transfer Out | (18,977) | - | (18,977) |
| Total Other Financing Sources (Uses) | <u>(18,977)</u> | <u>18,977</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 104,061 | (1,874) | 102,187 |
| Fund Balances - Beginning of Year | <u>1,574,171</u> | <u>1,874</u> | <u>1,576,045</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 1,678,232</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,678,232</u></u> |

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

| | |
|--|------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 102,187 |
|--|------------|

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

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

| | |
|----------------------|-----------|
| Capital Outlay | 28,390 |
| Amortization Expense | (541,604) |
| Depreciation Expense | (60,404) |

The governmental funds report the issuance of long-term liabilities as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of debt issuances and related items is as follows:

| | |
|---|---------|
| Repayment of Long-Term Lease Obligation | 291,398 |
|---|---------|

| | |
|---|----------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ (180,033)</u></u> |
|---|----------------------------|

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Michigan Educational Choice Center (the Academy) was formed in 2012 as a public school academy in accordance with the provisions of section 641 of Act 162, Public Acts of 1982.

In July 2018, the Academy entered into a new authorizer agreement with Central Michigan University (CMU) to be the fiscal agent for the school with the contract expiring June 30, 2023. The Academy pays CMU 3% of state aid received. The total fees for the year ended June 30, 2023 to CMU were approximately \$68,381.

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

Reporting Entity

The Academy is organized as a nonprofit, nonstock, directorship corporation. The business, property, and affairs of the Academy are managed by the Academy Board of Directors (the Board). The Board consists of five to nine members; and must always be an uneven number.

In evaluating how to define the reporting entity, for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

Basis of Presentation – Government-Wide Financial Statements and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Government-Wide Financial Statements and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the Academy's general fund and its food service special revenue fund. The Academy reports the general fund, which is the Academy's primary operating fund, as a major governmental fund.

Measurement Focus and Basis of Accounting

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

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period (60 days). Expenditures are recorded when the liability is incurred.

Revenues susceptible to accrual are federal and state grants. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be available only when cash is received by the Academy.

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users and requires recognition of right to use assets and corresponding liabilities for SBITA's that meet certain criteria.

The Academy adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. Net position was not restated as of July 1, 2022.

Management has completed its assessment of all other new, but not yet effective GASB statements, including those for which the implementation dates were delayed by the issuance of GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020, and determined that they will not have a material effect on the School's financial position or changes therein.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and reported amounts of revenues during the reported period. Actual results could differ from these estimates.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents – Cash includes cash on hand and demand deposits.

Due from Other Governmental Units – All receivables are intergovernmental receivables. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Capital Assets – Computers and equipment are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Computers and equipment are depreciated using the straight-line method over three years.

Leasehold improvements are depreciated using the straight-line method over 15 years.

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Net Position Flow Assumptions – Net position is classified into the following categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Restricted Net Position – consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that is not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the Academy's normal policy is to use restricted resources first to finance its activities.

Fund Balance Policies

Governmental fund equity is classified as fund balance. GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

The following classifications describe the relative strength of the spending constraints placed on purpose for which resources can be used:

Nonspendable – Amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.

Restricted – Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

Unassigned – This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. Any deficit fund balance within the other governmental funds is reported as unassigned.

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND CASH EQUIVALENTS

The Academy's cash and cash equivalents consisted of the following at June 30, 2023:

| | |
|---------------------|---------------------|
| Cash - Academy Wide | <u>\$ 1,416,235</u> |
|---------------------|---------------------|

Custodial credit risk is the risk that in the event of a financial institution failure, the Academy's deposits may not be returned to the Academy. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for demand deposit accounts and \$250,000 for time deposit accounts. As of June 30, 2023, Academy deposits with financial institutions were in excess of federal depository insurance limits. No amounts were collateralized.

