

MICHIGAN VIRTUAL CHARTER ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2019

MICHIGAN VIRTUAL CHARTER ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2019

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Michigan Virtual Charter Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Virtual Charter Academy ("the Academy") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of June 30, 2019, 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.

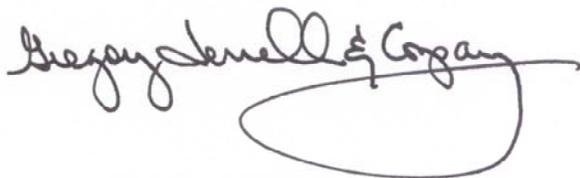
Other Matters

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 3–7 and 13 be presented to supplement the basic financial statements. Such information, 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 28, 2019 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 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 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 the Academy's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company". The signature is written in a cursive style and is positioned above a large, horizontal, oval-shaped flourish or underline.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

October 28, 2019

MICHIGAN VIRTUAL CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

Our discussion and analysis of Michigan Virtual Charter Academy's (the Academy) financial performance provides an overview of the Academy's financial activities for fiscal year ended June 30, 2019. Please read it in conjunction with the Academy's financial statements and accompanying notes to those statements in order to better understand the Academy's financial performance as a whole.

Financial Highlights

Major financial highlights for 2019 include:

- Total net position increased to \$4,112,703 for 2018-2019 from \$3,463,793 in 2017-2018.
- Total revenue for the 2018-2019 year-end was \$26,836,927 up from total revenue for fiscal year 2017-2018 of \$25,982,754. Total revenue includes \$1,891,278 in federal grant funding and \$268,541 from local and other sources.
- The 2018-2019 funded enrollment was 2,852 down from funded 2017-2018 enrollment of 2,855.
- The Academy does not have any long term debt.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's most significant fund - the general fund, with all other funds presented in one column as non-major funds.

Basic Financial Statements

The first two statements in the basic financial statements are the academy-wide financial statements. They provide both short and long-term information about the Academy's financial standing. The next statements are Fund Financial Statements. These statements focus on the activities of the individual segments of the Academy's government. These statements are more detailed than the academy-wide financial statements. Immediately following the fund financial statements are the supplemental information that provides details about the Academy's funds. Next are the Notes to the Financial Statements that offer a detailed explanation of the data contained in the financial statements.

MICHIGAN VIRTUAL CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position- the difference between position and liabilities, as reported in the Statement of Net Position- as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position- as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services and community services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law. However, the Academy establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial position that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation report.

MICHIGAN VIRTUAL CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

The Academy as a Whole

The Statement of Net Position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2019 and 2018:

Table 1
Statement of Net Position

	Governmental Activities <u>June 30, 2019</u>	Governmental Activities <u>June 30, 2018</u>
Assets		
Current and Other Assets	\$ 9,260,834	\$ 8,837,040
Capital Assets (net)	-	-
Total Assets	<u>\$ 9,260,834</u>	<u>\$ 8,837,040</u>
Liabilities		
Current and Other Liabilities	<u>\$ 5,148,131</u>	<u>\$ 5,373,247</u>
Net Position		
Investment in Capital Assets	\$ -	\$ -
Unrestricted Assets	<u>4,112,703</u>	<u>3,463,793</u>
Total Net Position	<u>\$ 4,112,703</u>	<u>\$ 3,463,793</u>

Current and other assets totaled \$9,260,834 and \$8,837,040 for fiscal years June 30, 2019 and June 30, 2018, respectively, and are comprised almost entirely of cash and amounts due from other governmental units. Unrestricted net position was \$4,112,703 and \$3,463,793 as of June 30, 2019 and June 30, 2018, respectively. Net position related to investment in capital assets was \$0 at June 30, 2019 and 2018.

MICHIGAN VIRTUAL CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (Table 2), which shows the change in net position for the fiscal years ended June 30, 2019 and 2018:

Table 2
Statement of Activities

	Governmental Activities <u>June 30, 2019</u>	Governmental Activities <u>June 30, 2018</u>
Revenue		
Program Revenue:		
Operating Grants	\$ 3,568,297	\$ 3,567,728
General Revenue		
State Foundation Allowance	23,000,091	22,015,195
Miscellaneous Revenue	268,539	399,831
	<u> </u>	<u> </u>
Total Revenue	<u>\$ 26,836,927</u>	<u>\$ 25,982,754</u>
Functions/Program Expenditures		
Instruction	\$ 15,692,347	\$ 14,345,718
Support Services	9,942,939	9,743,115
Community Services	552,731	534,446
Unallocated Depreciation	-	-
	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 26,188,017</u>	<u>\$ 24,623,279</u>
Increase in Net Position	\$ 648,910	\$ 1,359,475
Net Position - Beginning of Year	<u>3,463,793</u>	<u>2,104,318</u>
Net Position - End of Year	<u>\$ 4,112,703</u>	<u>\$ 3,463,793</u>

