



## PREVAIL ACADEMY

Financial Statements as of and for the Year Ended June 30, 2023, Required Supplementary Information and Additional Information for the Year Ended June 30, 2023, and Independent Auditor's Reports

**NATIONAL  
HERITAGE  
ACADEMIES** 

# PREVAIL ACADEMY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Prevail Academy

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Prevail Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Prevail Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Prevail Academy, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prevail Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prevail Academy's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of Prevail Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Prevail Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prevail Academy's internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 23, 2023

# PREVAIL ACADEMY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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This section of the annual financial report for Prevail Academy (the "Academy") provides an overview of the Academy's financial activities as of and for the fiscal year ended June 30, 2023. It should be read in conjunction with the financial statements, which immediately follow this section.

### 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 the other fund presented in one column as the major Food Service Fund.

Management's Discussion and Analysis  
(Required Supplementary Information)

#### Basic Financial Statements

Academy-wide Financial Statements      Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for the Governmental Funds

(Additional Information)  
Statement of Revenues — General Fund

Schedule of Expenditures and Federal Awards

### Reporting the Academy as a whole — 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 the cash is received or paid.

The Academy's Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy's financial position. The relationship between revenues and expenses is the Academy's operating results. The Academy's goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all the Academy's services, including instruction, support services and food services. State aid (based on student count) and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

### **Reporting the Academy's 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 as required by state law (the Food Service Fund is an example). 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. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a 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 reconciliations presented as part of the statements.



## The Academy as a Whole

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

	2023	2022
Assets - Current	\$ 1,235,582	\$ 1,423,725
Liabilities - current	<u>1,197,679</u>	<u>1,160,736</u>
Net position:		
Restricted - Food Service Fund	-	209,900
Unrestricted	<u>37,903</u>	<u>53,089</u>
Total net position	<u>\$ 37,903</u>	<u>\$ 262,989</u>

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements.

The results of the current-year operations for the Academy as a whole are reported in the Statement of Activities, which shows the change in net position. The results of operations for the Academy as a whole are reported in the summarized Statements of Activities (below) which show the changes in net position for the fiscal years ended June 30:

	2023	2022
Revenues:		
State aid	\$ 5,303,249	\$ 5,393,657
Operating grants	2,337,282	2,097,308
Charges for services	-	44,604
Private sources - NHA	<u>152,860</u>	<u>-</u>
Total revenues	7,793,391	7,535,569
Expenses—		
Contracted service fee:		
Instruction	3,802,603	3,591,905
Support services	4,003,711	3,524,307
Food services	<u>628</u>	<u>335,412</u>
Total expenses	<u>7,806,942</u>	<u>7,451,624</u>
SPECIAL ITEM - Transfer of operations	<u>(211,535)</u>	<u>-</u>
Change in net position	<u>\$ (225,086)</u>	<u>\$ 83,945</u>

As reported in the Statement of Activities, the cost of governmental activities was \$7,806,942. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants.

The Academy experienced a decrease in net position of \$225,086 in 2023. The primary reason for the change in net position is due to the transfer of the Academy's food service operations as described in Note 9 "Transfer of Operations".

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 12.

### **Fund Financial Statements**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The Food Service Fund represents food service activities. The Academy's combined fund balance was \$37,903 at June 30, 2023.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 11.

### **General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. 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 supplementary information of these financial statements.

Budgeted revenues for the General Fund were decreased by \$617,554 from the original budget. Revenues were changed to reflect the following:

State Aid	<i>Decrease</i>
Other State Sources	<i>Decrease</i>
Local Sources	<i>Increase</i>
Federal Sources	<i>Decrease</i>
Private Sources	<i>Decrease</i>
Private Sources - NHA	<i>Increase</i>

Budgeted expenditures for the General Fund were decreased by \$617,553. This change was to reflect the change in anticipated funding. Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements (refer to Note 2).

### **Food Service Fund Budgetary Highlights**

A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements. Budgeted revenues for the Food Service Fund were increased by \$1,778 from the original budget.

Budgeted expenditures for the Food Service Fund were increased by \$57,811. This change was to reflect additional investments to utilize the existing fund balance. During the year, the Academy transferred the assets and liabilities comprising its food service activity and school meals program to Center Line Preparatory Academy for the purpose of enhancing its food service program (see Note 9 – Transfer of Operations).

### **Capital Assets**

At June 30, 2023, the Academy had \$0 invested in capital assets. Capital assets are substantially provided as part of the agreement with NHA.