NOTE 3 RECEIVABLES

Receivables at June 30, 2023 consist of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

| | |
|-------------------------------|--------------------------|
| Governmental Activities: | |
| State Aid | \$ 485,898 |
| Federal Grants | 194,292 |
| Due from Related Party | <u>767</u> |
| Total Governmental Activities | <u><u>\$ 680,957</u></u> |

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Balance Beginning | Additions | Deductions | Balance Ending |
|--|--------------------------|--------------------------|--------------------|----------------------------|
| Governmental Activities: | | | | |
| Computers and Equipment | \$ 451,761 | \$ 28,390 | \$ - | \$ 480,151 |
| Leasehold Improvements | 483,757 | - | - | 483,757 |
| Right to Use Lease Asset - Building | 569,486 | 831,981 | - | 1,401,467 |
| Less: Accumulated Amortization | (18,983) | (541,604) | - | (560,587) |
| Less: Accumulated Depreciation | <u>(547,285)</u> | <u>(60,404)</u> | <u>-</u> | <u>(607,689)</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 938,736</u></u> | <u><u>\$ 258,363</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,197,099</u></u> |

Depreciation and amortization expense was unallocated on the statement of activities as the Academy considers all capital assets to have mixed use.

**MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 RELATED PARTY TRANSACTIONS

The Academy entered into a school management agreement with EVE commencing on July 1, 2017 and expiring on June 30, 2023. Under the agreement, EVE is responsible for the management, operation, administration, and education at the Academy. Monthly management fee payments for the Academy equal 12% of all funds the Academy receives directly or indirectly and subject to reduction in a mutually agreeable amount by the parties. The remainder of the funds is to be retained by the school and used for future programs, school improvements, or any other items deemed necessary by Academy management. All costs incurred in providing this educational program at the Academy are paid by EVE. Expenses to the management company for the year ended June 30, 2023 were \$382,648.

NOTE 6 RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company are covered by insurance held by the management company. The Academy has purchased commercial insurance for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

NOTE 7 LEASES

During 2019, the Academy commenced a lease with the Archdiocese of Detroit, Michigan. The terms of the leases called for monthly payments of 1/12th of 10% of any and all amounts of money actually received by the Academy with respect to, or for the benefit for, any student at the premises. In 2023, the Academy extended their lease with the Archdiocese and properly recalculated their Right-to-use asset.

The lease liability for the long-term, noncancellable lease agreement is as follows:

| | Balance Beginning | Additions | Deductions | Balance Ending |
|-----------------|----------------------|------------|------------|-------------------|
| Lease Liability | \$ 336,701 | \$ 831,981 | \$ 291,398 | \$ 877,284 |

Total future minimum lease payments under the lease agreement is as follows:

| Year Ending June 30, | Leases Payable | |
|----------------------|----------------|----------|
| | Principal | Interest |
| 2024 | \$ 296,460 | \$ 2,027 |
| 2025 | 296,460 | 1,231 |
| 2026 | 284,364 | 433 |
| Total | \$ 877,284 | \$ 3,691 |

The Academy also entered into short-term leases for office equipment in November 2019 with monthly rent payments of approximately \$700. Total lease expense incurred under the terms of the lease was approximately \$13,000 for 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**MICHIGAN EDUCATIONAL CHOICE CENTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Budget Amounts | | | Variance with Final Budget |
|--------------------------------------|-----------------|-----------------|---------------------|----------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Local Sources | \$ 14,612 | \$ 124,186 | \$ 148,387 | \$ 24,201 |
| State Sources | 2,545,690 | 2,645,028 | 2,605,779 | (39,249) |
| Federal Sources | 975,289 | 935,428 | 955,670 | 20,242 |
| Total Revenues | 3,535,591 | 3,704,642 | 3,709,836 | 5,194 |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Basic Programs | 1,051,888 | 1,461,294 | 1,380,462 | 80,832 |
| Added Needs | 523,729 | 377,875 | 444,370 | (66,495) |
| Total Instruction | 1,575,617 | 1,839,169 | 1,824,832 | 14,337 |
| Support Services: | | | | |
| Student Services | 164,724 | 96,070 | 102,475 | (6,405) |
| Instructional Support | 389,848 | 315,277 | 226,807 | 88,470 |
| General Administration | 524,819 | 560,250 | 519,921 | 40,329 |
| School Administration | 284,549 | 279,737 | 273,679 | 6,058 |
| Fiscal Services | 46,918 | 40,827 | 41,868 | (1,041) |
| Operating and Maintenance | 471,691 | 449,214 | 265,643 | 183,571 |
| Support Services - Other | 66,768 | 136,827 | 35,523 | 101,304 |
| Community Services | 7,174 | 4,878 | 6,514 | (1,636) |
| Prior Period Adjustment | - | (20,260) | (4,616) | (15,644) |
| Total Support Services | 1,956,491 | 1,862,820 | 1,467,814 | 395,006 |
| Debt Service | - | - | 294,152 | (294,152) |
| Total Expenditures | 3,532,108 | 3,701,989 | 3,586,798 | 115,191 |
| Excess of Revenues Over Expenditures | 3,483 | 2,653 | 123,038 | 120,385 |
| Other Financing Sources | | | | |
| Transfer Out | - | - | (18,977) | (18,977) |
| NET CHANGE IN FUND BALANCE | <u>\$ 3,483</u> | <u>\$ 2,653</u> | 104,061 | <u>\$ 101,408</u> |
| Fund Balance - Beginning of Year | | | 1,574,171 | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 1,678,232</u> | |