Over 84% in 2019 and 85% in 2018, of our total revenue was from state foundation allowance. Grants and other miscellaneous revenue accounted for 16% in 2019 and 15% in 2018, of total revenue. The costs of all governmental activities are approximately \$1,565,000 more than last year. Total expenditures for the years ended June 30, 2019 and June 30, 2018, were \$26,188,017 and \$24,623,279, respectively.

MICHIGAN VIRTUAL CHARTER ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2019

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Economic Factors and Next Year's Budgets and Rates

One of the most important factors affecting the budget is our student count. The Academy budgeted enrollment at 3,074 funded FTE for the 2019-2020 school year.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to its various school districts. The Academy prepared its 2019-2020 budget assuming a foundation allowance of \$7,871 per student.

The Academy intends to amend its budget based on final per pupil foundation allowance and actual student enrollment as of the first count date in early October. In addition, the Academy continues to be diligent in its spending and monitors the budget closely.

Contacting the Academy's Management

This financial report is intended to provide all stakeholders with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to the Head of School, Michigan Virtual Charter Academy, 5910 Tahoe Drive SE, Suite B, Grand Rapids, MI 49546.

MICHIGAN VIRTUAL CHARTER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Assets	
Cash and Cash Equivalents	\$ 3,856,824
Due from Other Governmental Units	5,286,180
Prepaid Expense	115,330
Deposits	<u>2,500</u>
Total Assets	<u>\$ 9,260,834</u>
LIABILITIES AND NET POSITION	
Liabilities	
Accounts Payable	\$ 3,498,732
Accrued Expenditures	1,169,412
Unearned Revenue	<u>479,987</u>
Total Liabilities	<u>\$ 5,148,131</u>
Net Position	
Investment in Capital Assets	\$ -
Unrestricted	<u>4,112,703</u>
Total Net Position	<u>\$ 4,112,703</u>

The accompanying notes are an integral part of this financial statement.

MICHIGAN VIRTUAL CHARTER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 15,692,347	\$ -	\$ 1,785,687	\$ (13,906,660)
Support Services	9,942,939	-	1,264,499	(8,678,440)
Community Services	552,731	-	518,111	(34,620)
Unallocated Depreciation	-	-	-	-
Total Governmental Activities:	<u>\$ 26,188,017</u>	<u>\$ -</u>	<u>\$ 3,568,297</u>	<u>\$ (22,619,720)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 23,000,091
Miscellaneous Revenue				<u>268,539</u>
Total General Revenues				<u>\$ 23,268,630</u>
Change in Net Position				\$ 648,910
Net Position, Beginning of Year				<u>3,463,793</u>
Net Position, End of Year				<u>\$ 4,112,703</u>

The accompanying notes are an integral part of this financial statement.

MICHIGAN VIRTUAL CHARTER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 3,856,824	\$ -	\$ 3,856,824
Due from Other Governmental Units	5,286,180	-	5,286,180
Prepaid Expense	115,330	-	115,330
Deposits	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Assets	<u>\$ 9,260,834</u>	<u>\$ -</u>	<u>\$ 9,260,834</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 3,498,732	\$ -	\$ 3,498,732
Accrued Expenditures	1,169,412	-	1,169,412
Unearned Revenue	<u>479,987</u>	<u>-</u>	<u>479,987</u>
Total Liabilities	<u>\$ 5,148,131</u>	<u>\$ -</u>	<u>\$ 5,148,131</u>
Fund Balances			
Non-spendable	\$ 117,830	\$ -	\$ 117,830
Unassigned	<u>3,994,873</u>	<u>-</u>	<u>3,994,873</u>
Total Fund Balances	<u>\$ 4,112,703</u>	<u>\$ -</u>	<u>\$ 4,112,703</u>
Total Liabilities and Fund Balances	<u>\$ 9,260,834</u>	<u>\$ -</u>	<u>\$ 9,260,834</u>
Total Governmental Fund Balances			\$ 4,112,703
Amounts reported for governmental activities in the Statement of Net Position that are different:			
Cost of the capital assets is		\$ 70,408	
Accumulated depreciation is		<u>(70,408)</u>	<u>-</u>
Total Net Position of Governmental Activities			<u>\$ 4,112,703</u>

The accompanying notes are an integral part of this financial statement.