### **General Economic Factors and Next Year's Budgets**

Our officials and administration consider many factors when setting the Academy's 2024 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2024 fiscal year is expected to be 90% and 10% of the October 2023 and February 2023 student counts, respectively. The 2024 budget was adopted in June 2023. Approximately 68% of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2024 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2024 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to public school academies. The State periodically holds a revenue-estimating conference to estimate revenues. If the State estimates funds are not sufficient to fund the appropriation, the legislature must revise the appropriation or proration of state aid will occur.

### **Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Suite 201; Grand Rapids, Michigan 49512.

# PREVAIL ACADEMY

## STATEMENT OF NET POSITION YEAR ENDED JUNE 30, 2023

	Governmental Activities
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash	\$ 38,755
Due from governmental revenue sources	<u>1,196,827</u>
Total current assets	<u>1,235,582</u>
NON-CURRENT ASSETS:	
Capital assets	5,306
Less accumulated depreciation	<u>(5,306)</u>
Total capital assets, net of accumulated depreciation	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 1,235,582</u></u>
 <b>LIABILITIES AND NET POSITION</b>	
LIABILITIES:	
Unearned revenue	\$ 454,695
Accounts payable	95
Contracted service fee payable	<u>742,889</u>
Total liabilities	<u>1,197,679</u>
NET POSITION:	
Unrestricted	<u>37,903</u>
Total net position	<u>37,903</u>
<b>TOTAL</b>	<u><u>\$ 1,235,582</u></u>

See notes to financial statements.

# PREVAIL ACADEMY

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

		Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS —				
Contracted service fee:				
Instruction	\$ 3,802,603	\$ -	\$ 1,281,159	\$ (2,521,444)
Support services	4,003,711	-	1,055,495	(2,948,216)
Food services	628	-	628	-
Total governmental activities	<u>\$ 7,806,942</u>	<u>\$ -</u>	<u>\$ 2,337,282</u>	(5,469,660)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				5,303,249
Private sources - NHA				<u>152,860</u>
Total general purpose revenue				<u>5,456,109</u>
SPECIAL ITEM - Transfer of operations				
				<u>(211,535)</u>
CHANGE IN NET POSITION				
				(225,086)
NET POSITION:				
Beginning of year				<u>262,989</u>
End of year				<u>\$ 37,903</u>

See notes to financial statements.

# PREVAIL ACADEMY

## BALANCE SHEET - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2023

	General Fund	Food Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 38,755	\$ -	\$ 38,755
Due from governmental revenue sources	<u>1,196,827</u>	<u>-</u>	<u>1,196,827</u>
<b>TOTAL</b>	<b><u>\$ 1,235,582</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,235,582</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Unearned revenue	\$ 454,695	\$ -	\$ 454,695
Accounts payable	95	-	95
Contracted service fee payable	<u>694,423</u>	<u>-</u>	<u>694,423</u>
Total liabilities	<u>1,149,213</u>	<u>-</u>	<u>1,149,213</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue	<u>48,466</u>	<u>-</u>	<u>48,466</u>
Total liabilities and deferred inflows of resources	<u>1,197,679</u>	<u>-</u>	<u>1,197,679</u>
<b>FUND BALANCE:</b>			
Committed	1,439	-	1,439
Unassigned	<u>36,464</u>	<u>-</u>	<u>36,464</u>
Total fund balance	<u>37,903</u>	<u>-</u>	<u>37,903</u>
<b>TOTAL</b>	<b><u>\$ 1,235,582</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,235,582</u></b>

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total governmental fund balance		\$ 37,903
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Capital assets cost	\$ 5,306	
Accumulated depreciation	<u>(5,306)</u>	<u>-</u>
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds		48,466
Contracted service fee payable not due and payable in the current period and not reported in the funds		(48,466)
Net position of governmental activities		<u>\$ 37,903</u>

See notes to financial statements.

