

TIMBERLAND CHARTER ACADEMY



Financial Statements as of and for the Year Ended
June 30, 2024, Required Supplementary
Information for the Year Ended June 30, 2024,
Federal Awards Supplementary Information for the
Year Ended June 30, 2024, and Independent
Auditor's Reports

**NATIONAL
HERITAGE
ACADEMIES** 

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Independent Auditor's Report

To the Board of Directors
Timberland Charter Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Timberland Charter Academy (the "Academy") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise Timberland Charter Academy's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Timberland Charter Academy as of June 30, 2024 and the respective changes in its 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 (GAAS) 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 the Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of Directors
Timberland Charter Academy

In performing an audit in accordance with GAAS 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 the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 schedule 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, which 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 Timberland Charter Academy's basic financial statements. The reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Timberland Charter Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024 on our consideration of Timberland Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Timberland Charter Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Timberland Charter Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 24, 2024

This section of the annual financial report for Timberland Charter Academy (the "Academy") provides an overview of the Academy's financial activities as of and for the fiscal year ended June 30, 2024. It should be read in conjunction with the financial statements, which immediately follow this section.

Using This Annual Report

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

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

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Supplementary Information

Reporting the Academy as a Whole - Academy-wide Financial Statements

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

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

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

Timberland Charter Academy

Management's Discussion and Analysis (Continued)

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds, not the Academy as a whole. Some funds are required to be established by state law. However, the Academy establishes other funds to help it control and manage money for particular purposes or as required by state law (the School Service Fund is an example). The governmental funds of the Academy use the following accounting approach:

Governmental Funds

All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only the revenue that is measurable and currently available is reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations presented as part of the statements.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2024 and 2023.

	Governmental Activities	
	2024	2023
	(in thousands)	
Assets - Current	\$ 2,021.4	\$ 1,781.5
Liabilities - Current	1,936.5	1,702.4
Net Position - Unrestricted	\$ 84.9	\$ 79.1

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the statement of activities, which shows the change in net position.

Timberland Charter Academy

Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the summarized statement of activities below, which shows the changes in net position for the fiscal years ended June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in thousands)	
Revenue		
Operating grants	\$ 2,999.0	\$ 2,191.8
General revenue:		
State aid not restricted to specific purposes	6,475.9	5,656.7
Private source - NHA	-	177.7
Total revenue	9,474.9	8,026.2
Expenses		
Instruction	4,483.2	4,096.6
Support services	4,927.5	3,927.0
Food services	-	0.6
Community services	58.4	-
Total expenses	9,469.1	8,024.2
Special Item - Transfer of operations	-	(418.2)
Change in Net Position	5.8	(416.2)
Net Position - Beginning of year	79.1	495.3
Net Position - End of year	\$ 84.9	\$ 79.1

As reported in the statement of activities, the cost of all of our governmental activities this year was \$9,469.1 thousand. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. Revenue - private source - NHA represents a contribution granted by NHA for excess academy expenditures over public revenue available.

The Academy experienced an increase in net position of \$5.8 thousand in 2024. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

During the year ended June 30, 2023, food service operations of the Academy were transferred to a designated School Food Authority (SFA) under an alternate agreement, and the Academy relinquished authority over its food service operations to the SFA, resulting in the special item for the transfer of operations reported in the 2022-2023 fiscal year.

Fund Financial Statements

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

The Academy's instruction and support services activities are reported in the General Fund. The Academy's fund balance was \$84,856 at June 30, 2024.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget to reflect changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2024. 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.

Timberland Charter Academy

Management's Discussion and Analysis (Continued)

Budgeted revenue for the General Fund was decreased by \$197.4 thousand from the original budget. Revenue was changed to reflect the following:

State sources	Increase
Interdistrict sources	Decrease
Federal sources	Decrease
Private sources	Increase
Private source - NHA	Decrease

Budgeted expenditures for the General Fund were decreased by \$197.4 thousand. This change was to reflect the change in anticipated funding. Significant variances between the final budget and actual amounts are disclosed in the notes to the financial statements (refer to Note 2).

