

Michigan International Prep School

Financial Statements

June 30, 2022



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Michigan International Prep School
Members of the Board of Directors
June 30, 2022

Members of the Board of Directors

Carol Mitchell	President
Paul Tarnavsky	Vice President
Pat Bono	Secretary
Jeff Capobianco	Treasurer
Sheryl Morris	Trustee
Kevin Trobaugh	Trustee



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Independent Auditors' Report

Management and the Board of Directors
Michigan International Prep School
Davison, MI

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Michigan International Prep School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Michigan International Prep School's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Michigan International Prep School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan International Prep School, 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, in 2022 the Academy adopted new accounting guidance, GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan International Prep School'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Michigan International Prep School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan International Prep School'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, identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of Michigan International Prep School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Michigan International Prep School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan International Prep School's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI

October 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



MICHIGAN INTERNATIONAL PREP SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

MICHIGAN INTERNATIONAL PREP SCHOOL
8989 East Colony Rd., Elsie Michigan 48831
Ph: 1-248-289-5521

Michigan International Prep School, a K-12 School located in Clinton County, Michigan, has completed its first year with the enclosed financial statements. In addition to the statements, a comparative analysis of government-wide data is also provided.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Michigan International Prep School's discussion and analysis of the financial results for the fiscal year ended June 30, 2022. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

The accompanying financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State & Local Governments. The following components are required:

- Management's Discussion and Analysis
- Basic Financial Statements, including *Statement of Net Position*, *Statement of Activities* and *Fund Financial Statements*
- Notes to the Financial Statements
- Required Supplementary Information

Management's Discussion and Analysis is a narrative insight to the past and present financial condition of Michigan International Prep School. This summary does not take the place of the comprehensive financial statements and other supplemental information following this narrative.

Reporting the School District as a Whole

The financial statements provide information about the activities of Michigan International Prep School, presenting both an aggregate view of the finances and a longer-term view of those finances. These statements use the full accrual basis of accounting similar to that used by companies in the

private sector. The two statements are the Statement of Net Position and the Statement of Activities, which appear first in the financial statements. The Statement of Net Position includes all of Michigan International Prep School's assets and liabilities, regardless if they are short-term or long-term. The Statement of Activities includes all of the current's year's revenues and expenses, regardless of when cash is received or paid.

These two statements report Michigan International Prep School's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the net position - as reported in the Statement of Activities - are indicators of whether financial health is improving or deteriorating. The relationship between revenues and expenses is the operating results. However, Michigan International Prep School's goal is to provide exceptional student service, not to generate profits. One must also consider non-financial factors, such as the quality of the education provided and the condition of the School's facilities, to assess the overall health of Michigan International Prep School.

Reporting Michigan International Prep School's Most Significant Funds - Fund Financial Statements

The fund statements for Michigan International Prep School focus on major funds rather than on fund types. The fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available, and thus represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Michigan International Prep School's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Funds are accounting devices that Michigan International Prep School uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The statements provide information about Michigan International Prep School's most significant fund - the General Fund. The other fund includes the Special Revenue Fund, which is presented as a Non-major fund. The General Fund will continue to be used primarily to account for the general education requirements of Michigan International Prep School. The revenues for Michigan International Prep School are derived primarily from State Aid, as well as from federal, state, and local grants.

Reporting Michigan International Prep School's Fiduciary Responsibilities – Michigan International Prep School as Trustee

Michigan International Prep School is the trustee, or fiduciary, for its student activity funds. All of the fiduciary activities are reported in separate statements of fiduciary assets and liabilities. Michigan International Prep School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature – assets equal liabilities – and do not involve measurement of results of operations. These activities are excluded from Michigan International Prep School's other financial statements since Michigan International Prep School's cannot use these assets to finance its operations.

Financial Analysis of Michigan International Prep School as a Whole

The statement of fund balance provides the perspective of Michigan International Prep School as a whole. Table 1 provides a summary of Michigan International Prep School's net position as of fiscal years ending June 30, 2022 and 2021.

