

ESCUELA AVANCEMOS!

**Financial Report
with Supplemental Information
June 30, 2022**

ESCUELA AVANCEMOS

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Independent Auditor's Report

To the Board of Directors of
Escuela Avancemos!

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Escuela Avancemos! (the 'Academy'), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Escuela Avancemos! as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and 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.

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.

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 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 September 10, 2022, on our consideration of Escuela Avancemos!'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Escuela Avancemos!'s internal control over financial reporting and compliance.

Wilkinson & Associate PC

Dearborn, Michigan
September 10, 2022

Escuela Avancemos!
Management's Discussion and Analysis

Escuela Avancemos! Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. Those statements are organized so the reader can understand Escuela Avancemos! financially as a whole. The government-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. These 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 operation in more detail than the government-wide financial statements by providing information about the Academy's most significant fund- The General Fund- with all other presented in one column as non-major funds. The components of the annual report are as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements
Government-wide Financial Statements- Fund Financial Statements
Notes to the Basic Financial Statements
(Required Supplementary Information)
Budgetary Information for Major Fund

Reporting the Academy as a Whole- Government-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 assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompasses all of the Academy's services, including instruction, support services, and athletics. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

**Escuela Avancemos!
Management's Discussion and Analysis (Continued)**

Reporting the Academy's Governmental Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the General Fund not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental Funds- All of the Academy's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of operations of the Academy and 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 difference) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund reconciliations.

The School District as a Whole

As discussed above, the Statement of Net Assets provides information of the Academy as a whole. Table 1 provides a summary of Escuela Avancemos! net position as of June 30, 2021 and 2022.

	Governmental Activities	
Assets	2022	2021
Current assets	\$ 1,286,024	\$1,692,902
	<u>787,080</u>	<u>1,692,902</u>
Total Assets		
	<u>787,080</u>	<u>1,692,902</u>
Liabilities		
Current Liabilities	268,155	435,850
<u>Net Position</u>		
Net investment in capital assets	147,427	157,756
Unrestricted	870,441	1,099,296
Total Net Position	<u>1,017,868</u>	<u>1,257,052</u>
Total Liabilities and Net Position	<u>\$ 1,286,024</u>	<u>\$1,692,902</u>

Net Position - The Academy's financial position decreased from the prior period, primarily based on staffing increases in order to compete with the local district and area charter schools in light of the ongoing teacher shortage. The Academy's financial position remains stable. At year end, the Academy's net position decreased by \$239,184. The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. Capital assets, recorded at historical cost, net of depreciation, totaled \$147,427. The unrestricted net assets balance will enable the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the change in net position for fiscal year ended June 30, 2022.

Escuela Avancemos!
Management's Discussion and Analysis (Continued)

Table 2- Summary of the Statement of Activities

	Governmental Activities	
Revenues	2022	2021
Program Revenues:		
Operating Grants and Contributions	\$ 1,357,244	\$ 1,382,819
General Revenues:		
State foundation allowance	3,243,265	2,795,386
Other	165,878	160,997
Total general revenue	\$ 3,409,143	\$2,956,383
 Total Revenues	 \$ 4,766,387	 \$ 4,339,202
 Function/Program Expenses:		
Instruction	\$ 1,599,065	\$1,443,321
Support Services	3,387,178	2,200,518
Depreciation	19,328	17,528
Total expenses	\$ 5,005,571	\$3,661,367
Increase(decrease) in net position	\$ (239,184)	\$ 677,835

Decrease in Net Assets

As reported in the statement of activities, the cost of all of our governmental activities this year was \$5,005,571. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$1,357,244. We paid for the remaining "public benefit" portion of our governmental activities with \$3,409,143 in state foundation allowance and with our other revenues.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

Capital Assets

Capital assets are reported in the Statement of Net Assets net of depreciation and are expensed in the Fund Statements. The Academy has adopted a \$5,000 threshold for the capitalization of assets. In the 2020/21 fiscal year, the Academy purchased two school buses at a cost of \$175,284. The life span for these buses are ten years which is the basis for the calculation of depreciation. In the 2021/22 school year the Academy purchased a poster-maker machine at a cost of \$8,999. The life span of the poster-maker machine has been estimated at five years which is the basis for the calculation of the depreciation. The net value of these capital assets increases the net position by \$147,427.