See accompanying Note to Required Supplementary Information.

MICHIGAN EDUCATIONAL CHOICE CENTER
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Food Service Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Michigan Educational Choice Center has the following expenditure variances that exceeded the budgeted amounts.

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|-------------------------|---------------------|---------------|---------------------------------------|
| General Fund: | | | |
| Added Needs | \$ 377,875 | \$ 444,370 | \$ (66,495) |
| Student Services | 96,070 | 102,475 | (6,405) |
| Fiscal Services | 40,827 | 41,868 | (1,041) |
| Community Services | 4,878 | 6,514 | (1,636) |
| Prior Period Adjustment | (20,260) | (4,616) | (15,644) |
| Debt Service | - | 294,152 | (294,152) |

OTHER SUPPLEMENTARY INFORMATION

**MICHIGAN EDUCATIONAL CHOICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

| Federal Grantor/Pass through Grantor/ Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Approved Awards Amount | (Memo Only) Prior Year Expenditures | Accrued Revenue July 1, 2022 | Current Year Expenditures | Adjustments and Transfers | Current Year Cash/ Payments In-Kind Received | Accrued Revenue June 30, 2023 |
|--|---------------------------------|---|------------------------------|---|------------------------------------|---------------------------------|---------------------------------|--|-------------------------------------|
| Child Nutrition Cluster | | | | | | | | | |
| U.S. Department of Agriculture - Passed through the Michigan Department of Education: | | | | | | | | | |
| Noncash Assistance (Commodities) - National Lunch | | | | | | | | | |
| Program Bonus Commodities 2021-2022 | 10.555 | N/A | \$ 4,359 | \$ 4,359 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Program Bonus Commodities 2022-2023 | 10.555 | N/A | 5,604 | - | - | 6,830 | 5,604 | - | 1,226 |
| Total Noncash Assistance (commodities) | | | 9,963 | 4,359 | - | 6,830 | 5,604 | - | 1,226 |
| U.S. Department of Education Child Nutrition Cluster | | | | | | | | | |
| National School Lunch Program | | | | | | | | | |
| Cash Assistance | | | | | | | | | |
| Seamless Summer Option Breakfast 2021-2022 | 10.553 | 221971/2122 | 35,483 | 35,483 | 2,391 | - | - | 2,391 | - |
| School Breakfast Program 2022-2023 | 10.553 | 231970/2223 | 37,548 | - | - | 35,028 | - | 35,829 | 1,719 |
| Seamless Summer Option Lunch 2021-2022 | 10.555 | 221961/2122 | 128,481 | 128,481 | 10,982 | - | - | 10,982 | - |
| School Lunch Program 2022-2023 | 10.555 | 231960/2223 | 128,301 | - | - | 135,709 | - | 128,302 | 7,407 |
| Supply Chain Assistance 2022-2023 | 10.555 | 221910/2023 | 16,691 | - | - | 16,691 | - | 16,691 | - |
| School Snack Program 2022-2023 | 10.555 | 231980/2223 | 286 | - | - | 286 | - | 286 | - |
| Total National School Lunch Program | | | 346,790 | 163,964 | 13,373 | 187,714 | - | 194,481 | 9,126 |
| Total National School Lunch Program | | | 346,790 | 163,964 | 13,373 | 187,714 | - | 194,481 | 9,126 |
| COVID-19 Pandemic EBT Local Level Costs 2020-2021 | 10.649 | 210980/2021 | 628 | - | - | 628 | - | 628 | - |
| Total Child Nutrition Cluster | | | 357,381 | 168,323 | 13,373 | 195,172 | 5,604 | 195,109 | 10,352 |
| Special Education Cluster | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | |
| Passed through the Wayne County RESA - IDEA: | | | | | | | | | |
| Flow-through: | | | | | | | | | |
| 2021-2022 | 84.027A | 220450/2122 | 58,850 | 58,850 | 1,529 | - | 1,529 | - | - |
| 2022-2023 | 84.027A | 230450/2223 | 34,440 | - | - | 34,440 | 34,440 | - | - |
| Total Special Education Cluster | | | 93,290 | 58,850 | 1,529 | 34,440 | 35,969 | - | - |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MICHIGAN EDUCATIONAL CHOICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

