



GRAND RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

and

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2023



Vredeveld Haefner LLC
CPAs and Consultants

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

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INDEPENDENT AUDITORS' REPORT

October 10, 2023

Members of the Board of Directors
Success Virtual Learning Centers of Michigan
Grand Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Success Virtual Learning Centers of Michigan, Grand Rapids, Michigan (SVLCM) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SVLCM's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SVLCM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SVLCM'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 on pages 5 through 7 and budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023, on our consideration of SVLCM'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 SVLCM'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 SVLCM's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Success Virtual Learning Centers of Michigan (SVLCM), we offer readers of SVLCM's financial statements this narrative overview and analysis of the financial activities of SVLCM for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

SVLCM increased its state-aid membership student count from 1,676 to 1,859 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SVLCM's financial statements. SVLCM's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SVLCM's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of SVLCM's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SVLCM is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements display functions of SVLCM that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of SVLCM include instruction and supporting services. SVLCM does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SVLCM, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SVLCM are considered governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. There were no reconciling items for the current fiscal year.

SVLCM maintains one governmental fund; the General fund which is considered to be a major fund.

SVLCM adopts an annual appropriated budget for its General fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with that budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information includes this management discussion and analysis as well as a schedule of General fund budget to actual information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SVLCM, assets exceeded liabilities by \$1,371,595 at the close of the most recent fiscal year.

	<u>Net Position</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$6,783,285	\$4,754,009
Total assets	<u>6,783,285</u>	<u>4,754,009</u>
Liabilities		
Current liabilities	5,411,690	3,699,638
Total liabilities	<u>5,411,690</u>	<u>3,699,638</u>
Net position		
Unrestricted	1,371,595	1,054,371
Total net position	<u>\$1,371,595</u>	<u>\$1,054,371</u>

Net position of SVLCM increased by \$317,224. The increase in net position is primarily due to an increase in state revenues and pupil counts.

	<u>Change in Net Position</u>	
	<u>2023</u>	<u>2022</u>
Revenue		
Program revenue		
Operating grants and contributions	\$ 3,282,354	\$ 2,830,873
General revenue		
Unrestricted grants and contributions	17,002,153	14,556,232
Other	637	324
Total revenue	<u>20,285,144</u>	<u>17,387,429</u>
Expenses		
Instruction	6,804,973	5,991,599
Supporting services	13,162,947	11,152,029
Total expenses	<u>19,967,920</u>	<u>17,143,628</u>
Increase in net position	317,224	243,801
Net position - beginning of year	<u>1,054,371</u>	<u>810,570</u>
Net position - end of year	<u>\$ 1,371,595</u>	<u>\$ 1,054,371</u>

SVLCM revenues and expenses increased during the year as a result of the increase in student count and the corresponding increase in state-aid funding.

Governmental Activities

During the year SVLCM expended 34% of its total expenses on instruction and 66% on support services such as oversight services and administration.

Financial Analysis of the Government's Funds

As noted earlier, SVLCM uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of SVLCM's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing SVLCM's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General fund is the chief operating fund of SVLCM. At the end of the current fiscal year, unassigned fund balance of the General fund was \$1,371,595. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.8% of total General fund expenditures. The fund balance of SVLCM's General fund increased by \$317,224 during the current fiscal year.

Budgetary Highlights

Differences between the original and final amended budgets for the General fund are a result of the original budget being prepared with estimated State revenue, preliminary Federal grant awards and projected enrollment. These amounts were amended when revenues and student enrollment were finalized.

Economic Factors and Next Year's Budgets

SVLCM prepared the budget for the 2023-24 fiscal year considering an anticipated increase in state-aid revenues and a corresponding increase in instruction and supporting services expenditures due to an expected increase in the pupil count for the upcoming year.

Requests for Information

This financial report is designed to provide a general overview of SVLCM's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Administrative Officer, PO Box 9984, Wyoming, Michigan 49509.

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BASIC FINANCIAL STATEMENTS

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities
Assets	
Cash	\$ 2,282,038
Due from other governments	<u>4,501,247</u>
Total assets	<u>6,783,285</u>
Liabilities	
Accounts payable	3,542,721
Management fee payable	953,875
Due to other governments	92,813
Unearned revenue	<u>822,281</u>
Total liabilities	<u>5,411,690</u>
Net position	
Unrestricted	<u>\$ 1,371,595</u>