The Academy's Funds

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

Escuela Avancemos! Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights:

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditure does not exceed appropriations. The final amendment to the budget was actually adopted just before year end. 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.

There were revisions made to the 2021-2022 General Fund original budgets. Budgeted revenues increased to reflect receipt of additional federal revenues due to the Covid19 pandemic. Budgeted expenditures increased to reflect the cost of providing quality instruction while ensuring proper Covid19 safety protocols.

Economic Factors Affecting Next Year's Budgets:

The Academy's administration considered many factors when setting the Academy's 2023 fiscal year's budget. One of the most important factors affecting the budget is the Academy's student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. Currently the foundation allowance is \$8,700 for fiscal year 2021-2022. An estimated \$450 increase per student was used to develop the 22/23 budget. The blended count for the 2022-2023 fiscal years is 90 percent of the 22/23 blended count and 10 percent of the 21/22 blended student count. This type of funding is based on parameters set by the Michigan Department of Education that schools must meet to receive performance-based funding. The 2023 budget was adopted in June 2022, based on estimated number of students that will be enrolled in September 2022 rather than the 2021/2022 enrollment. As additional information becomes available the Academy will need to amend the budget. Approximately 85 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is heavily dependent on the state's ability to fund local school operations, thus the Academy is looking for an increase in student enrollment for the 2022/23 fiscal year of approximately 7% percent through the advertisement of Escuela Avancemos! and continued expansion in grades K-8.

ESCUELA AVANCEMOS
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u> General Fund
Assets	
Cash	\$ 342,710
Accounts Receivable	
Due from other governmental units	756,180
Prepaid Expenses	23,323
Security Deposits	16,384
Capital assets, net of accumulated depreciation	<u>147,427</u>
Total assets	1,286,024
Liabilities	
Accounts payable	76,986
Notes payable	101,487
Accrued Liabilities	<u>89,683</u>
Total liabilities	268,155
Net Position	
Net investment in capital assets	147,427
Unrestricted	<u>870,441</u>
Total net position	<u><u>\$ 1,017,868</u></u>

See accompanying notes to financial statements

**ESCUELA AVANCEMOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Governmental Activities				
Governmental activities:				
Instruction	\$ 1,599,065	\$ -	\$ 443,423	\$ (1,155,642)
Support services	3,387,178		913,821	(2,473,357)
Depreciation (unallocated)	19,328			
Total governmental activities	<u>\$ 5,005,571</u>	<u>\$ -</u>	<u>\$ 1,357,244</u>	<u>(3,648,327)</u>
General revenues				
State aid not restricted to specific purposes				3,243,265
Other revenue				165,878
Incoming transfers				
Total general revenues				<u>3,409,143</u>
Change in Net Position				(239,184)
Net Position - Beginning of year				<u>1,257,052</u>
Net Position - End of year				<u>\$ 1,017,868</u>

See accompanying notes to financial statements

**ESCUELA AVANCEMOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

ASSETS

	General Fund	Total Governmental Funds
Cash	342,710	342,710
Accounts Receivable	0	0
Due from other governmental units	756,180	756,180
Security Deposits	16,384	16,384
Prepaid Expenses	23,323	23,323
Total Current Assets	1,138,597	1,138,597
Total assets and deferred outflows	1,138,597	1,138,597

LIABILITIES AND FUND BALANCES

Liabilities		
Accounts payable	76,986	76,986
Notes payable	101,487	101,487
Deferred revenue	91,897	91,897
Accrued liabilities	89,683	89,683
Total liabilities	360,053	360,053
Fund Balances		
Non-Spendable Fund Balance:		
Restricted fund balance	91,897	91,897
Unassigned fund balance	686,647	686,647
Total fund balances	778,544	778,544
Total liabilities and fund balances	1,138,597	1,138,597

See accompanying notes to financial statements

**ESCUELA AVANCEMOS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

Total Fund Balances - Governmental Funds \$ 778,544

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds

Cost of capital assets	\$ 184,283	
Accumulated depreciation	(36,856)	
		147,427

Grants received in advance of services being performed or goods being purchased are not recognized in the funds.		91,897
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Total Net Position - Governmental Activities \$ 1,017,868