Table 1 - Summary of Net Position:

Assets	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,875,360	\$ 3,681,626
Capital assets - net of accumulated depreciation	<u>2,797,905</u>	<u>1,133,619</u>
Total Assets	<u>\$ 7,673,265</u>	<u>\$ 4,815,245</u>
Liabilities		
Accounts payable	\$ 809,596	\$ 269,474
Accrued expenditures	67,217	0
Long-term liabilities	<u>1,258,814</u>	<u>0</u>
Total Liabilities	<u>\$ 2,135,627</u>	<u>\$ 269,474</u>
Net Position		
Net investment in capital assets	\$ 1,539,091	\$ 1,183,619
Unrestricted	<u>3,998,547</u>	<u>3,362,152</u>
Total net position	<u>\$ 5,537,638</u>	<u>\$ 4,545,771</u>

Net position is a combination of funds available for capital assets, plus capital assets at original cost, less accumulated depreciation and related debt. The accumulated depreciation is the accumulation of depreciation expense since acquisition. As of June 30, 2022, Michigan International Prep School's net capital assets were \$1,539,091, the restricted amount for the Board discretionary fund was \$0, and the remaining amount of \$3,998,547 was unrestricted. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The unrestricted net position represents the accumulated results of all past year's operations. The operating results of the General Fund will have a significant impact on change in unrestricted net position from year to year.

Statement of Activities

The results of this year's operations for Michigan International Prep School are reported in the statement of activities, and in a more condensed format in Table 2.

Table 2 - Results of Activities:

Fiscal Year:	<u>2022</u>	<u>2021</u>
<u>Net Revenues:</u>		
General Revenues:		
State aid - unrestricted	\$ 0	\$ 9,802,856
Other	<u>143,977</u>	<u>15,310</u>
Total	<u>\$ 143,977</u>	<u>\$ 9,818,166</u>
<u>Net (Revenue) Expenses:</u>		
Instruction	\$(6,312,999)	\$ 2,932,781
Supporting Services	5,340,986	4,384,723
Community Services	119,440	59,649
Interest	<u>4,683</u>	<u>0</u>
Total	<u>\$ 847,890</u>	<u>\$ 7,377,153</u>
Change in net position	\$ 991,867	\$ 2,441,013
Net Position - beginning	<u>4,545,771</u>	<u>2,104,758</u>
Net Position - ending	<u>\$ 5,537,638</u>	<u>\$ 4,545,771</u>

Analysis of Financial Position

A few significant factors affecting the net position of the year are as follows:

Capital Outlay

Actual acquisitions totaled \$1,708,013.

Depreciation Expense

Depreciation expense is recorded on a straight-line basis over the estimated useful life of the asset. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the fiscal year ended June 30, 2022, the net depreciation expense was \$290,343.

Michigan International Prep School's Funds

As Michigan International Prep School completed this year, the governmental funds reported a fund balance of \$3,998,547.

A significant factor affecting the total governmental fund balance is the following:

General Operating Fund

Michigan International Prep School's revenues from General Fund operations were lower than expenditures by \$636,261 for the fiscal year ended June 30, 2022.

Revenues by Sources - All Funds

State of Michigan Unrestricted Aid (State Foundation Grant)

The foundation allowance is determined annually by the State of Michigan using the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student enrollment blended at the Superblend for the current fiscal year, plus Section 25e transfer adjustments

Per Student Foundation Allowance

Michigan International Prep School's blended student enrollment (State Aid Membership) for the 2021-2022 school year was 1,178.04. Preliminary total student enrollment for the 2022 – 2023 school year is projected to be approximately 1,178 students.

Changes from Original to Final Budget

The Uniform Budget Act of the State of Michigan requires that the Michigan International Prep School Board of Directors approve the original budget prior to July 1st, the start of the fiscal year. A schedule showing Michigan International Prep School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Revenues	\$12,924,701	\$14,806,986	\$1,882,285
Expenditures	\$12,226,812	\$14,801,294	\$2,574,482

The variation from original to final budgeted revenues is primarily due to: 1. an increase to actual over the budgeted student enrollment, and 2. additional state and Federal restricted grant funding versus original estimates, along with overall general increased levels of funding for these grants. Expenditures were increased to allow for the additional costs allowed as a result of this additional funding available.

Economic Factors and Next Year's Budgets and Rates

The administration considered many factors when determining Michigan International Prep School's 2022-2023 fiscal year budget. One of the most important factors is the student count, since the state foundation revenue is determined by the blended student count that was discussed earlier. Approximately 79.8% of total General Fund revenues are from State Sources. Revenues are thus heavily dependent on the State's ability to fund local operations. When the fall student count is completed and the related per pupil funding is validated, the budget for Michigan International Prep School is amended to reflect the revised numbers.