# PREVAIL ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2023

	General Fund	Food Service Fund	Total Governmental Funds
REVENUES:			
State aid	\$ 5,303,249	\$ -	\$ 5,303,249
Other state sources	530,626	1,635	532,261
Federal sources	1,369,319	628	1,369,947
Private sources	21,499	-	21,499
Local sources	406,206	-	406,206
Private sources - NHA	152,860	-	152,860
Total revenues	7,783,759	2,263	7,786,022
EXPENDITURES — Contracted service fee:			
Instruction	3,802,603	-	3,802,603
Support services	3,996,342	-	3,996,342
Food services	-	628	628
Total expenditures	7,798,945	628	7,799,573
REVENUES (UNDER) OVER EXPENDITURES	(15,186)	1,635	(13,551)
SPECIAL ITEMS			
Transfer of operations	-	(211,535)	(211,535)
NET CHANGE IN FUND BALANCE	(15,186)	(209,900)	(225,086)
FUND BALANCE — Beginning of year	53,089	209,900	262,989
FUND BALANCE — End of year	\$ 37,903	\$ -	\$ 37,903

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Net change in fund balance — total governmental funds	\$ (225,086)
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation	-
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	48,466
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(41,097)
Contracted service fee recognized consistent with the revenue policy	(7,369)
Change in net position of governmental activities	\$ (225,086)

See notes to financial statements.

# PREVAIL ACADEMY

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

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### 1. NATURE OF OPERATIONS

Prevail Academy (the “Academy”) is a Michigan Public School Academy that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter contract approved by Bay Mill Community College, which is responsible for oversight of the Academy’s operations. The charter contract expires June 30, 2028 and is subject to renewal.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

The Academy’s primary source of revenue is provided by the State of Michigan and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and is funded through payments from October 2022 through August 2023.

The Board of Directors of the Academy has entered into a services agreement (the “agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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 nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Academy’s government-wide activities are considered 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. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Academy-Wide Statements* — The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

*Fund Based Statements* — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis 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. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue. Interfund transfers are used to subsidize operations of the Food Service Fund.

*Fund Classification* — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Academy reports the following major governmental funds:

*General Fund* — The General Fund is used to account for the general educational programs of the Academy. Its revenues are derived primarily from the State of Michigan.

*Food Service Fund* — The Food Service Fund is used to account for the food service operation. Its revenues are derived primarily from a federal grant and student charges.

*Capital Assets* — Capital assets, which include other equipment, are reported in the applicable governmental column in the Academy-wide financial statements at historical costs of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

*Estimates* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

*Cash* — Cash as of June 30, 2023 represents bank deposits which are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk.

*Unavailable and Unearned Revenue* — Unavailable revenue is reported in connection with receivables for revenue that is not considered measurable and available to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2023, a deferred inflow for unavailable revenue was recognized for \$48,466 and a liability for unearned revenue was recognized for \$454,695.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2023 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

*Fund Balance* — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2023, the Academy had \$1,439 in committed fund balance, and \$36,464 in unassigned fund balance. The committed fund balance has been committed by resolutions of the Board of Directors for student, parent and staff appreciation, athletics, and board training and development.

*Budgetary Information* — Annual budgets are adopted on a basis utilizing generally accepted accounting principles and consistent with state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. The budgets can be amended by the Board of Directors as considered necessary. The budgets were amended to decrease budgeted revenues and expenditures for the General Fund by \$617,554 and \$617,553 and to increase budgeted revenues and expenditures for the Food Service Fund by \$1,778 and \$57,811, respectively.

### **3. DUE FROM GOVERNMENTAL REVENUE SOURCES**

Receivables as of June 30, 2023 for the Academy included \$984,783 in state aid receivable, \$114,284 in other state sources, \$5,725 in ISD and other receivables, and \$92,035 in federal grants receivable. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

### **4. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2023, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

### **5. CONTINGENCIES**

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **6. LEASE**

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2022 through June 30, 2023. Annual rental payments required by the lease are \$940,000 payable in twelve monthly payments of \$78,333. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA. The lease agreement can be cancelled upon termination of the NHA services agreement.

The Academy is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, *Leases* based on the noncancellable period being less than 12 months and applicability of the short-term lease exception for the facility lease agreement.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2023 through June 30, 2024, at the same rental rate.

### **7. OVERSIGHT FEES**

The Academy pays an administrative oversight fee of 3% of its state school aid to Bay Mills Community College, as set forth by contract, to reimburse the University Board for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2023 the Academy incurred expenses of \$180,942 for oversight fees.

## **8. MANAGEMENT AGREEMENT**

The Academy currently has a management agreement with National Heritage Academies (NHA) for operations of the Academy through June 2028. Under the terms of the management agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

As part of the management agreement, the Academy leases all of its employees from NHA. Salaries, retirement, social security, health insurance, and unemployment taxes are the responsibility of NHA.