See accompanying notes to financial statements

**ESCUELA AVANCEMOS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Total Governmental Funds
Revenues		
Local sources	165,878	165,878
Intermediate sources		
State sources	3,674,146	3,674,146
Federal sources	969,659	969,659
Incoming Transfers and Other Transaction		
Total revenues	4,809,683	4,809,683
Expenditures		
Current:		
Instruction	1,608,064	1,608,064
Support services:		
Pupil support services	184,556	184,556
Instructional staff services	240,041	240,041
General administration services	517,257	517,257
School administration services	555,628	555,628
Business services	93,679	93,679
Operations and maintenance	942,814	942,814
Transportation	406,802	406,802
Central	438,882	438,882
Community Services	7,518	7,518
Fund Modifications		
Total expenditures	4,995,242	4,995,242
Excess (Deficiency) of Revenues Over Expenditures	-185,559	-185,559
Net Change in Fund Balances	-185,559	-185,559
Fund Balances - Beginning of Year	964,103	964,103
Fund Balances - End of Year	778,544	778,544

ESCUELA AVANCEMOS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ (185,559)

Amounts reported for governmental activities in the statement of activities are different because: -

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(19,328)	
Capital outlay	8,999	
	(10,329)	(10,329)

Revenue is reported in the statement of activities when received: they are not reported in the funds until earned.

Current year deferred revenue 59,154

Revenue reported in the funds that were not received in the current year are not reported in the statement of activities.

20/21 deferred revenue (102,450)

Change in Net Position of Governmental Activities \$ (239,184)

See accompanying notes to financial statements

Notes to Financial Statements
June 30, 2022

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Escuela Avancemos! (the "Academy") conform to accounting principles accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a charter school Academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy was established on July 1, 2012 as a Public School Academy. The Academy is located in the metropolitan Detroit area providing education for approximately 300 kindergarten through sixth grade students.

The Academy entered into a new five-year contract with Central Michigan University as of 7/1/2019. The contract requires the Academy to act exclusively as a public school and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. Central Michigan University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2022, to the Central Michigan University were approximately \$97,877.

Administrative Services- The Academy entered into a management agreement effective through June 30, 2024 with Sanga Educational Partners Inc. for a fee of twelve percent of state aid. The Management Company is responsible for complete management, operation, administration and education of the Academy. The Academy subcontracts all employees from the management company and reimburses the management company for operating costs. The Academy incurred management fees totaling \$390,992 for the year ended June 30, 2022.

Measurement Focus. Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements- The government-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, categorical aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 (continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The Academy reports the following major governmental fund:

General 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.

Additionally, the Academy reports the following fund type:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Special Revenue Funds are used to segregate, for administrative purposes, the transactions of particular activities from regular revenue and expenditure accounts. There are no Special Revenue Funds maintained by the Academy account for food services.

Assets, Liabilities and Net Assets or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Accounts receivables are shown net of allowance for uncollectible amounts.

Prepaid Expenses- Prepaid expenses represent amounts advanced to engage the auditor for the 2022 audit completed after June 30, 2022 and also include July 2022 rent paid to Innovative Modular Solutions and St. Anne in advance of rent being earned.

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 (continued)

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets- Capital assets, which include building improvements and furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Net Position – Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity – The Academy adopted GASB 54 as part of its fiscal year reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted into cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the Board of the Academy for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of the Academy

Assigned: Intent to spend resources on specific purposes expressed by the Board of the Academy or CEO, who is authorized by resolution approved by the Board of the Academy to make assignments

Unassigned: The residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Comparative Data - Comparative data is not included in the Academy's financial statements.

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 (continued)

Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from estimates.

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information- Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The Academy increased budgeted amounts during the year in response to changes in enrollment and related revenues and expenditures.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures over Appropriations in Budgeted Funds – The Academy incurred expenditures in the General Fund in excess of budgeted amounts as shown below. The variance did not cause the total expenditures to exceed the total budget.

	Final Budget	Actual	Total
Civic Activities	6,000	7,518	1,518
	<u>\$ 6,000</u>	<u>\$ 7,518</u>	<u>\$ 1,518</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, banker's acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated two banks for the deposit of its funds.

The Academy's cash and investments are subject to several types of risks, which are examined in more detail below:

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 {Continued}

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk of Bank Deposits – *Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of year-end, \$343,131 of the School District’s bank balance of \$733,467 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk of Investments- Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have an investment policy for custodial credit risk. The Academy does not have investments with custodial risk.

Interest Rate Risk- Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

At year end, the Academy had no investments.

Concentration of Credit Risk – The Academy places no limit on the amount the Academy may invest in any one issuer. The Academy does not have a policy to minimize concentration of credit risk.