The accompanying notes are an integral part of these financial statements.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Primary government			
Governmental activities			
Contracted service fee			
Instruction	\$ 6,804,973	\$ 1,824,179	\$ (4,980,794)
Support services	<u>13,162,947</u>	<u>1,458,175</u>	<u>(11,704,772)</u>
Total governmental activities	<u>\$ 19,967,920</u>	<u>\$ 3,282,354</u>	<u>(16,685,566)</u>
General revenues			
Unrestricted grants and contributions			17,002,153
Other			<u>637</u>
Total general revenues			<u>17,002,790</u>
Change in net position			317,224
Net position, beginning of year			<u>1,054,371</u>
Net position, end of year			<u>\$ 1,371,595</u>

The accompanying notes are an integral part of these financial statements.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	<u>General</u>
Assets	
Cash	\$ 2,282,038
Due from other governments	<u>4,501,247</u>
Total assets	\$ <u>6,783,285</u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 3,542,721
Management fee payable	953,875
Due to other governments	92,813
Unearned revenue	<u>822,281</u>
Total liabilities	5,411,690
Fund balances	
Unassigned	<u>1,371,595</u>
Total liabilities and fund balances	\$ <u>6,783,285</u>

The accompanying notes are an integral part of these financial statements.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>
Revenues	
Local sources	\$ 637
State sources	18,460,328
Federal sources	<u>1,824,179</u>
Total revenues	<u>20,285,144</u>
Expenditures	
Current	
Instruction	6,804,973
Support services	<u>13,162,947</u>
Total expenditures	<u>19,967,920</u>
Net changes in fund balances	317,224
Fund balances, beginning of year	<u>1,054,371</u>
Fund balances, end of year	<u>\$ 1,371,595</u>

The accompanying notes are an integral part of these financial statements.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Success Virtual Learning Centers of Michigan, Grand Rapids, Michigan (SVLCM) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

Success Virtual Learning Centers of Michigan received its charter under Public Act 416 of 1994 from Vestaburg Community Schools. As part of the chartering process, SVLCM filed Articles of Incorporation with the Michigan Department of Licensing and Regulatory Affairs. Vestaburg Community Schools provides certain contractual services to SVLCM including the approval of SVLCM's operating plan, monitoring compliance with provisions of the charter contract and selection of members for the Board of Directors. Vestaburg Community Schools is paid 3% of state-aid payments received by SVLCM for such services. SVLCM provides education and related services to approximately 1,850 students in grades 9th through 12th. SVLCM is governed by a five-member Board of Directors (Board) approved by Vestaburg Community Schools and administered by a school administrator appointed by the contracted management company. The Board appointed the Superintendent to serve as the Chief Administrative Officer of SVLCM.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Success Virtual Learning Centers of Michigan. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with SVLCM.

Government-wide and Fund 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 primary government. *Governmental activities*, which normally are supported by intergovernmental revenues are reported in total. SVLCM has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers 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 or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Major governmental funds are reported as separate columns in the fund financial statements.

SVLCM reports the following major governmental fund:

The *General Fund* is the general operating fund of SVLCM. It is used to account for all financial resources, except those required to be accounted for in another fund.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Measurement Focus and Basis of Accounting

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.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which are recognized when due.

All governmental funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

Budgets and Budgetary Accounting

Comparisons to budget are adopted for the General fund. SVLCM follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The contracted management company establishes a proposed operating budget for the fiscal year commencing the following July 1 and submits the budget to the Board of Directors.
2. Public hearings are conducted to obtain comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General fund.
5. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles.
6. Adoption and amendments of all budgets used by SVLCM are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various functions of SVLCM. Any amendment to the original budget must meet the requirements of Michigan Law. Any revisions that alter the total expenditures of any activity must be approved by the Board. SVLCM amended its budget during the current fiscal year.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Cash and Investments

Michigan law and SVLCM policy authorizes SVLCM to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days' notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Unearned Revenue

Governmental funds report \$822,281 of unearned revenue at year-end in connection with restricted state-aid funding received in advance of related expenditures being incurred. The balance of unearned revenues will be recorded as revenue in future years when related expenditures are incurred.

State-Aid Revenue

SVLCM reports State of Michigan school aid in the fiscal year in which SVLCM is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for approximately 91% of the General fund revenue for the year. A certain portion of State-aid received by SVLCM is restricted to cover specified expenses of SVLCM. The unrestricted portion is for use in the general operations of SVLCM.

Risk Management

SVLCM is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and medical benefits to employees.

SVLCM carries commercial insurance for general liability, umbrella and linebacker – claims made coverage. SVLCM has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the non-spendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of SVLCM's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of SVLCM's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

Sometimes SVLCM 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/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

It is SVLCM's policy to use restricted resources first, then unrestricted resources as they are needed. 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.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that SVLCM shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, SVLCM's actual expenditures and budgeted expenditures for the budgeted fund has been shown at the function level. The approved budgets of SVLCM were adopted at the function level. During the year ended June 30, 2023, SVLCM did not incur expenditures which were in excess of the amounts appropriated.

