

**MICHIGAN EDUCATIONAL CHOICE CENTER**  
**FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**



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**MICHIGAN EDUCATIONAL CHOICE CENTER  
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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, 2022, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective July 1, 2021, the Academy adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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***

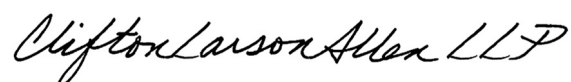
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 23-24, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of 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 November 1, 2022 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  
November 1, 2022

**MICHIGAN EDUCATIONAL CHOICE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$2,178,080 (net position).
- The Academy's total net position increased by \$133,248. The increase was primarily due to the budget adjustments made throughout the year.
- The general fund had an increase in fund balance of \$45,423. At the end of the year, unassigned fund balance for the general fund was \$1,480,980 and the nonspendable fund balance for the general fund was \$93,191.
- The food service had a fund balance of \$1,874 restricted for food service.

**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, 2022**

**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 pages 10-11 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 12-15 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 16 of this report.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**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 25 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, 2022.

	Governmental Activities as of June 30,		Percentage Change
	2022	2021	
<b>ASSETS</b>			
Other Assets	\$ 1,897,952	\$ 1,891,470	0 %
Capital Assets	938,735	465,538	102
Total Assets	2,836,687	2,357,008	20
<b>LIABILITIES</b>			
Accounts Payable	22,273	82,877	(73)
Lease Liability	336,700	-	
Accrued Expenses	299,634	229,299	31
Total Liabilities	658,607	312,176	111
<b>NET POSITION</b>			
Net Investment in Capital Assets	602,035	465,538	29
Restricted for Food Service	1,874	1,205	
Unrestricted	1,574,171	1,578,089	(0)
<b>TOTAL NET POSITION</b>	<u>\$ 2,178,080</u>	<u>\$ 2,044,832</u>	7

A portion of the Academy's net position (43%) 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. During the year-ended June 30, 2022, the Academy implemented GASB 87, *Leases*, which caused an increase in capital assets of \$550,503 as the new standard requires a Right to Use Asset to be recorded.

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 15.

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 2022.

The Academy's net position increased by \$133,248 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 17.



**MICHIGAN EDUCATIONAL CHOICE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

For the fiscal year ended June 30, 2022, the Academy-wide results of operations was:

	Governmental Activities Year Ended June 30,		Percentage Change
	2022	2021	
<b>REVENUES</b>			
<b>Operating Grants and Contributions</b>			
Program Revenues	\$ 1,637,723	\$ 1,096,388	49 %
<b>General Revenues</b>			
State Sources - Unrestricted	2,425,890	2,408,382	1
Local Sources	14,327	-	100
Total Revenues	4,077,940	3,504,770	16
<b>EXPENDITURES</b>			
Instruction	2,106,571	1,219,853	73
Support Services	1,741,834	1,645,847	6
Depreciation - Unallocated	77,305	98,754	(22)
Total Expenditures	3,925,710	2,964,454	32
<b>CHANGE IN NET POSITION</b>	152,230	540,316	
Beginning Net Position	2,044,803	1,504,487	
<b>ENDING NET POSITION</b>	<u>\$ 2,197,033</u>	<u>\$ 2,044,803</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 new agreement expires June 2023.

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 \$3,945,765. That amount is more than the final budget estimate of \$3,903,308. The variance was \$42,457 or 1%. The variance was due to the change in budgeted enrollment estimate at the Academy and additional federal funding received related to Coronavirus (COVID-19).

**MICHIGAN EDUCATIONAL CHOICE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**GENERAL FUND BUDGETING AND OPERATING HIGHLIGHTS (CONTINUED)**

The actual expenditures of the General Fund were \$3,900,342, which was less than the final budget estimate of \$3,903,015. The variance was \$2,673 or 0.1%. The variance was due to a change in predicted facility expenses and the change in the enrollment estimate.

The General Fund had total revenues of \$3,945,765 and total expenditures of \$3,900,342 with a net increase in the fund balance of \$45,423 and an ending fund balance of \$1,574,171.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Academy's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$938,735 (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 Asset	\$ 550,503
Computers, Equipment, and Leasehold Improvements	<u>51,532</u>
Total, Net of Accumulated Depreciation and Amortization	<u><u>\$ 602,035</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 2022-23 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 2022-23 fiscal year is expected to be consistent with 256 students.