Foreign Currency Risk- Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange. State law and the Academy’s policy prohibit investment in foreign currency.

NOTE 4- RECEIVABLES AND DEFERRED REVENUE

Receivables as of year-end for the Academy’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
State of Michigan	\$ 646,743
Federal	109,437
	\$ 756,180

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue was recorded in the amount of \$91,897 representing state and local funds that had not been expended as of 6/30/2022. \$102,450 in revenue was recorded as revenue during the 2021/2022 fiscal year that was received in 2020/2021 and reported as deferred as of 6/30/2021.

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 {Continued}

NOTE 5- OPERATING LEASES

The Academy entered into an operating lease agreement with the Arch Diocese of Detroit on July 1, 2019, that expires on June 30, 2024. Additional lease agreements with Innovative Modular Solutions provides two modular buildings on the property. The Academy is responsible for insurance, repairs and maintenance of the building. The Academy incurred rent expense of \$445,588 for the year ended June 30, 2022.

The Lease with the Arch Diocese is based on 10% of the State per pupil foundation received by the Academy. Based on the current budgeted enrollment, it is estimated that the Academy will be obligated to pay the Arch Diocese the following amounts:

2022/2023 - \$341,250
2023/2024 - \$341,250

The Lease with Innovative Modular Solutions requires 48 monthly payments at \$12,589 per month. The obligation to Innovative Modular Solutions for future year payments is:

2022/2023 - \$151,068
2023/2024 - \$151,068
2024/2025 - \$151,068

Copiers are also leased by the Academy through UTEC. Copier lease payments for the year totaled \$20,837. Future payments are required through January of 2023.

2022/2023 - \$3,683.75

NOTE 6 -NOTES PAYABLE

The Academy borrowed \$565,000 at an interest rate of 3.3 percent. The borrowing was utilized for working capital. Interest paid during the school year was \$11,580. The outstanding balance as of June 30, 2022, was \$101,487.

NOTE 7- DEFINED PENSION PLAN

The Academy did not participate in the Michigan Public School Employees' Retirement System (MPERS). The Academy's employees are leased from Academy Management Company. Therefore, no pension plan disclosure is deemed necessary.

NOTE 8- LEASED EMPLOYEES

The Academy leases substantially its entire staff from its Sanga Educational Partners. Sanga Educational Partners (SEP) is responsible for providing personnel to the Academy and the Academy shall reimburse SEP for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 9 – RISK MANAGEMENT

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 {Continued}

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 10- CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

Escuela Avancemos!
Notes to Financial Statements
June 30, 2022 {Continued}

NOTE 11—SUBSEQUENT EVENTS

In September 2022, the Academy will close on a SAN loan in the amount of \$750,000 at an interest rate of 5.4 percent. The loan documents were fully executed on August 11, 2022. Subsequent events have been evaluated through August 31, 2022, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

Escuela Avancemos
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Over/(Under)</u> <u>Final</u> <u>to Actual</u>
Revenues				
Local revenues	\$ 7,000	\$ 65,820	\$ 165,878	\$ 100,058
State program revenues	3,365,460	3,714,737	3,674,146	\$ (40,591)
Federal program revenues	538,179	2,809,883	969,659	\$ (1,840,224)
Other revenue	1,021	-	-	-
Total revenues	3,911,660	6,590,440	4,809,683	(1,780,757)
Expenditures				
Current				
Instructional services	1,501,100	2,792,746	1,608,064	\$ (1,184,682)
Supporting services				\$ -
Pupil support services	127,330	190,321	184,556	\$ (5,765)
Staff support services	342,542	518,160	240,041	\$ (278,119)
Other Educational media services			-	\$ -
General administration services	485,334	519,019	517,257	\$ (1,762)
School administration services	479,120	524,236	555,628	\$ 31,392
Business services	88,950	104,945	93,679	\$ (11,266)
Operations and maintenance	736,497	1,076,183	942,814	\$ (133,369)
Transportation	205,706	507,913	406,802	\$ (101,111)
Central	63,621	532,689	438,882	\$ (93,807)
Other Support Services			-	\$ -
Community services	17,500	6,000	7,518	\$ 1,518
Other Financing Uses				\$ -
Facilities Acquisition			-	\$ -
Fund Modifications	4,308	4,000	1	(3,999)
Total expenditures	4,052,008	6,776,212	4,995,242	\$ (1,780,970)
Excess (Deficiency) of Revenues				
Over Expenditures	(140,348)	(185,772)	(185,559)	\$ 213
Other Financing Sources (Uses)				
Operating transfers - out				-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	(140,348)	(185,772)	(185,559)	213
Fund Balance - Beginning of year	674,677	964,103	964,103	
Fund Balance - End of year	\$ 534,329	\$ 778,331	\$ 778,544	\$ 213