3. CASH

The balance on the financial statements for cash is \$2,282,038. These deposits are in a financial institution located in Michigan. The account is in the name of SVLCM and is recorded in SVLCM records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, SVLCM's deposits may not be returned. State law does not require, and SVLCM does not have, a policy for deposit custodial credit risk. As of year-end, \$2,036,196 of SVLCM's bank balance of \$2,286,196 was exposed to custodial credit risk because it was uninsured and uncollateralized.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

4. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of SVLCM.

5. PURCHASED SERVICES

On July 1, 2016, SVLCM entered into an agreement with Success Management Systems, LLC (SMS) for management services (Agreement). SMS changed its name to Diploma Options Educational Management Systems, LLC (DOEMS) and the management services agreement was amended and restated effective July 1, 2019. This Agreement contracts DOEMS, to the extent permitted by law, for the provision of all labor, materials, facilities, equipment and supervision necessary for the provision of educational, business administration and management services. Subject to oversight and authority of the Board of Directors, DOEMS is responsible for the implementation of educational programs as well as establishment of operational practices including employment of personnel working at SVLCM, all aspects of SVLCM's business administration including accounting operation as well as facility operation.

The DOEMS management fee is calculated from the SVLCM State Aid Financial Status Reports. DOEMS invoices SVLCM the total payment less the amount due to the authorizer, less 3% on unrestricted state aid which is retained by SVLCM, and less At Risk and similar restricted categorical revenue which is retained by SVLCM until services are provided and invoiced separately. Programs funded with state restricted funds and federal funds are not subject to a DOEMS management fee.

In the event SVLCM expenses exceed revenues, DOEMS may, but need not, make contributions to SVLCM that are acceptable to DOEMS and the Board of Directors however SVLCM shall not be legally obligated to repay DOEMS for such contributions made to or on behalf of SVLCM.

Each school year during the term of the Agreement, DOEMS shall pay into the Board spending account an amount equal to 3% of state-aid for that respective school year. All funds in the Board spending account are the property of SVLCM and may be used by SVLCM at the discretion of the Board. Funds in the Board spending account that are not spent by SVLCM during the school year shall carryover to SVLCM's next fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 400	\$ 635	\$ 637	\$ 2
State sources	17,812,379	18,620,265	18,460,328	(159,937)
Federal sources	2,009,056	1,959,815	1,824,179	(135,636)
Total revenues	<u>19,821,835</u>	<u>20,580,715</u>	<u>20,285,144</u>	<u>(295,571)</u>
Expenditures				
Current				
Instruction				
Basic programs	5,847,385	5,208,858	5,206,374	2,484
Added needs	1,163,937	1,650,155	1,598,599	51,556
Support services				
Pupil	1,715,977	1,741,152	1,633,705	107,447
Instructional staff	4,240,088	4,111,913	4,064,651	47,262
General administration	958,182	1,580,748	1,575,274	5,474
School administration	74,425	87,751	87,736	15
Business	529,869	398,774	398,540	234
Operations and maintenance	3,430,888	4,065,030	4,004,843	60,187
Transportation	-	11,045	-	11,045
Central	1,581,084	1,411,835	1,398,198	13,637
Total expenditures	<u>19,541,835</u>	<u>20,267,261</u>	<u>19,967,920</u>	<u>299,341</u>
Net changes in fund balance	280,000	313,454	317,224	3,770
Fund balance, beginning of year	<u>1,054,371</u>	<u>1,054,371</u>	<u>1,054,371</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,334,371</u>	<u>\$ 1,367,825</u>	<u>\$ 1,371,595</u>	<u>\$ 3,770</u>

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SINGLE AUDIT SECTION



Vredeveld Haefner LLC

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

October 10, 2023

Members of the Board of Directors
Success Virtual Learning Centers of Michigan
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Success Virtual Learning Centers of Michigan, Grand Rapids, Michigan (SVLCM) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SVLCM's basic financial statements, and have issued our report thereon dated October 10, 2023.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SVLCM's financial statements are free of 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 SVLCM's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SVLCM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Orederold Haefner LLC



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

October 10, 2023

Members of the Board of Directors
Success Virtual Learning Centers of Michigan
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SVLCM's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect

material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SVLCM's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Urodevelo Haefner LLC