The Michigan Educational Choice Center's 2022-2023 adopted budget is as follows:

Revenue	\$ 3,535,591
Expenditures	<u>3,532,106</u>
Net Budget	<u><u>\$ 3,485</u></u>

Additionally, the Academy was awarded Elementary & Secondary School Emergency Relief (ESSER) funds for the 2021-22 fiscal year. The funds can be spent from July 1, 2020 through June 30, 2023.

During the 2019-20 fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on businesses and communities. During the year ended June 30, 2021, the Academy was informed that a decline in local tax revenue related to Casinos would have an impact on funding for the 2020-21 and 2021-2022 fiscal year. Management believes the Academy is taking actions to mitigate the negative impact. However, the full impact of these items is unknown and cannot be reasonably estimated.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**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](mailto:espilker@phalenacademies.org).

**MICHIGAN EDUCATIONAL CHOICE CENTER  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 919,817
Due from Other Governmental Units	884,944
Capital Assets, Net	938,735
Prepaid Expenses	<u>93,191</u>
Total Assets	<u>2,836,687</u>
<b>LIABILITIES</b>	
Accounts Payable	22,273
Lease Liability	336,700
Accrued Expenses	<u>299,634</u>
Total Liabilities	<u>658,607</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	602,035
Restricted for Food Service	1,874
Unrestricted	<u>1,574,171</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,178,080</u></u>

*See accompanying Notes to Basic Financial Statements.*

**MICHIGAN EDUCATIONAL CHOICE CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

		<u>Program Revenues</u>	<u>Governmental Activities</u>
		Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
<b>Functions/Programs</b>	<u>Expenses</u>		
Governmental Activities:			
Instruction	\$ 2,106,571	\$ 1,460,565	\$ (646,006)
Support Services	1,741,834	176,836	(1,564,998)
Depreciation - Unallocated	77,304	-	(77,304)
Amortization of Lease Obligation	18,983	-	(18,983)
Totals	<u>\$ 3,944,692</u>	<u>\$ 1,637,401</u>	<u>(2,307,291)</u>
General Revenues:			
State Sources - Unrestricted			2,426,212
Other General Revenues			14,327
Total General Revenues			<u>2,440,539</u>
<b>CHANGE IN NET POSITION</b>			133,248
Net Position - Beginning of Year			<u>2,044,832</u>
<b>NET POSITION - END OF YEAR</b>			<u><u>\$ 2,178,080</u></u>

See accompanying Notes to Basic Financial Statements.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	General	Nonmajor Fund Food Service	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 919,817	\$ -	\$ 919,817
Due from Other Governmental Units	883,070	1,874	884,944
Prepaid Expenses	93,191	-	93,191
<b>TOTAL ASSETS</b>	<u>\$ 1,896,078</u>	<u>\$ 1,874</u>	<u>\$ 1,897,952</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 22,273	\$ -	\$ 22,273
Accrued Expenditures	299,634	-	299,634
Total Liabilities	321,907	-	321,907
<b>FUND BALANCES</b>			
Nonspendable	93,191	-	93,191
Restricted For Food Service	-	1,874	1,874
Unassigned	1,480,980	-	1,480,980
Total Fund Balances	<u>1,574,171</u>	<u>1,874</u>	<u>1,576,045</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<u>\$ 1,896,078</u>	<u>\$ 1,874</u>	<u>\$ 1,897,952</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, 2022**

Total Governmental Fund Balances	\$ 1,576,045
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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	\$ 1,505,004	
Less: Accumulated Depreciation	(547,286)	
Less: Accumulated Amortization	(18,983)	
Capital Assets, Net of Accumulated Depreciation and Amortization	938,735	

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Lease Liability	(336,700)
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<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,178,080</b>
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*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, 2022**

	General	Nonmajor Fund Food Service	Total
<b>REVENUES</b>			
<b>Operating Grants and Contributions</b>			
Federal Sources	\$ 1,505,548	178,332	\$ 1,683,880
<b>General Revenues</b>			
State Sources	2,425,890	3,185	2,429,075
Local Sources	14,327	-	14,327
Total Revenues	<u>3,945,765</u>	<u>181,517</u>	<u>4,127,282</u>
<b>EXPENDITURES</b>			
Instruction	2,106,571	-	2,106,571
Support Services	1,558,567	180,848	1,739,415
Debt Service:	-	-	-
Principal - Lease Obligations	233,995	-	233,995
Interest and Fiscal Charges	1,209	-	1,209
Total Expenditures	<u>3,900,342</u>	<u>180,848</u>	<u>4,081,190</u>
<b>NET CHANGE IN FUND BALANCES</b>	45,423	669	46,092
Fund Balances - Beginning of Year	<u>1,528,748</u>	<u>1,205</u>	<u>1,529,953</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,574,171</u></u>	<u><u>\$ 1,874</u></u>	<u><u>\$ 1,576,045</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, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$	46,092
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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:

Amortization Expense		(18,983)
Depreciation Expense		(77,305)

In the fund financial statements, revenues received after the period of availability (60 days) are reported as unavailable revenues; however, in the government-wide financial statements, revenues are recognized when earned. The change in unavailable funds is:

Unavailable Funds		(49,342)
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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		233,995
Interest Expense on Long-Term Lease Obligation		(1,209)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>133,248</u></b>
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**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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, 2022 to CMU were approximately \$65,586.

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, 2022**

**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, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The Academy adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. Net assets was not restated as of July 1, 2021.

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. Management has not yet completed its assessment of this statement.

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.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

*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.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position (Continued)**

**Fund Balance Policies (Continued)**

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. The Academy had a nonspendable fund balance of \$93,191, related to prepaid expense, as of June 30, 2022.

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.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The Academy's cash and cash equivalents consisted of the following at June 30, 2022:

Cash - Academy Wide	<u>\$ 919,817</u>
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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, 2022, Academy deposits with financial institutions were in excess of federal depository insurance limits. No amounts were collateralized.

**NOTE 3 RECEIVABLES**

Receivables at June 30, 2022 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	\$ 441,324
Federal Grants	442,853
Due from Related Party	<u>767</u>
Total Governmental Activities	<u>\$ 884,944</u>

**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
Governmental Activities:				
Computers and Equipment	\$ 451,761	\$ -	\$ -	\$ 451,761
Leasehold Improvements	483,757	-	-	483,757
Right to Use Asset *	569,486	-	-	569,486
Less: Accumulated Amortization	-	(18,983)	-	(18,983)
Less: Accumulated Depreciation	<u>(469,980)</u>	<u>(77,305)</u>	<u>-</u>	<u>(547,285)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,035,024</u>	<u>\$ (96,288)</u>	<u>\$ -</u>	<u>\$ 938,736</u>

\* Beginning Balance does not tie to prior year Statement of Net Position due to GASB 87 implementation

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

**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, 2022 were \$254,230.

**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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.

During the prior fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. During the current fiscal year, the COVID-19 pandemic continues to have significant effects on businesses and communities. Specific to the Academy, COVID-19 impacted various parts of its 2022 operations and may impact parts of its 2023 operations and financial results, including, but not limited to, declines in enrollment, loss of revenues, costs for increased use of technology, and potential shortages of personnel. Management believes the Academy is taking actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**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 1/12<sup>th</sup> 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.

Right-to-use assets acquired through outstanding leases are show below, by underlying asset class.

Building	\$ 569,486
Less: Accumulated Amortization	<u>(18,983)</u>
Total	<u><u>\$ 550,503</u></u>

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

	Balance Beginning	Additions	Deductions	Balance Ending
Lease Liability *	\$ 569,486	-	232,786	\$ 336,700

\* Beginning Balance does not tie to prior year Statement of Net Position due to GASB 87 implementation

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

<u>Year Ending June 30,</u>	<u>Leases Payable</u>	
	Principal	Interest
2023	\$ 287,296	\$ 499
2024	49,404	6
Total	<u><u>\$ 336,700</u></u>	<u><u>\$ 505</u></u>