General Economic Factors and Next Year's Budget

Our officials and administration consider many factors when setting the Academy's 2024-2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025 fiscal year is expected to be 90 percent and 10 percent of the October 2024 and February 2024 student counts, respectively. The budget was adopted in May 2024. Approximately 70 percent of total General Fund revenue is from the foundation allowance. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2025 school year, we anticipate that the fall count will be close to the estimates used in creating the 2025 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual academy resources are not sufficient to fund original appropriations.

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

Contacting the Academy's Management

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

June 30, 2024

Governmental
Activities

Assets

Cash	\$ 110,811
Due from governmental revenue sources	<u>1,910,629</u>
Total assets	2,021,440

Liabilities

Contracted service fee payable	874,638
Unearned revenue	<u>1,061,946</u>
Total liabilities	<u>1,936,584</u>

Net Position - Unrestricted

\$ 84,856

Year Ended June 30, 2024

	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 4,483,205	\$ -	\$ 1,615,246	\$ (2,867,959)
Support services	4,927,482	-	1,383,749	(3,543,733)
Community services	58,400	-	-	(58,400)
Total primary government	\$ 9,469,087	\$ -	\$ 2,998,995	(6,470,092)
General revenue - State aid not restricted to specific purposes				<u>6,475,891</u>
Change in Net Position				5,799
Net Position - Beginning of year				<u>79,057</u>
Net Position - End of year				<u>\$ 84,856</u>

Timberland Charter Academy

Governmental Fund Balance Sheet

June 30, 2024

General Fund

Assets

Cash	\$	110,811
Due from governmental revenue sources		<u>1,910,629</u>
Total assets	\$	<u>2,021,440</u>

Liabilities

Contracted service fee payable	\$	476,269
Unearned revenue		<u>1,061,946</u>
Total liabilities		1,538,215

Deferred Inflows of Resources - Unavailable revenue

398,369

Total liabilities and deferred inflows of resources 1,936,584

Fund Balance

Committed		21,098
Unassigned		<u>63,758</u>
Total fund balance		<u>84,856</u>

Total liabilities, deferred inflows of resources, and fund balance **\$ 2,021,440**

Governmental Fund

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

Fund Balance Reported in Governmental Fund	\$ 84,856
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	55,722
Accumulated depreciation	<u>(55,722)</u>
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	398,369
Contract service fee payable not due and payable in the current period and not reported in the governmental funds	<u>(398,369)</u>
Net Position of Governmental Activities	<u><u>\$ 84,856</u></u>

Timberland Charter Academy

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2024

	<u>General Fund</u>
Revenue	
State sources	\$ 7,029,061
Federal sources	2,346,483
Interdistrict sources	129,496
Private sources	<u>12,600</u>
Total revenue	9,517,640
Expenditures	
Contracted service fee:	
Instruction	4,483,205
Support services	4,970,236
Community services	<u>58,400</u>
Total expenditures	<u>9,511,841</u>
Net Change in Fund Balance	5,799
Fund Balance - Beginning of year	<u>79,057</u>
Fund Balance - End of year	<u><u>\$ 84,856</u></u>

Timberland Charter Academy

Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2024

Net Change in Fund Balance Reported in Governmental Fund	\$	5,799
Amounts reported for governmental activities in the statement of activities are different because:		
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		398,369
Revenue reported in the governmental funds as available and measurable - Reported in the statement of activities in prior years		(441,123)
Contracted service fee recognized consistent with the revenue policy		<u>42,754</u>
Change in Net Position of Governmental Activities	\$	<u>5,799</u>

June 30, 2024

Note 1 - Nature of Operations

Timberland Charter Academy (the "Academy") is a Michigan public school academy that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy operates under a charter contract approved by Grand Valley State University, which is responsible for oversight of the Academy's operations. The charter contract expires on June 30, 2027 and is subject to renewal. Grand Valley State University Board of Trustees receives 3 percent of state aid funds as an administrative fee. The total administrative fee for the year ended June 30, 2024, paid to the Grand Valley State University Board of Trustees, was \$191,608.

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

The Academy's primary source of revenue is provided by the State of Michigan and consists of an amount per student multiplied by weighted-average student counts. The state revenue is recognized ratably over the school year and is funded through payments from October 2023 through August 2024.

