

**MULTICULTURAL ACADEMY**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary information)**

**YEAR ENDED JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Multicultural Academy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Multicultural Academy, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Multicultural 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, the major fund, and the aggregate remaining fund information of Multicultural Academy as of June 30, 2021, and the respective changes in financial position thereof 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 other required supplementary information, as identified in the table of contents, 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 25, 2021 on our consideration of Multicultural 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 Multicultural 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 Multicultural Academy's internal control over financial reporting and compliance.

*Maney Costeiran PC*

October 25, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Multicultural Academy's (Academy) annual financial report presents our discussion and analysis of the public school Academy's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

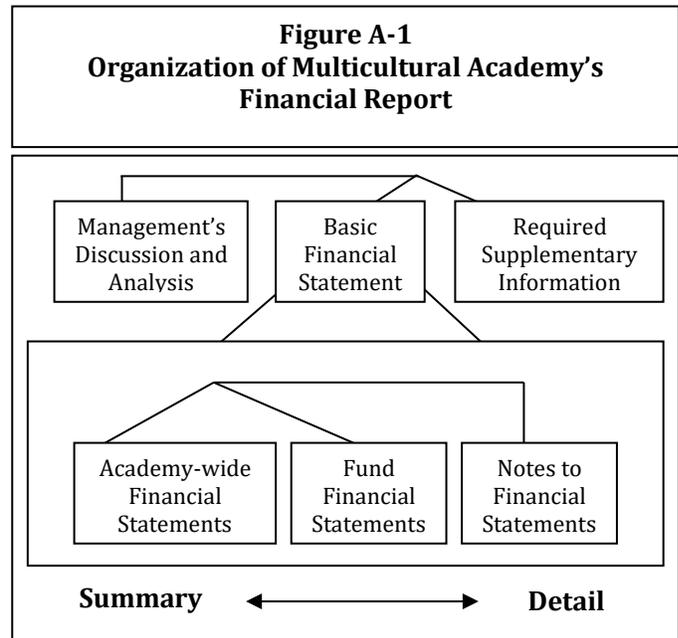
### Financial Highlights

- The Academy had an increase in the fund balance in the general fund of \$211,099 compared to a budgeted decrease of \$28,011. This gives the Academy a fund balance in the general fund of \$340,959.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are Academy-wide *financial statements* that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2: Major Features of the Academy-wide and Fund Financial Statements**

	Academy-wide Statements	Governmental Funds
Scope	Entire Academy (except fiduciary funds)	All activities of the Academy that are not fiduciary
Required financial	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

**Academy-wide Statements**

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy’s net position and how they have changed. Net position - the difference between the Academy’s assets and liabilities, is one way to measure the Academy’s financial health or position.

- Over time, increases or decreases in the Academy’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy’s enrollment, the condition of school buildings and other facilities, and the Academy’s ability to be competitive with other public school academies and area school districts.

Governmental activities - The Academy’s basic services are included here, such as regular and special education and administration. State foundation aid finances most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs. The Academy has a general fund and special revenue fund.

- Some funds are required by state law and by debt agreements.
- The Academy establishes other funds to show that it is properly using certain revenues (like food services).

All of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

## **Financial Analysis of the Academy as a Whole**

Net position - the Academy's combined net position of \$623,044 increased by \$197,755 during the year. See Figures A-3 and A-4.

The total revenues increased approximately 20.74% to \$2,156,316. This is mainly due to an increase in enrollment and increased funding related to COVID-19 for the year ended June 30, 2021. State aid foundation allowance included in revenue from state sources accounts for 63.76% of the Academy's revenue.

The total cost of instruction increased approximately 8.42% to \$636,107. Total support service increased by approximately 30.84% to \$1,126,169. Both increases are due to an increase in student enrollment.

**Academy Governmental Activities**

<b>Figure A-3</b>		
<b>Multicultural Academy Net Position</b>		
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 587,262	\$ 607,335
Capital assets	<u>264,421</u>	<u>263,619</u>
Total assets	<u>851,683</u>	<u>870,954</u>
Other liabilities	<u>228,639</u>	<u>445,665</u>
Net position		
Net investment in capital assets	264,421	263,619
Restricted for special revenue (food service)	17,664	31,810
Unrestricted	<u>340,959</u>	<u>129,860</u>
Total net position	<u>\$ 623,044</u>	<u>\$ 425,289</u>