Since Michigan International Prep School's revenue depends on State funding and the health of the State School Aid fund, the actual revenue received therefore depends on the State's ability to collect revenues to fund its appropriations to Districts. The State periodically holds revenue-estimating conferences to evaluate its ability to fund obligations. Should state revenues fall below previous estimates, a statewide proration of the Foundation Allowance to Districts could occur. If a reduction in State Aid funding resulted, an appropriate budget adjustment would be made to reflect the revised financial situation.

Contacting Michigan International Prep School's Financial Management

This financial report is designed to provide a general overview of Michigan International Prep School's finances, and to demonstrate Michigan International Prep School's accountability for the money it receives. If there are any questions about this report, or if additional financial information is needed, contact Michigan International Prep School School's Business Department at 8989 East Colony Rd., Elsie Michigan 48831.

BASIC FINANCIAL STATEMENTS

Michigan International Prep School
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 387,068
Due from other governmental units	4,482,125
Prepaid items	6,167
Right to use assets - net of amortization	1,261,457
Capital assets not being depreciated	50,000
Capital assets - net of accumulated depreciation	<u>1,486,448</u>
Total assets	<u>7,673,265</u>
Liabilities	
Accounts payable	809,596
Accrued expenditures	67,217
Long-term liabilities	
Due within one year	160,246
Due in more than one year	<u>1,098,568</u>
Total liabilities	<u>2,135,627</u>
Net Position	
Net investment in capital assets	1,539,091
Unrestricted	<u>3,998,547</u>
Total net position	<u><u>\$ 5,537,638</u></u>

See Accompanying Notes to the Financial Statements

Michigan International Prep School
Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs			
Governmental activities			
Instruction	\$ 7,232,328	\$ 13,545,327	\$ 6,312,999
Supporting services	5,879,711	538,725	(5,340,986)
Community services	119,440	-	(119,440)
Interest and fiscal charges on long-term debt	4,683	-	(4,683)
	<u>\$ 13,236,162</u>	<u>\$ 14,084,052</u>	
			847,890
			143,977
			991,867
			4,545,771
			\$ 5,537,638

See Accompanying Notes to the Financial Statements

Michigan International Prep School
Governmental Funds
Balance Sheet
June 30, 2022

	<u>General Fund</u>
Assets	
Cash	\$ 387,068
Due from other governmental units	4,482,125
Prepaid items	<u>6,167</u>
Total assets	<u>\$ 4,875,360</u>
Liabilities	
Accounts payable	\$ 809,596
Accrued expenditures	<u>67,217</u>
Total liabilities	<u>876,813</u>
Fund Balance	
Non-spendable	
Prepaid items	6,167
Unassigned	<u>3,992,380</u>
Total fund balance	<u>3,998,547</u>
Total liabilities and fund balance	<u>\$ 4,875,360</u>

See Accompanying Notes to the Financial Statements

Michigan International Prep School
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Total fund balances for governmental funds	\$ 3,998,547
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Right to use assets - net of amortization	1,261,457
Capital assets not being depreciated	50,000
Capital assets - net of accumulated depreciation	1,486,448
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities	
Leases	<u>(1,258,814)</u>
Net position of governmental activities	<u><u>\$ 5,537,638</u></u>

Michigan International Prep School
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund
Revenues	
Local sources	\$ 143,977
State sources	11,366,358
Federal sources	<u>2,717,694</u>
Total revenues	<u>14,228,029</u>
Expenditures	
Current	
Education	
Instruction	6,901,326
Supporting services	5,879,711
Community services	119,440
Capital outlay	1,708,013
Debt service	
Principal	251,117
Interest and other expenditures	<u>4,683</u>
Total expenditures	<u>14,864,290</u>
Deficiency of revenues over expenditures	(636,261)
Other Financing Sources	
Proceeds from lease liabilities	<u>1,272,656</u>
Net change in fund balance	636,395
Fund balance – beginning	<u>3,362,152</u>
Fund balance – ending	<u>\$ 3,998,547</u>