The amount due to NHA at June 30, 2023 was \$694,423, and is recorded at the fund level.

## **9. TRANSFER OF OPERATIONS**

On July 1, 2022, the Academy transferred the assets and liabilities comprising its food service activity and school meals program to Center Line Preparatory Academy for the purpose of enhancing its food service program. As a result of the transfer, the Academy recognized a loss of \$211,535 on the statement of activities and on the statement of revenues, expenditures and changes in fund balances for the transfer of its food service operations as a special item. The Academy reported revenues and expenditures as disclosed on the statement of revenues, expenditures and changes in fund balances for the food service activity within the school service fund.

## **10. UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**

## PREVAIL ACADEMY

### REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
REVENUES:				
State aid	\$ 5,835,101	\$ 5,304,484	\$ 5,303,249	\$ (1,235)
Other state sources	821,108	532,681	530,626	(2,055)
Local sources	358,162	411,354	406,206	(5,148)
Federal sources	1,526,219	1,515,104	1,369,319	(145,785)
Private sources	33,900	17,542	21,499	3,957
Private sources - NHA	-	175,771	152,860	(22,911)
Total revenues	<u>8,574,490</u>	<u>7,956,936</u>	<u>7,783,759</u>	<u>(173,177)</u>
EXPENDITURES - Contracted service fee:				
Instruction:				
Basic instruction	3,782,578	3,124,331	2,885,169	(239,162)
Added needs	1,190,865	876,628	917,434	40,806
Support services:				
Pupil services	425,922	403,413	439,278	35,865
Instructional staff services	1,069,473	758,784	763,281	4,497
General Administration	296,398	288,557	321,882	33,325
School Administration	628,162	670,063	659,733	(10,330)
Business & Internal Services	49,587	91,246	91,320	74
Central services	240,409	237,088	229,993	(7,095)
Pupil transportation services	5,675	4,850	24,116	19,266
Pupil Activities	1,609	23,557	22,004	(1,553)
Operations and maintenance	880,483	1,464,875	1,431,191	(33,684)
Community Activities	3,328	13,448	13,448	-
Welfare Activities	-	96	96	-
Total expenditures	<u>8,574,489</u>	<u>7,956,936</u>	<u>7,798,945</u>	<u>(157,991)</u>
REVENUES OVER (UNDER) EXPENDITURES	1	-	(15,186)	(15,186)
NET CHANGE IN FUND BALANCE	1	-	(15,186)	(15,186)
FUND BALANCE - Beginning of year	<u>53,089</u>	<u>53,089</u>	<u>53,089</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 53,090</u>	<u>\$ 53,089</u>	<u>\$ 37,903</u>	<u>\$ (15,186)</u>

## PREVAIL ACADEMY

### REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE FOOD SERVICE FUND YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
REVENUES:				
Other state sources	\$ 6,759	\$ 5,010	\$ 1,635	\$ (3,375)
Local sources	-	-	-	-
Federal sources	378,866	380,996	628	(380,368)
Private sources	-	1,397	-	(1,397)
Total revenues	385,625	387,403	2,263	(385,140)
EXPENDITURES - Contracted service fee:				
Food services	343,889	401,700	628	(401,072)
REVENUES OVER (UNDER) EXPENDITURES	41,736	(14,297)	1,635	15,932
SPECIAL ITEMS				
Transfer of operations	-	-	(211,535)	(211,535)
NET CHANGE IN FUND BALANCE	41,736	(14,297)	(209,900)	(195,603)
FUND BALANCE - Beginning of year	209,900	209,900	209,900	-
FUND BALANCE - End of year	\$ 251,636	\$ 195,603	\$ -	\$ (195,603)

## **ADDITIONAL INFORMATION**



## PREVAIL ACADEMY

### ADDITIONAL INFORMATION STATEMENT OF REVENUES — GENERAL FUND YEAR ENDED JUNE 30, 2023

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State aid	\$ 5,303,249
Other state sources:	
Special education	92,578
At-risk	395,456
Grants	<u>42,592</u>
Total	530,626
Federal sources — grants	1,369,319
Private sources — other	21,499
Local sources	406,206
Private sources — NHA	<u>152,860</u>
TOTAL	<u>\$ 7,783,759</u>