<b>Figure A-4</b>		
<b>Changes in Multicultural Academy's Net Position</b>		
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Operating grants	<u>\$ 730,029</u>	<u>\$ 524,958</u>
General revenues		
State sources - unrestricted	1,374,857	1,211,713
Other local sources	23,040	4,549
ISD sources	<u>28,390</u>	<u>44,695</u>
Total general revenues	<u>1,426,287</u>	<u>1,260,957</u>
Total revenues	<u>2,156,316</u>	<u>1,785,915</u>
Expenses		
Instruction	636,107	586,686
Support services	1,126,169	860,698
Community services	712	1,622
Food service	145,857	146,840
Unallocated depreciation	<u>49,716</u>	<u>46,140</u>
Total expenses	<u>1,958,561</u>	<u>1,641,986</u>
Change in net position	<u>\$ 197,755</u>	<u>\$ 143,929</u>

## Financial Analysis of the Academy's Funds

The Academy's general fund balance increased by \$211,099 to \$340,959. Instruction expenses increased by \$49,421 and support service expenses increased by \$298,589.

### General Fund Budgetary Highlights

Over the course of the year, the Academy revised the general fund annual operating budget when necessary. Changes were made in both the revenue and expenditure which reflected anticipated increases in state aid and actual salary figures for staff.

While the Academy's final budget for the general fund anticipated expenditures and other financing uses would exceed revenues and other financing sources by \$28,011, the actual results for the year showed revenues over expenditures by \$211,099. Actual revenues and other financing sources were \$80,762 less than budgeted.

The actual total expenditures and financing uses were \$319,872 under budget. The primary cause of the variance was due to the Academy experiencing less than expected instructional, general administration, and operation and maintenance expenditures.

### Capital Assets

#### *Capital Assets*

As of the year ended June 30, 2021, the Academy had invested \$264,421 in capital assets net of accumulated depreciation as summarized in Figure A-5. This amount represents a net increase of \$802 from the beginning of the year. Total depreciation expense for the year was \$49,716. More detailed information about capital assets can be found in Note 3 to the financial statements.

The Academy's capital assets are as follows:

	2021		2020	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Technology	\$ 50,518	\$ 5,052	\$ 45,466	\$ -
Buses and other vehicles	17,400	3,190	14,210	15,950
Furniture and fixtures	167,690	167,690	-	-
Leasehold improvements	474,181	269,436	204,745	247,669
Total	<u>\$ 709,789</u>	<u>\$ 445,368</u>	<u>\$ 264,421</u>	<u>\$ 263,619</u>

## **Factors Bearing on the Academy's Future**

At the time these financial statements were prepared and audited, the Academy was not aware of existing circumstances that could significantly affect its financial health in the future.

- The Academy adopted a general fund budget for 2021/2022 in which revenues exceed expenditures by \$331. Adjustments to the original budget will be made based on actual enrollment during the 2021/2022 school year.
- In September of 2021, the Academy borrowed \$400,000 under a state aid anticipation note at 3.30% to be repaid in full by August of 2022.

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

This financial report is designed to provide our students, parents and creditors 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 or need additional information, contact Terry Farha at Universal Management Company, 5550 Platt Road, Ann Arbor, Michigan, 48108.