See Accompanying Notes to the Financial Statements

Michigan International Prep School
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - Total governmental funds	\$ 636,395
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Depreciation and amortization expense	(290,343)
Capital outlay	1,667,354
Leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Debt issued	(1,272,656)
Repayments of long-term debt	<u>251,117</u>
Change in net position of governmental activities	<u>\$ 991,867</u>

Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Michigan International Prep School conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

The Academy has entered into a contract with the Ovid-Elsie Area Schools Board of Education to charter a public school academy through June 30, 2029. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Ovid-Elsie is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Ovid-Elsie three percent of the state aid foundation as administrative fees. The total administrative fees for the year to Ovid-Elsie was approximately \$ 345,739.

The Academy is governed by an appointed Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the district as a whole) and fund financial statements (reporting the Academy's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental

or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis

Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

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

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

The Academy reports the following major governmental fund:

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

Assets, Liabilities and Net Position or Equity

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Site improvements	10 – 20 years
Equipment and furniture	5 – 10 years

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Michigan International Prep School

Notes to the Financial Statements

June 30, 2022

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the Academy's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources 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. A lessee will be required to recognize a lease liability and an intangible right-to-use a

lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing activities.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

The Academy is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Added needs	\$ 2,637,627	\$ 3,018,145	\$ 380,518
Pupil	192,294	443,858	251,564
General administration	2,229,756	2,298,662	68,906
Central	1,957,693	2,047,807	90,114
Other	-	224	224
Capital outlay	449,157	1,708,013	1,258,856
Debt - principal	-	251,117	251,117
Debt - interest and fiscal charges	-	4,683	4,683

Note 3 - Deposits

The Academy's deposits were reported in the basic financial statements in the following category:

	<u>Governmental Activities</u>
Cash	<u>\$ 387,068</u>

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 387,068</u>
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Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year-end, \$ 137,068 of the Academy's bank balance of \$ 387,068 was uninsured.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the Academy's investments were exposed to custodial credit risk.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated				
Buildings and additions	985,828	394,698	-	1,380,526
Site improvements	99,120	-	-	99,120
Equipment and furniture	62,794	-	-	62,794
Right to use asset - buildings and additions	-	1,509,931	-	1,509,931
Total capital assets being depreciated	<u>1,147,742</u>	<u>1,904,629</u>	<u>-</u>	<u>3,052,371</u>
Less accumulated depreciation for				
Buildings and additions	-	19,717	-	19,717
Site improvements	10,846	7,529	-	18,375
Equipment and furniture	3,277	14,623	-	17,900
Right to use asset - buildings and additions	-	248,474	-	248,474
Total accumulated depreciation	<u>14,123</u>	<u>290,343</u>	<u>-</u>	<u>304,466</u>
Net capital assets being depreciated	<u>1,133,619</u>	<u>1,614,286</u>	<u>-</u>	<u>2,747,905</u>
Net capital assets	<u>\$ 1,183,619</u>	<u>\$ 1,614,286</u>	<u>\$ -</u>	<u>\$ 2,797,905</u>
Total right to use leases assets				
Right to use assets, net of amortization	\$ -	\$ 1,261,457	\$ -	\$ 1,261,457
Capital assets				
Assets not being depreciated	50,000	-	-	50,000
Other capital assets, net of depreciation	<u>1,133,619</u>	<u>352,829</u>	<u>-</u>	<u>1,486,448</u>
Net capital assets	<u>\$ 1,183,619</u>	<u>\$ 1,614,286</u>	<u>\$ -</u>	<u>\$ 2,797,905</u>

Depreciation and amortization expense was charged to activities of the Academy as follows:

Governmental activities	
Instruction	<u>\$ 290,343</u>

Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

Note 5 - Leases

Lease Liability

The Academy entered into various lease agreements as a lessee for the use of building space. An initial lease liability was recorded in the amount of \$ 1,509,931 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$ 1,258,814. The value of the right-to-use assets as of the end of the current fiscal year was \$ 1,261,457 and had accumulated amortization of \$ 248,474.