**MICHIGAN EDUCATIONAL CHOICE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 LEASES (CONTINUED)**

The Academy also entered into short-term leases for office equipment in November 2018 and 2019 with monthly rent payments of \$2,166 and \$1,899, respectively. Total lease expense incurred under the terms of the lease was approximately \$24,000 for 2022.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MICHIGAN EDUCATIONAL CHOICE CENTER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Local Sources	\$ -	\$ 14,327	\$ 14,327	\$ -
State Sources	2,654,642	2,427,714	2,425,890	(1,824)
Federal Sources	1,145,712	1,461,267	1,505,548	44,281
Total Revenues	3,800,354	3,903,308	3,945,765	42,457
<b>EXPENDITURES</b>				
Basic Programs	1,488,812	1,336,064	1,472,952	(136,888)
Added Needs	509,308	675,960	633,619	42,341
Total Instruction	1,998,120	2,012,024	2,106,571	(94,547)
Student Services	153,630	149,916	150,455	(539)
Instructional Support	344,268	492,182	479,613	12,569
General Administration	581,634	414,424	350,245	64,179
School Administration	281,231	259,416	258,539	877
Fiscal Services	44,510	45,551	41,953	3,598
Operating and Maintenance	344,432	448,244	236,037	212,207
Transportation	4,652	-	-	-
Support Services - Other	16,613	64,824	26,014	38,810
Community Services	287	6,965	8,660	(1,695)
Prior Period Adjustment	-	9,469	9,469	-
Total Support Services	1,771,257	1,890,991	1,560,985	330,006
Debt Service	-	-	232,786	(232,786)
Total Expenditures	3,769,377	3,903,015	3,900,342	2,673
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 30,977</u>	<u>\$ 293</u>	45,423	<u>\$ 45,130</u>
Fund Balance - Beginning of Year			<u>1,528,748</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,574,171</u>	

See accompanying Note to Required Supplementary Information.

**MICHIGAN EDUCATIONAL CHOICE CENTER**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**  
**(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.

	Final Budget	Actual	Variance with Final Budget
General Fund			
Basic Programs	\$ 1,336,064	\$ 1,472,952	\$ (136,888)
Student Services	149,916	150,455	(539)
Community Services	6,965	8,660	(1,695)
Prior Period Adjustment	9,469	9,469	-

## **OTHER SUPPLEMENTARY INFORMATION**

**MICHIGAN EDUCATIONAL CHOICE CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022  
(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, 2021	Current Year Expenditures	Adjustments and Transfers	Current Year Cash/ Payments In-Kind Received	Accrued Revenue June 30, 2022	Passed Through to Subrecipients
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
National School Lunch Program										
Cash Assistance:										
Seamless Summer Option Breakfast 2021-2022	10.555	221971/2122	\$ 35,483	\$ -	\$ -	\$ 35,483	\$ -	\$ 33,092	\$ 2,391	\$ -
Seamless Summer Option Lunch 2021-2022	10.555	221961/2122	128,481	-	-	128,481	-	117,499	10,982	-
COVID-19 Supply Chain Assistance 2021-2022	10.555	220910/2022	9,395	-	-	9,395	-	9,395	-	-
Noncash Assistance (Commodities) - National Lunch										
Program Bonus Commodities 2021-2022	10.555	N/A	4,359	-	-	4,359	-	4,359	-	-
Total National School Lunch Program			177,718	-	-	177,718	-	164,345	13,373	-
National School Breakfast Program 2020-2021	10.553	202170/2021	12,111	12,111	619	-	-	619	-	-
COVID-19 Unanticipated School Closure Program 2020-2021	10.555	211965/2021	43,177	43,177	19,457	-	-	19,457	-	-
COVID-19 Pandemic EBT Local Level Costs 2020-2021	10.649	210980/2021	614	-	-	614	-	614	-	-
Total U.S. Department of Education Child Nutrition Cluster			233,620	55,288	20,076	178,332	-	185,035	13,373	-
Special Education Cluster -										
U.S. Department of Education:										
Passed through the Wayne County RESA - IDEA:										
Flow-through:										
2020-2021	84.027A	200450/2021	139,594	139,594	-	34,133	-	34,133	-	-
2021-2022	84.027A	211450/2122	58,850	-	-	58,850	-	57,321	1,529	-
Total Special Education Cluster			198,444	139,594	-	92,983	-	91,454	1,529	-
Non-Cluster Federal Awards - Passed through Michigan Department of Education Stabilization Fund Program										
COVID-19 ESSER - Formula	84.425D	203710/1920	355,437	346,318	81,616	-	-	110,436	-	-
COVID-19 ESSER Education Equity	84.425D	203720/1920	44,050	44,050	10,495	-	-	14,173	-	-
COVID-19 ESSER Funds - Formula	84.425D	203711/1920	9,119	-	-	37,939	-	9,119	-	-
COVID-19 ESSER Education Equity	84.425D	203720/2021	9,266	-	-	12,943	-	9,265	-	-
COVID-19 ESSER II - Benchmark Assessments	84.425D	213762/2022	3,150	-	-	3,140	-	3,140	-	-
COVID-19 ESSER II Funds - Formula	84.425D	213712/2021	497,032	-	-	463,095	-	429,069	34,026	-
COVID-19 ESSER III - Formula	84.425U	213713/2022	1,117,057	-	-	307,057	-	307,057	-	-
Total ESSER			2,035,111	390,368	92,111	824,174	-	882,259	34,026	-
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	201200/2022	24,686	24,686	-	-	-	-	-	-
Total Education Stabilization Fund Program	84.425		2,059,797	415,054	92,111	824,174	-	882,259	34,026	-
Title I, Part A 2020-2021	84.010A	211530/2021	477,737	418,463	86,817	89,633	-	176,450	-	-
Title I, Part A 2021-2022	84.010A	221530/2122	451,237	-	-	443,896	-	403,782	40,114	-
Total Title I			928,974	418,463	86,817	533,529	-	580,232	40,114	-
Title II, Part A 2020-2021	84.367A	210520/2021	26,941	12,818	-	-	-	-	-	-
Title II, Part A 2021-2022	84.367A	220520/2122	33,116	-	-	19,240	-	19,240	-	-
Total Title II			60,057	12,818	-	19,240	-	19,240	-	-
Title IV 2020-2021	84.424A	210750/2021	63,921	58,205	11,210	-	-	11,210	-	-
Title IV 2021-2022	84.424A	220750/2122	35,752	-	-	35,622	-	31,844	3,778	-
Total Title IV			99,673	58,205	11,210	35,622	-	43,054	3,778	-
Total U.S. Department of Education Noncluster Programs			3,148,501	904,540	190,138	1,412,565	-	1,524,785	77,918	-
Total U.S. Department of Education			3,580,565	1,099,422	210,214	1,683,880	-	1,801,274	92,820	-
U.S. Department of Treasury - Coronavirus Relief Fund										
Passed through the Michigan Department of Education										
COVID-19 11p - CRF School Aid	21.019	20-21	96,023	96,023	-	-	-	-	-	-
COVID-19 103(2) - District COVID Costs	21.019	20-21	3,380	3,380	-	-	-	-	-	-
Total Coronavirus Relief Fund			99,403	99,403	-	-	-	-	-	-
Total Federal Awards			\$ 3,679,968	\$ 1,198,825	\$ 210,214	\$ 1,683,880	\$ -	\$ 1,801,274	\$ 92,820	\$ -