See accompanying notes to financial statements

ESCUELA AVANCEMOS
SINGLE AUDIT REPORT

JUNE 30, 2022

SECTION A

SINGLE AUDIT REPORT

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Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

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
Escuela Avancemos

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, the major fund, and the aggregate remaining fund information of Escuela Avancemos (the Academy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Escuela Avancemos's basic financial statements, and have issued our report thereon dated September 10, 2022.

Internal Control Over Financial Reporting

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

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Escuela Avancemos

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Escuela Avancemos'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 instance 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.

Wilkinson & Associate PC

Dearborn, Michigan
September 10, 2022

Wilkerson & Associate P.C.

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THOMAS E. WILKERSON, C.P.A.

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

To the Board of Directors of
Escuela Avancemos

Report on Compliance for each Major Federal program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Escuela Avancemos's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance

Members: A.I.C.P.A. and M.I.C.P.A.

with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Escuela Avancemos's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Escuela Avancemos 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, 2022.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Escuela Avancemos (the “Academy”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated September 10, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information

Escuela Avancemos
To the Board of Directors
Page 4

has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson & Associate PC

Dearborn, Michigan
September 10, 2022

Escuela Avancemos
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2022	ADJUSTMENT AND TRANSFERS
U.S. DEPARTMENT OF EDUCATION								
Emergency Connectivity Fund Project Number:	32.009	47,457			47,457	47,457		
Total Emergency Connectivity Fund		\$ 47,457	\$ -	\$ -	\$ 47,457	\$ 47,457	\$ -	\$ -
Passed Through Michigan Department of Education								
Title I, Part A Project Number: 211530 2021 Project Number: 211530 2022	84.010A	182,233 179,329	18,191	182,233	179,329	174,836	4,493	-
Total Title I, Part A Cluster		\$ 361,562	\$ 18,191	\$ 182,233	\$ 179,329	\$ 174,836	\$ 4,493	\$ -
Title II, Part A Project Number: 210520 2021 Project Number: 210520 2022	84.367A	29,651 32,733	13,570	17,737	4,923 32,733	18,493 28,587	- 4,146	
Total Title II, Part A		\$ 62,384	\$ 13,570	\$ 17,737	\$ 37,656	\$ 47,080	\$ -	\$ -
Title III, Part A Project Number: 201580 2021 Project Number: 201580 2022	84.365A	28,912 32,395	28,764	28,764	22,961		22,961	
Total Title III, Part A		61,307	28,764	28,764	22,961	-	22,961	-
Title IV, Part A Project Number: 210750 2021 Project Number: 210750 2022	84.424A	13,032 16,656	9,570	9,570				
Total Title IV, Part A		29,688	9,570	9,570	-	-	-	-
Education Equity Fund Project Number: 203720 1920 Project Number: 203720 20-21 Project Number: 203720 2122	84.425D	25,507 620,775 33,000	9,701	22,394	- 299,775 25,572	9,701 293,611 25,572	- 6,164	
Total Education Equity Fund		679,282	9,701	22,394	325,347	328,884	6,164	-