Year ending June 30,	Principal	Interest	Total
2023	\$ 160,246	\$ 29,354	\$ 189,600
2024	166,731	25,269	192,000
2025	173,380	21,020	194,400
2026	180,197	16,603	196,800
2027	187,187	12,013	199,200
2028 - 2032	<u>391,073</u>	<u>9,548</u>	<u>400,621</u>
Total	<u>\$ 1,258,814</u>	<u>\$ 113,807</u>	<u>\$ 1,372,621</u>

Note 6 - Long-Term Debt

Long-term obligations include leases. Long-term obligation activity is summarized as follows:

				Ending	Amount Due
	Beginning			Balance	Within One
	Balance	Additions	Reductions	Balance	Year
Leases	\$ -	\$ 1,509,931	\$ 251,117	\$ 1,258,814	\$ 160,246

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for general liability, property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.

Note 8 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. In addition, student counts are subject to audit and adjustment by the Michigan Department of Education. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

Note 9 - Management Service Agreement

The Academy has a management agreement with Reimagine Education, LLC. Under the terms of this agreement, Reimagine provides a variety of services including management, curriculums, education programs and teacher training. The agreement states that the Academy is obligated to pay Reimagine twelve percent of its applicable revenues from state. The agreement also states that the Academy and Reimagine may mutually agree on adjustments to the fee based on factors such as student enrollments. The total charged for these services amounted to approximately \$ 1,259,136 for the year ended June 30, 2022. Additionally, Reimagine provides staffing for teachers, administrators, and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing Reimagine for all costs incurred for providing staffing. The total cost of these purchased services amounted to \$ 6,795,641.

Additionally, the Academy has engaged Avolon Accounting & Charter CFO Services to perform accounting, consulting and business office services. The Academy paid Avolon Accounting & Charter CFO Services \$54,000 during the year.

Michigan International Prep School
Notes to the Financial Statements
June 30, 2022

Note 10 - Change in Accounting Principle

As indicated in Note 1, Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the Academy's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. This adjustment had no effect on net position of the governmental activities since the right of use assets equal the amount of the lease liability. The implementation had no effect on net position as reported June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Michigan International Prep School
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ -	\$ -	\$ 143,977	\$ 143,977
State sources	10,123,609	12,413,776	11,366,358	(1,047,418)
Federal sources	<u>2,801,092</u>	<u>2,393,210</u>	<u>2,717,694</u>	<u>324,484</u>
Total revenues	<u>12,924,701</u>	<u>14,806,986</u>	<u>14,228,029</u>	<u>(578,957)</u>
Expenditures				
Instruction				
Basic programs	5,635,240	5,029,960	3,883,181	(1,146,779)
Added needs	486,502	2,637,627	3,018,145	380,518
Supporting services				
Pupil	312,938	192,294	443,858	251,564
Instructional support	938,750	1,313,283	595,422	(717,861)
General administration	2,013,233	2,229,756	2,298,662	68,906
School administration	29,200	15,323	13,591	(1,732)
Business	242,221	295,936	213,155	(82,781)
Operations and maintenance	482,573	534,391	266,992	(267,399)
Central	1,952,155	1,957,693	2,047,807	90,114
Other	-	-	224	224
Community services	134,000	145,874	119,440	(26,434)
Capital outlay	-	449,157	1,708,013	1,258,856
Debt service				
Principal	-	-	251,117	251,117
Interest and fiscal charges	-	-	4,683	4,683
Total expenditures	<u>12,226,812</u>	<u>14,801,294</u>	<u>14,864,290</u>	<u>62,996</u>
Excess (deficiency) of revenues over expenditures	<u>697,889</u>	<u>5,692</u>	<u>(636,261)</u>	<u>(641,953)</u>

See Accompanying Notes to the Financial Statements

Michigan International Prep School
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources				
Proceeds from lease liabilities	<u>1,500</u>	<u>-</u>	<u>1,272,656</u>	<u>1,272,656</u>
Net change in fund balance	699,389	5,692	636,395	630,703
Fund balance - beginning	<u>3,362,152</u>	<u>3,362,152</u>	<u>3,362,152</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,061,541</u>	<u>\$ 3,367,844</u>	<u>\$ 3,998,547</u>	<u>\$ 630,703</u>

See Accompanying Notes to the Financial Statements

Michigan International Prep School

Single Audit Report

June 30, 2022



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**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***

Independent Auditors' Report

Management and the Board of Directors
Michigan International Prep School
Davison, 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 and the major fund information of Michigan International Prep School as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Michigan International Prep School's basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan International Prep School'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 International Prep School's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan International Prep School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan International Prep School'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

Michigan International Prep School's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on Michigan International Prep School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. Michigan International Prep School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Yeo & Yeo, P.C.