MICHIGAN VIRTUAL CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Sources	\$ 268,541	\$ -	\$ 268,541
State Sources	24,677,108	-	24,677,108
Federal Sources	<u>1,891,278</u>	<u>-</u>	<u>1,891,278</u>
Total Revenue	<u>\$ 26,836,927</u>	<u>\$ -</u>	<u>\$ 26,836,927</u>
EXPENDITURES:			
Instruction:			
Basic Programs	\$ 13,123,215	\$ -	\$ 13,123,215
Added Needs	<u>2,569,132</u>	<u>-</u>	<u>2,569,132</u>
Total Instruction	<u>\$ 15,692,347</u>	<u>\$ -</u>	<u>\$ 15,692,347</u>
Support Services:			
Pupil Services	\$ 2,062,183	\$ -	\$ 2,062,183
Instructional Support	1,877,906	-	1,877,906
General Administration	3,954,950	-	3,954,950
School Administration	273,776	-	273,776
Business Services	25,934	-	25,934
Operations and Maintenance	150,014	-	150,014
Transportation	1,325	-	1,325
Central Support Services	<u>1,596,851</u>	<u>-</u>	<u>1,596,851</u>
Total Support Services	<u>\$ 9,942,939</u>	<u>\$ -</u>	<u>\$ 9,942,939</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Community Services	<u>\$ 552,731</u>	<u>\$ -</u>	<u>\$ 552,731</u>
Total Expenditures	<u>\$ 26,188,017</u>	<u>\$ -</u>	<u>\$ 26,188,017</u>
Excess of Revenue over Expenditures	<u>\$ 648,910</u>	<u>\$ -</u>	<u>\$ 648,910</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 648,910</u>	<u>\$ -</u>	<u>\$ 648,910</u>
Beginning of Year	<u>3,463,793</u>	<u>-</u>	<u>3,463,793</u>
End of Year	<u>\$ 4,112,703</u>	<u>\$ -</u>	<u>\$ 4,112,703</u>

The accompanying notes are an integral part of this financial statement.

MICHIGAN VIRTUAL CHARTER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds	<u>\$ 648,910</u>
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Change in Net Position - Governmental Activities	<u>\$ 648,910</u>
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The accompanying notes are an integral part of this financial statement.

MICHIGAN VIRTUAL CHARTER ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		
				<u>Positive /</u>
				<u>(Negative)</u>
REVENUES:				
Local Sources	\$ 395,550	\$ 310,788	\$ 268,541	\$ (42,247)
State Sources	24,079,056	24,702,395	24,677,108	(25,287)
Federal Sources	<u>1,827,671</u>	<u>1,967,331</u>	<u>1,891,278</u>	<u>(76,053)</u>
Total Revenues	<u>\$ 26,302,277</u>	<u>\$ 26,980,514</u>	<u>\$ 26,836,927</u>	<u>\$ (143,587)</u>
EXPENDITURES:				
Instruction:				
Basic Programs	\$ 13,057,041	\$ 13,218,270	\$ 13,123,215	\$ 95,055
Added Needs	<u>2,681,176</u>	<u>2,579,043</u>	<u>2,569,132</u>	<u>9,911</u>
Total Instruction	<u>\$ 15,738,217</u>	<u>\$ 15,797,313</u>	<u>\$ 15,692,347</u>	<u>\$ 104,966</u>
Support Services:				
Pupil Services	\$ 2,160,840	\$ 2,154,260	\$ 2,062,183	\$ 92,077
Instructional Staff	1,912,016	2,008,088	1,877,906	130,182
General Administration	3,890,614	4,003,465	3,954,950	48,515
School Administration	239,082	275,410	273,776	1,634
Business Services	25,933	25,934	25,934	-
Operations and Maintenance	159,298	150,131	150,014	117
Transportation	-	756	1,325	(569)
Central Support Services	<u>1,556,450</u>	<u>1,595,466</u>	<u>1,596,851</u>	<u>(1,385)</u>
Total Support Services	<u>\$ 9,944,233</u>	<u>\$ 10,213,510</u>	<u>\$ 9,942,939</u>	<u>\$ 270,571</u>
Community Services	<u>\$ 525,826</u>	<u>\$ 552,887</u>	<u>\$ 552,731</u>	<u>\$ 156</u>
Total Expenditures	<u>\$ 26,208,276</u>	<u>\$ 26,563,710</u>	<u>\$ 26,188,017</u>	<u>\$ 375,693</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 94,001</u>	<u>\$ 416,804</u>	<u>\$ 648,910</u>	<u>\$ 232,106</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	\$ 94,001	\$ 416,804	\$ 648,910	\$ 232,106
Beginning of Year	<u>3,074,981</u>	<u>3,463,793</u>	<u>3,463,793</u>	<u>-</u>
End of Year	<u><u>\$ 3,168,982</u></u>	<u><u>\$ 3,880,597</u></u>	<u><u>\$ 4,112,703</u></u>	<u><u>\$ 232,106</u></u>