Federal Grantor/Pass-Through Grantor/Program Title	CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2021	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2022	ADJUSTMENT AND TRANSFERS
Governor's Emergency Education Relief Fund (GEER)								
Project Number: 201200 2021	84.425C	50,671	7,652	25,990	24,681	32,333		
Project Number: 2012022122		4,500			4,500	4,500		
Total Governor's Emergency Education Relief Fund		<u>55,171</u>	<u>7,652</u>	<u>25,990</u>	<u>29,181</u>	<u>36,833</u>	<u>-</u>	<u>-</u>
Charter Schools Program	84.282A							
Project Number: 190610 192011		893,200	111,545	523,971	80,382	169,584	22,344	
Total Charter Schools Program		<u>\$ 893,200</u>	<u>\$ 111,545</u>	<u>\$ 523,971</u>	<u>\$ 80,382</u>	<u>\$ 169,584</u>	<u>\$ 22,344.00</u>	<u>\$ -</u>
ESSER III - Formula								
Project Number: 213713 2122	84.425U	\$ 1,395,162			\$ 161,845	\$ 161,845		
Total ESSER III - Formula Funds		<u>\$ 1,395,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,845</u>	<u>\$ 161,845</u>	<u>\$ -</u>	<u>\$ -</u>
Passed Through Wayne County Regional Educational Service Agency								
I.D.E.A. Flowthrough	84.027A							
Project Number: 211450 1920					5,251	5,251		
Project Number: 211450 2021		63,330	16,653	63,330		16,653		
Project Number: 211450 2122		80,250			80,250	80,250		
Total IDEA Flowthrough Cluster		<u>\$ 143,580</u>	<u>\$ 16,653</u>	<u>\$ 63,330</u>	<u>\$ 85,501</u>	<u>\$ 102,154</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 3,728,793</u></u>	<u><u>\$ 215,646</u></u>	<u><u>\$ 873,989</u></u>	<u><u>\$ 969,659</u></u>	<u><u>\$ 1,068,673</u></u>	<u><u>\$ 55,962</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this schedule.

Escuela Avancemos

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Escuela Avancemos under programs of the federal government for the year ended June 30, 2022. The information in the SEFA 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 SEFA presents only a selected portion of the operations of Escuela Avancemos, it is not intended to and does not present the financial position, or changes in financial position of Escuela Avancemos.

Note 2 – Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

Escuela Avancemos elected to use indirect costs for both Title I and Title II at rates that are less than the maximum allowed under the Uniform Guidance. Title I indirect costs were calculated at 5% and Title II indirect costs were calculated at 5.5%. 7.5% is the de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 – Reconciliation to the Financial Statements

The Federal revenues reported on the financial statements agree with expenditures reported on the SEFA.

Note 5 – Subrecipients

No amounts were provided to subrecipients.

Note 6 – Michigan Department of Education Disclosures

The amounts reported on the CMS Grant Auditor Report (GAR) agree with the schedule of expenditures of federal awards except for the following timing differences which are included in Due From Other Governmental Units:

Program Title	CFDA Number	Grant Numbers	2021-2022 Reported on GAR	Reported on SEFA	Variance
Title I	84.010A	211530	179,329	174,836	(4,493)
Title II	84.367A	210520	32,733	28,587	(4,146)
Title III	84.365A	201580	22,961	0	(22,961)
Title IV	84.424A	210750	0	0	0
Education Equity	84.425D	213722	25,572	25,572	0
Governors Emergency Education Relief	84.425C	201202	4,500	4,500	0
Charter Schools Program	84.282A	190610	191,928	169,584	(22,344)
ESSER III Formula	84.425U	213713	161,845	161,845	0

**ESCUELA AVANCEMOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes No

* Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance? Yes No

Identification of major program:

CFDA Number	Federal Program
84.425C,84.425D & 84.425U	G.E.E.R., Educ. Equity Fund & ESSER III

ESCUELA AVANCEMOS
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2022

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of
Escuela Avancemos

We have recently completed our audit of the basic financial statements of Escuela Avancemos (the “Academy”) as of and for the year ended June 30, 2022. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
Results of Audit	2-5
Recommendations	6
Informational Items	6-7

We are grateful for the opportunity to be of service to Escuela Avancemos. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

September 10, 2022

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Escuela Avancemos
September 10, 2022

Results of the Audit

We have audited the financial statements of Escuela Avancemos (the “Academy”) as of and for the year ended June 30, 2022 and have issued our report thereon dated September 10, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 24, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated September 10, 2022 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Escuela Avancemos
September 10, 2022

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

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 the 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 the year ended June 30, 2022

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. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Escuela Avancemos
September 10, 2022

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

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. There were no such misstatements identified.

Disagreements with Management

For the purpose 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 statement 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 as of the date of the audit report.

Management Consultants 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 consultant 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.

To the Board of Directors
Escuela Avancemos
September 10, 2022

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Escuela Avancemos and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

Recommendations

ESCUELA AVANCEMOS RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational Items

ESCUELA AVANCEMOS

September 10, 2022

GASB Statement No. 87 – Leases

This statement is effective for the first time in the Academy's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an 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. The Academy will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

Escuela Avancemos
September 10, 2022

Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.