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal Assistance Number	Approved Grant Award Amount	Accrued (Deferred) Revenue 7/1/2022	Current Year Receipts (Cash Basis)	Expenditures (Accrual Basis)		Accrued (Deferred) Revenue 6/30/2023
					(Memo Only) Prior Year	Current Year	
U.S. Department of Education							
Passed through Michigan Department of Education							
Title I	84.010						
221530-2122		\$ 421,624	\$ 100,808	\$ 100,808	\$ 409,129	\$ -	\$ -
231530-2223		425,507	-	162,046	-	412,954	250,908
Total Title I		<u>847,131</u>	<u>100,808</u>	<u>262,854</u>	<u>409,129</u>	<u>412,954</u>	<u>250,908</u>
Title II	84.367						
220520-2122		83,736	2,175	2,175	58,575	-	-
230520-2223		79,727	-	30,291	-	48,908	18,617
Total Title II		<u>163,463</u>	<u>2,175</u>	<u>32,466</u>	<u>58,575</u>	<u>48,908</u>	<u>18,617</u>
Title III	84.365						
220570-2122		846	575	575	833	-	-
230570-2223		991	-	-	-	991	991
Total Title III		<u>1,837</u>	<u>575</u>	<u>575</u>	<u>833</u>	<u>991</u>	<u>991</u>
Title IV, Part A SSAE	84.424						
230750-2223		25,938	-	15,013	-	25,938	10,925
Total Title IV		<u>25,938</u>	<u>-</u>	<u>15,013</u>	<u>-</u>	<u>25,938</u>	<u>10,925</u>
Title V, Part B	84.358						
220660-2122		23,895	-	23,895	-	23,895	-
Total Title V		<u>23,895</u>	<u>-</u>	<u>23,895</u>	<u>-</u>	<u>23,895</u>	<u>-</u>
COVID-19 - ESSER Formula Funds							
213712-2021 ESSER II	84.425D	1,220,924	359,497	481,441	1,026,776	194,148	72,204
213713-2122 ESSER III	84.425U	2,743,974	-	460,227	-	1,058,552	598,325
Total COVID-19 - ESSER Formula Funds		<u>3,964,898</u>	<u>359,497</u>	<u>941,668</u>	<u>1,026,776</u>	<u>1,252,700</u>	<u>670,529</u>
ARP Homeless II	84.425W						
211012-2122		23,467	-	-	-	1,905	1,905
Total MV ARP Homeless I		<u>23,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,905</u>	<u>1,905</u>
Total passed through Michigan Department of Education		<u>5,050,629</u>	<u>463,055</u>	<u>1,276,472</u>	<u>1,495,313</u>	<u>1,767,291</u>	<u>953,874</u>
Passed through Kent Intermediate School District							
Title III	84.365						
230570-2223		12,831	-	-	-	12,831	12,831
Passed through Calhoun Intermediate School District							
TAG Title I	84.010						
231580-2223		20,000	-	-	-	18,123	18,123
Total TAG Title I		<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,123</u>	<u>18,123</u>
Passed through Montcalm Area Intermediate School District							
IDEA Grants to States	84.027A						
21/22		17,899	17,899	17,899	17,899	-	-
22/23		25,934	-	-	-	25,934	25,934
Total IDEA Grants to States		<u>43,833</u>	<u>17,899</u>	<u>17,899</u>	<u>17,899</u>	<u>25,934</u>	<u>25,934</u>
Total U.S. Department of Education		<u>5,127,293</u>	<u>480,954</u>	<u>1,294,371</u>	<u>1,513,212</u>	<u>1,824,179</u>	<u>1,010,763</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 5,127,293</u>	<u>\$ 480,954</u>	<u>\$ 1,294,371</u>	<u>\$ 1,513,212</u>	<u>\$ 1,824,179</u>	<u>\$ 1,010,763</u>

See notes to schedule of expenditures of federal awards.

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.
2. Management has utilized the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per the Schedule of Expenditures of Federal Awards:

Revenues from federal sources per governmental fund financial statements	<u>\$ 1,824,179</u>
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Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,824,179</u>
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4. SVLCM did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance

SUCCESS VIRTUAL LEARNING CENTERS OF MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	COVID-19 ESSER Formula funds

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted



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October 10, 2023

To the Board of Directors
Success Virtual Learning Centers of Michigan
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and the major fund of Success Virtual Learning Centers of Michigan (SVLCM) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Results

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SVLCM 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 2023. We noted no transactions entered into by SVLCM during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of purchased services in Note 5 to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to SVLCM’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 SVLCM’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), as itemized in the table of contents, that supplements 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 supplementary information which accompany the financial statements but are not RSI. With respect to this 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,

Uredaxeld Haefner LLC