The accompanying notes are an integral part of this financial schedule.

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **ORGANIZATION**

Michigan Virtual Charter Academy (“the Academy”) is a school of excellence that is a cyber school as that term is defined pursuant to Part 6E of the Michigan Revised School Code of 1976, as amended. The Michigan Department of Education has issued a school district number to the Academy. The Academy began operations on July 1, 2010.

On July 1, 2018, the Academy entered into a two-year contract renewal with Grand Valley State University. 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. Grand Valley State University 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 Grand Valley State University three percent (3%) of its state aid as administrative fees. The total administrative fees for the year ended June 30, 2019 were \$666,296.

Also see Note (11).

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy’s activities are classified as governmental activities.

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 or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the Academy-wide financial statements.

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)**

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 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.

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy does not have any non-major governmental funds.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Michigan Virtual Charter Academy (the "Academy") are described below:

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Deferred Outflow and Inflow of Resources

Deferred Outflow of Resources are defined as the consumption or usage of net assets applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources are defined as the acquisition of net position applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

Capital Assets

Capital assets purchased or acquired are capitalized at individual cost. Donated fixed assets are recorded at fair market value on the date of donation. The Academy's capitalization policy is to capitalize individual purchases that exceed \$1,000 and have estimated useful lives in excess of one year.

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

Furniture and other equipment	3-5 years
-------------------------------	-----------

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Budgets and Budgetary Accounts

The General Fund budget was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year end June 30, 2019, expenditures exceeded appropriations as follows:

General Fund	Budget	Actual	Variance
Transportation	\$ 756	\$ 1,325	\$ (569)
Central Support Services:	1,595,466	1,596,851	(1,385)

(4) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and Cash Equivalents	<u>\$ 3,856,824</u>
---------------------------	---------------------

State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$4,187,380 of this amount \$3,937,380 was not covered by federal depository insurance.

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(5) **DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units as of June 30, 2019 were as follows:

State of Michigan - State Aid	\$ 4,476,355
State of Michigan - Federal Grant	696,128
Kent ISD	38,039
Kent ISD - Federal Grant	<u>75,658</u>
Total	<u>\$ 5,286,180</u>

(6) **MANAGEMENT AGREEMENT**

For the year ended June 30, 2019, the Academy utilized a management company, K12 Virtual Schools, LLC (“K12”), a profit corporation. K12 provides all Academy personnel, as well as all Academy management and curriculum services. K12 is reimbursed for its direct costs as approved in the Academy’s budget. The total management and technology fees were \$3,144,692 for the year ended June 30, 2019.

(7) **OPERATING LEASE COMMITMENTS**

The Academy is a sub-tenant to an operating lease between K12 and Riverview Center, LLC. The lease expires on August 31, 2019. Lease payments for the year amounted to \$72,630. The Academy is also party to equipment leases that require monthly payments in varying amounts. (See Note 11.)

Minimum future lease payments are as follows:

	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 12,164	\$ 3,540	\$ 15,704
2021	-	3,540	3,540
2022	-	<u>3,160</u>	<u>3,160</u>
Total	<u>\$ 12,164</u>	<u>\$ 10,240</u>	<u>\$ 22,404</u>

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(8) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>
Furniture and Equipment	\$ 70,408	\$ -	\$ -	\$ 70,408
Less: Accumulated Depreciation	<u>(70,408)</u>	<u>-</u>	<u>-</u>	<u>(70,408)</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(9) **COMMITMENTS AND CONTINGENCIES**

The Academy receives its funding from state aid (foundation allowance revenue), state and federal grants, and the intermediate school district. Payments made in the current audit year can be offset by future payments and adjustments made accordingly.