Davison, Michigan
October 26, 2022



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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
Michigan International Prep School
Davison, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Michigan International Prep School's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Michigan International Prep School's major federal programs for the year ended June 30, 2022. Michigan International Prep School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Michigan International Prep School, 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 Michigan International Prep School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Michigan International Prep School'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 agreements applicable to Michigan International Prep School'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 Michigan International Prep School'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 Michigan International Prep School'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 Michigan International Prep School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Michigan International Prep School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Michigan International Prep School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to this matter. Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs and corrective action plan. The Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 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 Auditors' 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 controls 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and the major fund information of Michigan International Prep School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Michigan International Prep School's basic financial statements. We issued our report thereon dated October 26, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 26, 2022

Michigan International Prep School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor Pass through Grantor Program Title Grant Number	Federal Assistance Listing (AL) Number	Grant Number	Award Grant Entitlement Program Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2021	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Adjustments	Accrued (Unearned) Revenue at June 30, 2022
U.S. Department of Education									
Passed through the Michigan Department of Education									
Special Education Cluster (IDEA)									
Special Education - Grants to States	84.027	210450	\$ 108,052	\$ 108,052	\$ 108,052	\$ -	\$ 108,052	\$ -	\$ -
Special Education - Grants to States	84.027	220450	186,897	-	-	172,139	-	-	172,139
			<u>294,949</u>	<u>108,052</u>	<u>108,052</u>	<u>172,139</u>	<u>108,052</u>	<u>-</u>	<u>172,139</u>
Passed through the Michigan Department of Education									
Title I Grants to Local Educational Agencies	84.010	201530	68,223	68,223	(341)	-	(1,426)	(1,085)	-
Title I Grants to Local Educational Agencies	84.010	211530	213,417	212,586	212,586	-	212,586	-	-
Title I Grants to Local Educational Agencies	84.010	221530	290,468	-	-	289,638	-	-	289,638
			<u>572,108</u>	<u>280,809</u>	<u>212,245</u>	<u>289,638</u>	<u>211,160</u>	<u>(1,085)</u>	<u>289,638</u>
Passed through the Michigan Department of Education									
Title IIA Supporting Effective Instruction State Grant	84.367	210520	32,446	32,446	32,446	-	32,446	-	-
Title IIA Supporting Effective Instruction State Grant	84.367	220520	53,365	-	-	52,609	-	-	52,609
			<u>85,811</u>	<u>32,446</u>	<u>32,446</u>	<u>52,609</u>	<u>32,446</u>	<u>-</u>	<u>52,609</u>
Passed through the Michigan Department of Education									
Title IV Student Support and Academic Enrichment Program	84.424	210750	10,000	10,000	10,000	-	10,000	-	-
Title IV Student Support and Academic Enrichment Program	84.424	220750	15,512	-	-	15,512	-	-	15,512
			<u>25,512</u>	<u>10,000</u>	<u>10,000</u>	<u>15,512</u>	<u>10,000</u>	<u>-</u>	<u>15,512</u>
Passed through the Michigan Department of Education									
Education Stabilization Funds									
COVID-19 - GEER II	84.425C	211202	9,000	-	-	9,000	-	-	9,000
COVID-19 - ESSER Formula I	84.425D	213710	47,358	47,355	47,355	-	47,355	-	-
COVID-19 - ESSER Formula II	84.425D	213712	736,267	250,644	250,644	440,369	512,594	-	178,419
COVID-19 - ESSER Formula II - Credit Recovery	84.425D	213742	166,650	-	-	165,247	-	-	165,247
COVID-19 - ESSER Formula II - Benchmark Assessments	84.425D	213762	7,113	-	-	7,113	-	-	7,113
			<u>957,388</u>	<u>297,999</u>	<u>297,999</u>	<u>612,729</u>	<u>559,949</u>	<u>-</u>	<u>350,779</u>
COVID-19 - ESSER Formula III	84.425U	213713	1,654,727	-	-	1,567,152	-	-	1,567,152
Total Education Stabilization Funds			<u>2,621,115</u>	<u>297,999</u>	<u>297,999</u>	<u>2,188,881</u>	<u>559,949</u>	<u>-</u>	<u>1,926,931</u>
Total U.S. Department of Education			<u>3,599,495</u>	<u>729,306</u>	<u>660,742</u>	<u>2,718,779</u>	<u>921,607</u>	<u>(1,085)</u>	<u>2,456,829</u>
Total Federal Awards			<u>\$ 3,599,495</u>	<u>\$ 729,306</u>	<u>\$ 660,742</u>	<u>\$ 2,718,779</u>	<u>\$ 921,607</u>	<u>\$ (1,085)</u>	<u>\$ 2,456,829</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Michigan International Prep School
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Michigan International Prep School under programs of the federal government 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Michigan International Prep School, it is not intended to and does not present the financial position or changes in financial position of Michigan International Prep School.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where 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.