| Federal Grantor/Pass through Grantor/ Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Approved Awards Amount | (Memo Only) Prior Year Expenditures | Accrued Revenue July 1, 2022 | Current Year Expenditures | Adjustments and Transfers | Current Year Cash/ Payments In-Kind Received | Accrued Revenue June 30, 2023 |
|---|---------------------------------|---|------------------------------|---|------------------------------------|---------------------------------|---------------------------------|--|-------------------------------------|
| (Continued) | | | | | | | | | |
| Non-Cluster Federal Awards - | | | | | | | | | |
| U.S. Department of Education: | | | | | | | | | |
| Passed through the Michigan Department of Education | | | | | | | | | |
| COVID-19 Education Stabilization Fund Program | | | | | | | | | |
| ESSER II Funds - Formula | 84.425D | 213712/2021 | 497,032 | 463,095 | 34,026 | 25,962 | 59,988 | - | - |
| ESSER II Funds - Formula 98c Learning Loss | 84.425D | 213782/2223 | 13,087 | - | - | 11,024 | 11,024 | - | - |
| ESSER III - Formula | 84.425U | 213713/2122 | 1,117,057 | 307,057 | - | 503,640 | 474,063 | - | 29,577 |
| Total COVID-19 ESSER | | | 1,627,176 | 770,152 | 34,026 | 540,626 | 545,075 | - | 29,577 |
| Total Education Stabilization Fund Program | 84.425 | | 1,627,176 | 770,152 | 34,026 | 540,626 | 545,075 | - | 29,577 |
| U.S. Department of Education: | | | | | | | | | |
| Passed through the Michigan Department of Education | | | | | | | | | |
| Title I, Part A 2021-2022 | 84.010A | 211530/2122 | 451,237 | 443,896 | 40,114 | - | 40,114 | - | - |
| Title I, Part A 2022-2023 | 84.010A | 221530/2223 | 379,706 | - | - | 329,189 | 288,402 | - | 40,787 |
| Total Title I | | | 830,943 | 443,896 | 40,114 | 329,189 | 328,516 | - | 40,787 |
| Title II, Part A 2021-2022 | 84.367A | 210520/2122 | 33,116 | 19,240 | - | - | - | - | - |
| Title II, Part A 2022-2023 | 84.367A | 220520/2223 | 31,669 | - | - | 25,479 | 25,479 | - | - |
| Total Title II | | | 64,785 | 19,240 | - | 25,479 | 25,479 | - | - |
| Title IV 2021-2022 | 84.424A | 210750/2122 | 35,752 | 35,622 | 3,778 | - | 3,778 | - | - |
| Title IV 2022-2023 | 84.424A | 220750/2223 | 29,209 | - | - | 25,936 | 21,830 | - | 4,106 |
| Total Title IV | | | 64,961 | 35,622 | 3,778 | 25,936 | 25,608 | - | 4,106 |
| Total U.S. Department of Education Non-Cluster Programs | | | 2,587,865 | 1,268,910 | 77,918 | 921,230 | 924,678 | - | 74,470 |
| Total U.S. Department of Education | | | 2,681,155 | 1,327,760 | 79,447 | 955,670 | 960,647 | - | 74,470 |
| Total Federal Awards | | | <u>\$ 3,038,536</u> | <u>\$ 1,496,083</u> | <u>\$ 92,820</u> | <u>\$ 1,150,842</u> | <u>\$ 966,251</u> | <u>\$ 195,109</u> | <u>\$ 84,822</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**MICHIGAN EDUCATIONAL CHOICE CENTER
RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

**FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

\$ 1,150,842

**FEDERAL REVENUE RECOGNIZED PER THE BASIC
FINANCIAL STATEMENTS**

General Fund

\$ 955,670

Food Service Fund

195,172

Total Federal Expenditures

\$ 1,150,842

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Michigan Educational Choice Center (the Academy) 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position or changes in net position of the Academy.

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 for all awards. Under these principles, 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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Academy has elected not to use the 10% de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 3 MANAGEMENT

Management has utilized the Cash Management System (CMS) in preparing the schedule of expenditures of federal awards. All differences between the schedule of expenditures of federal awards and the Grant Auditor's Report have been reconciled in the attached reconciliation on page 30 of this report.

MICHIGAN EDUCATIONAL CHOICE CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 4 RECONCILIATION OF CASH RECEIPTS

Accrued revenue according to the Grant Auditor's Report indicates that cash received for project 231970/2223 was \$37,548; however, due to cash in transit, the Academy had only received \$35,829 as of year-end. The remaining \$1,719 is included in accrued revenue as of June 30, 2023.

Similarly, this timing difference also occurred for the following projects:

| <u>Projects:</u> | <u>Paid and Received</u> | <u>Paid but not Received</u> |
|------------------|--------------------------|------------------------------|
| 231960/2223 | \$128,302 | \$ 7,407 |
| 213713/2122 | - | 29,577 |
| 221530/2223 | - | 40,787 |
| 220750/2223 | - | 4,106 |

The remaining Paid but not Received are included in accrued revenue as of June 30, 2023.

**MICHIGAN EDUCATIONAL CHOICE CENTER
RECONCILIATION OF FORM R 7120 *GRANT AUDITOR'S REPORT*
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

Current Payments per the Grant Auditor's Report:

| | |
|--|--------------------------|
| Cash Management System | \$ - |
| Add: U.S. Department of Agriculture Grants Passed Through Michigan Department of Education (ALN 10.553 and 10.555) | <u>195,109</u> |
| Total Current Year Receipts per Schedule of Expenditures of Federal Awards | <u><u>\$ 195,109</u></u> |



**INDEPENDENT AUDITORS' 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***

Board of Directors
Michigan Educational Choice Center
Detroit, Michigan

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 Educational Choice Center, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Michigan Educational Choice Center'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 Educational Choice Center'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 Educational Choice Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Educational Choice Center'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 Educational Choice Center'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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
October 30, 2023



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

Board of Directors
Michigan Educational Choice Center
Detroit, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Michigan Educational Choice Center's (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2023. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

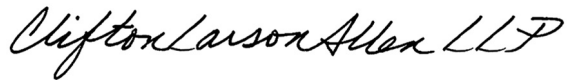
Report on Internal Control Over Compliance

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
October 30, 2023

**MICHIGAN EDUCATIONAL CHOICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal program:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal program: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Program

| ALN Number(s) | Name of Federal Program or Cluster |
|--|---|
| 84.425D, 84.425U | COVID-19 Education Stabilization Fund |
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u> x </u> yes _____ no |

**MICHIGAN EDUCATIONAL CHOICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

Section II – Financial Statement Findings

Our audit did not disclose any matters that are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



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