(10) **DEFERRED INFLOW – UNAVAILABLE REVENUE/UNEARNED REVENUE**

The Academy reports unavailable revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The Academy also records unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue are as follows:

	<u>Deferred Inflow - Unavailable</u>	<u>Unearned</u>
Grants and categorical aid payments received prior to meeting all eligibility requirements.	\$ -	\$ 479,987
Total	<u>\$ -</u>	<u>\$ 479,987</u>

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

(11) **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 28, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

The Academy entered into a five (5) year charter agreement with the School District of the City of Hazel Park effective July 1, 2019.

The Academy moved its office in September 2019 and entered into a five (5) year lease agreement. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 68,171
2021	87,821
2022	90,027
2023	92,292
2024	94,615
2025	<u>19,813</u>
Total	<u>\$ 452,738</u>

MICHIGAN VIRTUAL CHARTER ACADEMY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

MICHIGAN VIRTUAL CHARTER ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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**GREGORY
TERRELL
& COMPANY**

**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**

To the Board of Directors
Michigan Virtual Charter Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Virtual Charter Academy (the "Academy") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

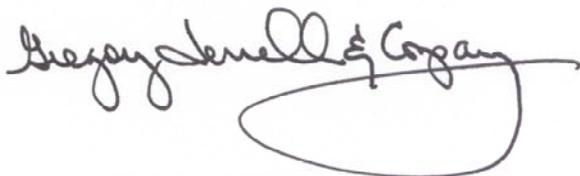
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Gregory Terrell & Company". The signature is written in a cursive style and is positioned above a large, horizontal, oval-shaped flourish.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

October 28, 2019



**GREGORY
TERRELL
& COMPANY**

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

To the Board of Directors
Michigan Virtual Charter Academy

Report on Compliance for Each Major Federal Program

We have audited Michigan Virtual Charter Academy's (the "Academy") compliance with the types of compliance requirements described 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, 2019. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's 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.

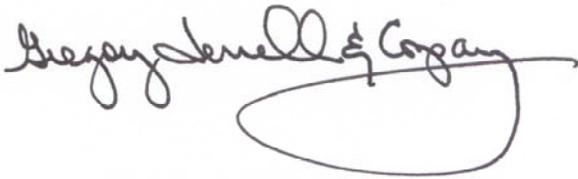
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, each major fund, and the aggregate remaining fund information of the Academy as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated October 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted 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.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink and includes a large, sweeping underline that loops back under the text.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

October 28, 2019

MICHIGAN VIRTUAL CHARTER ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at 1-Jul-18	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at 30-Jun-19
DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education Office of Elementary and Secondary Education Program.								
Title I, Part A - Improving Basic Programs	84.010A							
Project #181530-1718		\$ 1,201,903	\$ 1,118,843	\$ 349,055	\$ -	\$ 349,055	\$ -	\$ -
Project #191530-1819		<u>1,287,208</u>	<u>-</u>	<u>-</u>	<u>(5,914)</u>	<u>548,724</u>	<u>1,173,641</u>	<u>619,003</u>
Total		<u>2,489,111</u>	<u>1,118,843</u>	<u>349,055</u>	<u>(5,914)</u>	<u>897,779</u>	<u>1,173,641</u>	<u>619,003</u>
Title II, Part A - Supporting Effective Instruction	84.367A							
Project # 180520-1718		171,009	115,238	43,840	-	43,840	-	-
Project # 190520-1819		<u>278,412</u>	<u>-</u>	<u>-</u>	<u>(2,270)</u>	<u>61,469</u>	<u>127,100</u>	<u>63,361</u>
Total		<u>449,421</u>	<u>115,238</u>	<u>43,840</u>	<u>(2,270)</u>	<u>105,309</u>	<u>127,100</u>	<u>63,361</u>
Title IV, Part A - Student Support and Academic Enrichment	84.424A							
Project # 180750-1718		20,621	12,750	12,750	-	13,524	774	-
Project # 190750-1819		<u>87,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,764</u>	<u>13,764</u>
Total		<u>108,034</u>	<u>12,750</u>	<u>12,750</u>	<u>-</u>	<u>13,524</u>	<u>14,538</u>	<u>13,764</u>
Total Office of Elementary and Secondary Education		<u>\$ 3,046,566</u>	<u>\$ 1,246,831</u>	<u>\$ 405,645</u>	<u>\$ (8,184)</u>	<u>\$ 1,016,612</u>	<u>\$ 1,315,279</u>	<u>\$ 696,128</u>
DEPARTMENT OF EDUCATION								
Passed through the Michigan Department of Education Kent County ISD								
IDEA Regular Flow through-Special Education Grants to State	84.027A							
2017-2018 - 180450		843,291	814,732	47,028	-	91,242	44,214	-
2018-2019 - 190450		<u>535,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,896</u>	<u>535,255</u>	<u>70,359</u>
Total		<u>1,378,546</u>	<u>814,732</u>	<u>47,028</u>	<u>-</u>	<u>556,138</u>	<u>579,469</u>	<u>70,359</u>
Title III Flow through								
Title III, Part A - Language Instruction for English Learners	84.365A							
Project # 180580-1718		9,784	8,482	585	(585)	-	-	-
Project # 190580-1819		<u>9,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,299</u>	<u>5,299</u>
Total		<u>18,902</u>	<u>8,482</u>	<u>585</u>	<u>(585)</u>	<u>-</u>	<u>5,299</u>	<u>5,299</u>
Total Kent County ISD		<u>1,397,448</u>	<u>823,214</u>	<u>47,613</u>	<u>(585)</u>	<u>556,138</u>	<u>584,768</u>	<u>75,658</u>
TOTAL FEDERAL AWARDS		<u>\$ 4,444,014</u>	<u>\$ 2,070,045</u>	<u>\$ 453,258</u>	<u>\$ (8,769)</u>	<u>\$ 1,572,750</u>	<u>\$ 1,900,047</u>	<u>\$ 771,786</u>