## **BASIC FINANCIAL STATEMENTS**

**MULTICULTURAL ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 63,840
Receivables	
Intergovernmental receivable	365,573
Prepays and deposits	157,849
Capital assets, net of accumulated depreciation	264,421
<b>TOTAL ASSETS</b>	<b>851,683</b>
<b>LIABILITIES</b>	
Accounts payable	26,823
Accrued oversight	8,322
Other accrued expenses	16,075
Accrued salaries and related items	79,925
Unearned revenue	23,401
State aid anticipation note payable	71,816
Accrued interest	2,277
<b>TOTAL LIABILITIES</b>	<b>228,639</b>
<b>NET POSITION</b>	
Net investment in capital assets	264,421
Restricted for special revenue (food service)	17,664
Unrestricted	340,959
<b>TOTAL NET POSITION</b>	<b>\$ 623,044</b>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 636,107	\$ -	\$ 276,873	\$ (359,234)
Support services	1,126,169	-	272,038	(854,131)
Community services	712	-	49,407	48,695
Food service	145,857	-	131,711	(14,146)
Unallocated depreciation	49,716	-	-	(49,716)
Total governmental activities	<u>\$ 1,958,561</u>	<u>\$ -</u>	<u>\$ 730,029</u>	<u>(1,228,532)</u>
General revenues				
State sources - unrestricted				1,374,857
Local sources				23,040
ISD special education allocation				<u>28,390</u>
Total general revenues				<u>1,426,287</u>
CHANGE IN NET POSITION				197,755
Net position, beginning of year				<u>425,289</u>
Net position, end of year				<u>\$ 623,044</u>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 63,840	\$ -	\$ 63,840
Receivables			
Intergovernmental	365,573	-	365,573
Due from other funds	-	17,664	17,664
Prepaid expenditures and deposits	157,849	-	157,849
<b>TOTAL ASSETS</b>	<b>\$ 587,262</b>	<b>\$ 17,664</b>	<b>\$ 604,926</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 26,823	\$ -	\$ 26,823
Accrued oversight	8,322	-	8,322
Other accrued expenses	16,075	-	16,075
Accrued salaries and related items	79,925	-	79,925
Unearned revenue	23,401	-	23,401
State aid anticipation note payable	71,816	-	71,816
Accrued interest	2,277	-	2,277
Due to other funds	17,664	-	17,664
<b>TOTAL LIABILITIES</b>	<b>246,303</b>	<b>-</b>	<b>246,303</b>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenditures and deposits	157,849	-	157,849
Restricted for food service	-	17,664	17,664
Unassigned	183,110	-	183,110
<b>TOTAL FUND BALANCES</b>	<b>340,959</b>	<b>17,664</b>	<b>358,623</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 587,262</b>	<b>\$ 17,664</b>	<b>\$ 604,926</b>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

<b>Total governmental fund balance</b>		\$ 358,623
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital assets is	\$ 709,789	
Accumulated depreciation is	<u>(445,368)</u>	<u>264,421</u>
<b>Net position of governmental activities</b>		<u><u>\$ 623,044</u></u>

**MULTICULTURAL ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Nonmajor Governmental (Special Revenue) Fund	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 23,040	\$ -	\$ 23,040
State sources	1,664,073	5,234	1,669,307
Federal sources	309,102	126,477	435,579
Incoming transfers	28,390	-	28,390
<b>TOTAL REVENUES</b>	<b>2,024,605</b>	<b>131,711</b>	<b>2,156,316</b>
<b>EXPENDITURES</b>			
Current			
Instruction			
Basic programs	318,489	-	318,489
Added needs	317,618	-	317,618
<b>Total instruction</b>	<b>636,107</b>	<b>-</b>	<b>636,107</b>
Support services			
Pupil	40,592	-	40,592
Instructional staff	106,527	-	106,527
General administration	376,982	-	376,982
School administration	50,999	-	50,999
Business	8,015	-	8,015
Operation and maintenance	471,656	-	471,656
Transportation	21,338	-	21,338
Central	100,578	-	100,578
<b>Total support services</b>	<b>1,176,687</b>	<b>-</b>	<b>1,176,687</b>
Food service	-	145,857	145,857
Community services	712	-	712
<b>TOTAL EXPENDITURES</b>	<b>1,813,506</b>	<b>145,857</b>	<b>1,959,363</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>211,099</b>	<b>(14,146)</b>	<b>196,953</b>
<b>FUND BALANCES</b>			
Beginning of year	129,860	31,810	161,670
End of year	<u>\$ 340,959</u>	<u>\$ 17,664</u>	<u>\$ 358,623</u>

See notes to financial statements.

**MULTICULTURAL ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

<b>Net change in fund balances total governmental funds</b>	<b>\$ 196,953</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.</p>	
Depreciation expense	(49,716)
Capital outlay	<u>50,518</u>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 197,755</u></u></b>

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Government-wide Financial Statements

The government-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 Academy. The Academy currently does not have fiduciary activities. Governmental activities normally are supported by intergovernmental revenues.

Reporting Entity

Multicultural Academy (the "Academy") is a public school academy as part of the Michigan Public School System under Public Act No. 362 of 1993. Bay Mills Community College is the authorizing governing body for the Academy and has contracted with the Academy to charter the public school academy through June 2024. Board members are approved by the authorizing governing body and have decision making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Academy receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the Academy is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. In addition, the Academy's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds.

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

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Academy's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following *Major Governmental Fund*:

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 reports the following *Nonmajor Governmental Fund*:

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Academy accounts for its food service activity in a special revenue fund.

During the course of operations the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation - Fund Financial Statements (continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to public school academies based on information supplied by the academies.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the Academy.

Budgetary Information

*Budgetary Basis of Accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Academy does not utilize encumbrance accounting.