## PREVAIL CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2023	Current Year Cash Transferred to Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Cash Assistance:										
Seamless Summer Option (SSO) - Lunch 21-22	221961	10.555	\$ 277,305	\$ 277,305	\$ 20,125	\$ -	\$ 20,125	\$ -	\$ -	\$ -
Seamless Summer Option (SSO) - Breakfast 21-22	221971	10.553	54,108	54,108	3,231	-	3,231	-	-	-
Total Child Nutrition Cluster			331,413	331,413	23,356	-	23,356	-	-	-
Special Education Cluster - U.S. Department of Education - Passed through the Macomb ISD:										
IDEA Flowthrough:										
IDEA Flowthrough 21-22	220450	84.027A	147,799	147,799	84,556	-	84,556	-	-	-
IDEA Flowthrough 22-23	230450	84.027A	153,417	-	-	-	138,160	153,417	15,257	-
ARPA IDEA Flowthrough	221280	84.027X	229,772	197,239	-	-	32,533	32,533	-	-
Total Special Education Cluster			530,988	345,038	84,556	-	255,249	185,950	15,257	-
Other federal awards:										
U.S. Department of Education - Passed through the Michigan Department of Education:										
Title I Part A:										
Title I Part A 21-22	221530	84.010	264,615	190,896	46,328	-	32,443	(13,885)	-	-
Title I Part A 22-23	231530	84.010	411,265	-	-	-	293,871	369,191	75,320	-
Total Title I Part A		84.010	675,880	190,896	46,328	-	326,314	355,306	75,320	-
Title II Part A - Improving Teacher Quality:										
Title II Part A 21-22	220520	84.367	42,040	41,718	-	-	-	-	-	-
Title II Part A 22-23	230520	84.367	38,282	-	-	-	7,181	7,181	-	-
		84.367	80,322	41,718	-	-	7,181	7,181	-	-
Title IV Part A - Student Support & Academic Enrichment:										
Title IV Part A 21-22	220750	84.424	19,423	5,328	-	-	-	-	-	-
Title IV Part A 22-23	230750	84.424	33,563	-	-	-	19,037	19,235	198	-
		84.424	52,986	5,328	-	-	19,037	19,235	198	-
Education Stabilization Fund (ESF):										
COVID-19 ESSER Formula Fund I	203710	84.425D	218,266	97,950	22,140	-	27,353	5,213	-	-
COVID-19 ESSER Education Equity Fund I	203720	84.425D	32,739	6,529	4,050	-	4,050	-	-	-
COVID-19 ESSER Formula Fund II	213712	84.425D	907,444	278,644	13,474	-	147,512	134,434	396	-
COVID-19 ESSER Formula Fund III	213713	84.425U	2,039,440	-	-	-	658,124	658,988	864	-
COVID-19 Governor's Emergency Education Relief Fund (GEER)	201200	84.425C	51,970	23,743	5,625	-	12,032	6,407	-	-
Total Education Stabilization Fund Program		84.425	3,249,859	406,866	45,289	-	849,071	805,042	1,260	-
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
COVID-19 Pandemic EBT Local Level Costs	220980	10.649	628	-	-	-	628	628	-	-
Total noncluster programs passed through the Michigan Department of Education			4,059,675	644,808	91,617	-	1,202,231	1,187,392	76,778	-
Total federal awards			\$ 4,922,076	\$ 1,321,259	\$ 199,529	\$ -	\$ 1,480,836	\$ 1,373,342	\$ 92,035	\$ -

# **PREVAIL ACADEMY**

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

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### **1. BASIS OF PRESENTATION**

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Prevail Academy has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management has utilized the NexSys Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The Academy does not pass-through federal awards.

## PREVAIL ACADEMY

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

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Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,369,947
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	<u>3,395</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,373,342</u>



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

To the Board of Directors of  
Prevail 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 and each major fund of Prevail Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Prevail Academy's basic financial statements, and have issued our report thereon dated October 23, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prevail Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prevail Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Prevail 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. We did identify a certain deficiency in internal controls, as described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2023-001).

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prevail Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2023-001.

## **Prevail Academy's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Prevail Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Prevail Academy'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.

*Maner Costeiran PC*

October 23, 2023



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

To the Board of Directors  
Prevail Academy

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

#### ***Opinion on Each Major Federal Program***

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

In our opinion, Prevail Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

#### ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Maney Costeiran PC*

October 23, 2023

**PREVAIL ACADEMY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

---

***Financial Statements***

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   None reported
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes

Noncompliance material to financial statements noted?        Yes   X   None

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   None
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?        Yes   X   None reported

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

Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?        Yes   X   No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	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

**PREVAIL ACADEMY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2023**

**Section II - Financial Statement Findings**

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**Finding 2023-001 Considered a significant deficiency**

**Criteria:** In order to maintain adequate internal controls and proper reporting, all accounts should be reconciled and adjusted monthly. The reconciliations should be completed and reviewed in a timely basis.