Indirect Cost Rate

Michigan International Prep School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Federal expenditures per the SEFA reconcile to the financial statements as follows:

Expenditures per SEFA	\$ 2,718,779
Reclaimed by grantor as unallowable (see note 6)	<u>(1,085)</u>
Federal revenues reported in the financial statements	<u><u>\$ 2,717,694</u></u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

Michigan International Prep School
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

Note 5 - Michigan Department of Education Disclosures

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards, except as follows:

<u>AL #</u>	<u>Grant #</u>	<u>Per GAR</u>	<u>Per SEFA</u>	<u>Difference</u>
84.010	221530	\$ 289,638	\$ -	\$ 289,638
84.367	220520	53,365	-	53,365
84.424	220750	15,512	-	15,512
84.425C	211202	9,000	-	9,000
84.425D	213712	691,013	512,594	178,419
84.425D	213742	165,247	-	165,247
84.425D	213762	7,113	-	7,113

Difference due to timing of cash receipts by the Academy and payment by the Grantor.

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A. donated food commodities.

Note 6 - Prior Year Expenditures

\$ 341 of Title I Grants to Local Educational Agencies were reclaimed by the grantor in the prior year as unallowable costs and an additional \$ 1,085 was reclaimed by grantor in the current year. Total adjustments on the schedule of federal awards were \$ 1,426.

Michigan International Prep School
Schedule of Findings and Questioned Costs
June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 X yes no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

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

 yes X no

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425C / 84.425D / 84.425U

Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

Michigan International Prep School
Schedule of Findings and Questioned Costs
June 30, 2022

Section II - Government Auditing Standards Findings

Finding 2022-001 - Material Weakness and Material Noncompliance - Material Budget Overage

- Criteria:** The Uniform Budgeting and Accounting Act §141.438(3) indicates "...an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."
- Condition:** The Academy incurred material budget overages in the General Fund during the year.
- Cause and Effect:** The Academy has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.
- Recommendation:** We recommend that the Academy establish policies and procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the Board of Directors for approval.
- Views of Responsible Officials:** Management agrees with the finding.
- Corrective Action Plan:** See attached corrective action plan from management.

Section III - Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

**Michigan International Prep School
Summary Schedule of Prior Audit Findings
June 30, 2022**

Section IV - Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards Findings* for the year ended June 30, 2021.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2021.



CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Michigan International Prep School report for the year ended June 30, 2022, and corrective actions to be completed.

Finding 2022-001 – Material Weakness and Material Noncompliance – Material Budget Overage

Auditor Description of Condition: The Academy incurred a material budget overage in the General Fund during the year.

Auditor Description of Cause and Effect: The Academy has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly amended allowing the overages to exist.

Auditor Recommendation: We recommend that the Academy establish policies and procedures to ensure the budget is properly maintained and amended throughout the year. This includes providing amendments throughout the year to the Board of Directors for approval and aligning those amendments with expected actual expenditures.

Corrective Action Plan: The Board of Directors and Administration will make every attempt to adopt a more accurate and structurally balanced budget. This will include the monthly analysis of expenditures to the budget, and for the final budget, actuals to budget. The Board of Directors will have four budget meetings throughout the year for budget approval (original, two amended, and final). Included in those budget meetings, there will be current full time equivalent student enrollment, and current non staff members lists.

Responsible Person(s): Andrew Hulbert, Superintendent of Schools

Anticipated Completion Date: June 30, 2023