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Chief Administrative Officer submits to the Board of Directors a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- b. Prior to July 1, the budget is legally adopted by Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
- c. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- d. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2021. The Academy does not consider these amendments to be significant.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

*Cash and Cash Equivalents*

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Investments*

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above

*Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital Assets*

Capital assets, as summarized below, are reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and a useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Capital assets of the Academy are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Technology	5
Buses and other vehicles	10
Furniture and fixtures	7
Leasehold improvements	10 - 15

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has no items that qualify for reporting in this category.

*Net Position Flow Assumption*

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

*Fund Balance Flow Assumptions*

Sometimes the Academy will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Academy that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

*Fund Balance Policies (continued)*

Amounts in the assigned fund balance classification are intended to be used by the Academy for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 2 - CASH DEPOSITS - CREDIT RISK**

Cash is held in the name of the Academy. These deposits are subject to custodial credit risk. This is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the Academy in relation to deposits in excess of insured amounts. As of June 30, 2021, none of the Academy's bank balance of \$63,340 was exposed to custodial credit risk because it was uninsured or uncollateralized.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in the Academy's capital assets follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Governmental activities				
Capital assets, being depreciated				
Technology	\$ 155,382	\$ 50,518	\$ 155,382	\$ 50,518
Buses and other vehicles	17,400	-	-	17,400
Furniture and fixtures	167,690	-	-	167,690
Leasehold improvements	474,181	-	-	474,181
	<u>814,653</u>	<u>50,518</u>	<u>155,382</u>	<u>709,789</u>
Total capital assets being depreciated				
Accumulated depreciation				
Technology	155,382	5,052	155,382	5,052
Buses and other vehicles	1,450	1,740	-	3,190
Furniture and fixtures	167,690	-	-	167,690
Leasehold improvements	226,512	42,924	-	269,436
	<u>551,034</u>	<u>49,716</u>	<u>155,382</u>	<u>445,368</u>
Total accumulated depreciation				
Net governmental capital assets	<u>\$ 263,619</u>	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ 264,421</u>

Depreciation for the fiscal year ended June 30, 2021 amounted to \$49,716. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2021 consist of the following:

State aid	\$ 277,398
Federal	61,965
Payments from ISD	<u>26,210</u>
	<u>\$ 365,573</u>

Intergovernmental receivable include amounts due from federal, state and local sources for various projects and programs and are considered fully collectible by management. Because of the Academy's favorable collection experience on intergovernmental receivables, no allowance for doubtful accounts has been recorded.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - NOTE PAYABLE - STATE AID ANTICIPATION NOTE**

At June 30, 2021, the Academy has \$71,816 outstanding from its state aid anticipation note dated September 2020. The note, which has an interest rate of 3.45%, matures August 2021. The proceeds of the note were used to fund Academy operations. In the event of a default on the note, the state may impose a penalty interest rate at the state's discretion, accelerate the repayment terms. The note is secured by the full faith and credit of the Academy as well as future state school aid payments.

Balance July 1, 2020	Additions	Payments	Balance June 30, 2021
\$ 67,454	\$ 400,000	\$ 395,638	\$ 71,816

**NOTE 6 - OVERSIGHT FEES**

The Academy pays an administrative oversight fee of 3% of its state school aid to the Bay Mills Community College, as set forth by contract, to reimburse the College 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, 2021, the Academy incurred expense of approximately \$46,000 for oversight fees.

**NOTE 7 - MANAGEMENT AGREEMENT**

The Academy has a management agreement with Universal Management Company, LLC (UMC) for operation of the Academy through June 30, 2023. Under the terms of the management agreements, total compensation paid for operation of the Academy was approximately \$213,000 to UMC for the fiscal year 2021. At June 30, 2021, approximately \$18,000 was prepaid to UMC for management fees.

**NOTE 8 - PURCHASED SERVICES**

The Academy leased all employee services from Universal Management Company, LLC (UMC). Salaries, retirement, social security, health insurance, and unemployment taxes were the responsibility of UMC. The Academy has a prepaid balance of \$68,000 for purchased services at June 30, 2021.

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - BUILDING LEASE**

The Academy leases a building with related parties (see Note 10) under a non-cancelable operating lease which expires the same date as the Academy’s charter agreement, currently, June 2024. The lease payments are to be made in monthly installments based on 18% of state aid discretionary revenue for the applicable school year, not to exceed \$342,000 per school year. The lease agreement contains a purchase option effective through June 30, 2024, which allows the Academy to purchase the leased property for the fair market value on the option date. Amounts paid by the Academy for improvements will reduce the amount of the potential purchase price if the option to purchase is exercised. The building lease expense for the year ended June 30, 2021 was \$335,190.