**Condition:** The Academy did not perform accurate year-end closing activities. The year-end closing activities that were delayed include adjusting the balance sheet accounts and local revenue accounts.

**Cause:** The Academy experienced turnover in the current year, which caused the year-end closing procedures to be delayed.

**Effect:** Inaccurate financial information may be used for management decisions and reporting.

**Recommendation:** We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

**Academy's Response:** The Academy concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Section III - Federal Award Findings and Questioned Costs**

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None.

**PREVAIL ACADEMY  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

Prevail Academy respectfully submits the following corrective action plan for the year ended June 30, 2023.

**Auditor:** Maner Costerisan  
2425 E. Grand River Ave., Suite 1  
Lansing, Michigan 48912

**Audit Period:** Year ended June 30, 2023

**Academy contact person:** Nate McCorry, Audit Manager

The findings from the June 30, 2023 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Finding - Financial statement audit**

**Finding 2023-001** Considered a significant deficiency

**Recommendation:** We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

**Action to be taken:** Management agrees with the finding and we are in the process of developing a revised formal timeline and checklist of year-end procedures as recommended.

**PREVAIL ACADEMY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

**Finding 2022-001 Considered a material weakness**

**Criteria:** Compliance with the State School Aid Act MCL (Michigan Compiled Laws) 388.1618(4)(e) states, no later than November 1 each year for reporting the prior fiscal year, an Academy shall file the annual financial audit reports with the intermediate district and with the department.

**Condition:** The Academy did not submit the audit reports within the required timeline.

**Cause:** The Academy experienced turnover in the current year, which caused the annual audit submission to be delayed.

**Effect:** The annual audit report was not submitted within the required timeline and the November and December State Aid payments were withheld.

**Recommendation:** The Academy should establish year-end closing procedures in order to submit annual audit reports within the required timeline.

**Status:** This finding was resolved during FY 23.

**Finding 2022-002 Considered a material weakness**

**Criteria:** Prevail Academy should complete year-end closing activities in a timely manner.

**Condition:** The Academy did not perform year-end closing activities in a timely matter. The year-end closing activities that were delayed include adjusting the balance sheet accounts and local revenue accounts.

**Cause:** The Academy experienced turnover in the current year, which caused the year-end closing procedures to be delayed.

**Effect:** Inaccurate financial information may be used for management decisions and reporting.

**Recommendation:** We recommend the Academy establish improved controls for preparing and reviewing year-end reconciliations. The Academy should ensure that reconciliations are completed in a timely manner and agree to the general ledger.

**Status:** See 2023-001 for an update on the finding.



2425 E. Grand River Ave.,  
Suite 1, Lansing, MI 48912

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October 23, 2023

To the Board of Directors of  
Prevail Academy

In planning and performing our audit of the financial statements of Prevail Academy as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Prevail Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 23, 2023 on the financial statements of Prevail Academy. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

**Budget Noncompliance**

For the year ended June 30, 2023, the Academy's budget reflects an estimated increase in fund balance that is greater than the actual increase in fund balance. In accordance with the Uniform Budgeting and Accounting Act, academies are required to amend the budget prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues will be less than anticipated or so that expenditures will not be in excess of previous estimates. Our recommendation is the Academy should review budgeting procedures to ensure amendments are properly made and revenue and expenditures are maintained within the approved budget.

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

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Maner Costerisan PC*



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Suite 1, Lansing, MI 48912  
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October 23, 2023

To the Board of Directors of  
Prevail Academy

We have audited the financial statements of the governmental activities and each major fund of Prevail Academy for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Prevail Academy are described in Note 1 to the financial statements. During fiscal year 2023, the Academy adopted Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-based IT Arrangements*. There was no material impact on the Academy's financial statements after the adoption of GASB Statement 96. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. The most sensitive estimates affecting the financial statements were:

Management's determination of the estimated life span of the capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

### *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 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 the 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 23, 2023.

### *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 Academy'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

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, 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 other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Restriction on Use

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

Very truly yours,

*Maney Costeiran PC*