The accompanying notes are an integral part of this schedule.

MICHIGAN VIRTUAL CHARTER ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial awards programs of the Academy and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized the Grants Section Auditors Report and CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

(4) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Uniform Guidance.

(5) **RECONCILIATION OF FEDERAL REVENUE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Revenue - Financial Statement General Fund	<u>\$ 1,891,278</u>
Federal Expenditures - Schedule of Expenditures of Federal Awards (SEFA)	\$ 1,900,047
Adjustments- Disallowed Title I, II and III Costs 2016 - 2017 Program Year	<u>(8,769)</u>
Total Federal Revenue Reported	<u>\$ 1,891,278</u>

(6) **INDIRECT COST**

The 10% de minimis indirect cost rate was not elected.

MICHIGAN VIRTUAL CHARTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION I: SUMMARY OF AUDITORS' RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of the Academy.
- (2) There were no significant deficiencies disclosed during the audit of the financial statements.
- (3) No instances of noncompliance material to the financial statements of the Academy, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- (4) There were no significant deficiencies or material weaknesses in internal control over major program compliance.
- (5) The auditors' report on compliance for the major federal award programs for the Academy expresses an unqualified opinion on all major federal programs.
- (6) There are no audit findings that are required to be reported in accordance with the Uniform Guidance.
- (7) The programs tested as major programs were:

Title I, Part A	CFDA 84.010A
-----------------	--------------
- (8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- (9) The Academy did qualify as a low-risk auditee.

MICHIGAN VIRTUAL CHARTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION II: FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2019

MICHIGAN VIRTUAL CHARTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION III: FEDERAL AWARDS FINDINGS

There were no Federal Awards findings for the year ended June 30, 2019.

MICHIGAN VIRTUAL CHARTER ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs for the year ended June 30, 2018.



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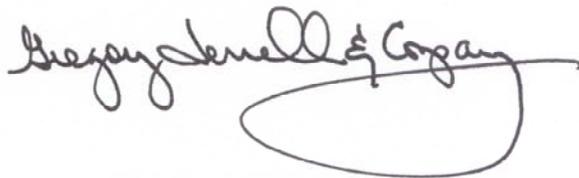
To the Management and
The Board of Directors of
Michigan Virtual Charter Academy

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Virtual Charter Academy (the "Academy") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.



GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

October 28, 2019



**GREGORY
TERRELL
& COMPANY**

October 28, 2019

To the Board of Directors
Michigan Virtual Charter Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Virtual Charter Academy for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Michigan Virtual Charter Academy are described in Note 3 to the financial statements. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Michigan Virtual Charter Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink and includes a large, sweeping flourish at the bottom.

GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

October 28, 2019