Future minimum rental payments estimated based on current enrollment levels are as follows:

Year Ending <u>June 30</u>	
2022	\$ 335,000
2023	335,000
2024	<u>335,000</u>
	<u>\$ 1,005,000</u>

**NOTE 10 - CONCENTRATION OF EXPENDITURES - RELATED PARTY TRANSACTIONS**

The Academy leases facilities and equipment as well as purchases management and food services from a group of related entities. The types of purchases and amounts for the fiscal year ended June 30, 2021 are as follows:

Entity	Transaction Type	Building	Storage	Total
Leasing transactions				
Yaser Farha for the benefit of Farha and Associates - Ann Arbor, LLC	Lease agreement	<u>\$ 335,190</u>	<u>\$ 4,389</u>	<u>\$ 339,579</u>
Other related party transactions				
Universal Management Company	Management services			\$ 305,521
Universal Management Company	Personnel costs			780,490
Universal Management Company	Expense reimbursements			788
Farha & Associates - Ann Arbor, LLC	Prepaid lease			67,995
Universal Management Company	Prepaid personnel costs and other			85,390
Universal Management Company	Accounts payable			16,929

**NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES**

Inter-fund payable and receivable balances at June 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>
Special revenue fund	General fund
<u>\$ 17,664</u>	<u>\$ 17,664</u>

**MULTICULTURAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES (continued)**

The outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 12 - RISK MANAGEMENT**

The Academy is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To minimize the risk, the Academy carries commercial insurance.

**NOTE 13 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial.

**NOTE 14 - SUBSEQUENT EVENT**

The Academy borrowed \$400,000 under a state aid anticipation note in September 2021 at 3.30% to be repaid monthly from October 2021 through August 2022.

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Academy's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MULTICULTURAL ACADEMY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources	\$ 5,000	\$ 21,500	\$ 23,040	\$ 1,540
State sources	1,300,970	1,700,716	1,664,073	(36,643)
Federal sources	144,013	346,963	309,102	(37,861)
Incoming transfers	44,316	36,188	28,390	(7,798)
<b>TOTAL REVENUES</b>	<u>1,494,299</u>	<u>2,105,367</u>	<u>2,024,605</u>	<u>(80,762)</u>
<b>EXPENDITURES</b>				
Current				
Instruction				
Basic programs	307,069	366,013	318,489	47,524
Added needs	251,852	365,612	317,618	47,994
<b>Total instruction</b>	<u>558,921</u>	<u>731,625</u>	<u>636,107</u>	<u>95,518</u>
Support services				
Pupil	59,820	46,100	40,592	5,508
Instructional staff	17,584	114,952	106,527	8,425
General administration	195,447	460,100	376,982	83,118
School administration	59,768	55,310	50,999	4,311
Business	15,450	18,100	8,015	10,085
Operation and maintenance	279,478	568,868	471,656	97,212
Transportation	209,312	25,600	21,338	4,262
Central	66,044	109,890	100,578	9,312
<b>Total support services</b>	<u>902,903</u>	<u>1,398,920</u>	<u>1,176,687</u>	<u>222,233</u>
Current				
Community services	1,433	1,706	712	994
<b>TOTAL EXPENDITURES</b>	<u>1,463,257</u>	<u>2,132,251</u>	<u>1,813,506</u>	<u>318,745</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>31,042</u>	<u>(26,884)</u>	<u>211,099</u>	<u>237,983</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	(1,400)	(1,127)	-	1,127
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 29,642</u>	<u>\$ (28,011)</u>	<u>211,099</u>	<u>\$ 239,110</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>129,860</u>	
End of year			<u>\$ 340,959</u>	

**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  
Multicultural Academy

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Multicultural Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Multicultural Academy's basic financial statements and have issued our report thereon dated October 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Multicultural 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 Multicultural Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Multicultural 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, and therefore, 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 Multicultural 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.

*Maney Costeiran PC*

October 25, 2021

October 25, 2021

To the Board of Education  
Multicultural Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Multicultural Academy for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 Multicultural Academy are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2021. 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 disclosures in the financial statements 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 known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as 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 25, 2021.

#### *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.

A separate management letter was not issued.

### Restriction on Use

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

Very truly yours,

*Manes Costeiran PC*