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, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

\$ 1,683,880

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

General Fund	\$ 1,505,548
Food Service Fund	<u>178,332</u>
Total Federal Expenditures	<u>\$ 1,683,880</u>

*See accompanying Notes to Schedule of Expenditures of Federal Awards.*

**MICHIGAN EDUCATIONAL CHOICE CENTER**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**  
**(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, 2022.

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 with the exception of ALN 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. 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 District has elected not to use the 10 percent 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 28 of this report.



**MICHIGAN EDUCATIONAL CHOICE CENTER**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**  
**(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 221971-2122 was \$35,483; however, due to cash in transit, the Academy had only received \$33,092 as of year-end. The remaining \$2,391 is included in accrued revenue as of June 30, 2022. Similarly, this timing difference also occurred for projects 221961-2122, 2114450-2122, 213712/-021, 221530-2122, and 220750-2122 which indicated that \$128,481, \$58,850, \$497,032, \$451,237, and \$35,752, respectively, was paid but the Academy had only received \$117,499, \$57,321, \$429,069, \$403,782, and \$31,844, respectively. The remaining \$10,982, \$1,529, \$34,026, \$40,114, and \$3,778, respectively, are included in accrued revenue as of June 30, 2022.

**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, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

Current Payments per the Grant Auditors' Report:

Cash Management System	\$ 1,524,785
Add: Grants Passed Through Wayne County RESA Special Education Grants (ALN 84.027)	91,454
Add: U.S. Department of Agriculture Grants Passed Through Michigan Department of Education (ALN 10.553 & 10.555)	<u>185,035</u>
Total Current Year Receipts per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,801,274</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, 2022, 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 November 1, 2022.

***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 cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
November 1, 2022



**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, 2022. 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

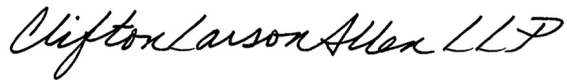
### **Report on Internal Control Over Compliance**

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  
November 1, 2022

**MICHIGAN EDUCATIONAL CHOICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

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**Section I – Summary of Auditors' Results**

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**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)**

84.425C, 84.425D, 84.425U

**Name of Federal Program or Cluster**

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no



**MICHIGAN EDUCATIONAL CHOICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

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**Section II – *Financial Statement Findings***

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

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**Section III – *Findings and Questioned Costs – Major Federal Programs***

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