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

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

Note 2 - Summary of Significant Accounting Policies

Academy-wide and Fund Financial Statements

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenue not classified as program revenue is reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-wide Statements

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

Fund Classification

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

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy's fund, which is a major fund, is the General Fund.

General Fund

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

Capital Assets

Capital assets, which include other equipment, are reported in the applicable governmental column in the academy-wide financial statements at historical costs of more than \$5,000 and an estimated useful life in excess of 1 year. Other equipment is depreciated using the straight-line method over useful lives of 3-10 years. Capital assets were fully depreciated at June 30, 2024.

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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Cash

Cash as of June 30, 2024 represents bank deposits that are covered by federal depository insurance. Accordingly, there are no investments that are required to be categorized according to risk.

Note 2 - Summary of Significant Accounting Policies (Continued)

Unavailable and Unearned Revenue

Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services that have not been performed and is, therefore, not yet earned. As of June 30, 2024, a deferred inflow for unavailable revenue was recognized for \$398,369 and a liability for unearned revenue was recognized for \$1,061,946.

Contracted Service Fee Payable

Contracted service fee payable as of June 30, 2024 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

Net Position

Net position may be classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Fund Balance

Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can be used only for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2024, the Academy had \$21,098 in committed fund balance and \$63,758 in unassigned fund balance. The committed fund balance has been committed by resolutions of the board of directors for student, parent, and staff appreciation; athletics; and board training and development.

Budgetary Information

Annual budgets are adopted on a basis utilizing generally accepted accounting principles and consistent with state law for the General Fund.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. The budgets can be amended by the board of directors as considered necessary. The budgets were amended to decrease budgeted revenue and expenditures for the General Fund by \$197,363.

During the year ended June 30, 2024, the Academy incurred expenditures within the General Fund that were significantly in excess of amounts budgeted for added needs with a final budget and actual amount of \$1,207,957 and \$1,327,422, respectively. The Academy also incurred expenditures within the General fund that were significantly in excess of amounts budgeted for central with a final budget and actual amount of \$239,821 and \$299,319, respectively. The Academy also incurred expenditures within the General Fund that were significantly in excess of amounts budgeted for community services with a final budget and actual amount of \$42,568 and \$58,400, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

During the year ended June 30, 2024, the Academy incurred expenditures within the General Fund that exceeded appropriations at the fund level by \$40,763. This overage was funded by revenue in excess of amounts budgeted of \$46,562, resulting in a net increase of \$5,799 to the fund balance.

Upcoming Accounting Pronouncements

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2026.

Note 3 - Due from Governmental Revenue Sources

Receivables as of June 30, 2024 for the Academy included \$1,230,677 in state aid receivable, \$412,071 in federal grants receivable, \$201,765 in other state receivable, and \$66,116 in other receivables. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Note 4 - Risk Management

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2024, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

Note 5 - Contingencies

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

Note 6 - Leases

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2023 through June 30, 2024. Annual rental payments required by the lease are \$671,840, payable in 12 monthly payments of \$55,987. This lease is automatically renewed on a year-to-year basis unless a notice of nonrenewal is provided by either the Academy or NHA. The lease agreement can be canceled upon termination of the NHA services agreement.

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

The Academy subsequently renewed the sublease with NHA for the period from July 1, 2024 through June 30, 2025 at the same rental rate.

Required Supplementary Information

Timberland Charter Academy

**Required Supplementary Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
State sources	\$ 6,852,749	\$ 6,897,008	\$ 7,029,061	\$ 132,053
Federal sources	2,609,817	2,385,233	2,346,483	(38,750)
Interdistrict sources	134,286	129,666	129,496	(170)
Private sources	3,300	16,940	12,600	(4,340)
Private sources - NHA	68,289	42,231	-	(42,231)
Total revenue	9,668,441	9,471,078	9,517,640	46,562
Expenditures				
Current:				
Instruction:				
Basic programs	3,431,552	3,303,818	3,155,783	(148,035)
Added needs	1,715,463	1,207,957	1,327,422	119,465
Total instruction	5,147,015	4,511,775	4,483,205	(28,570)
Support services:				
Pupil	683,964	1,055,816	1,011,321	(44,495)
Instructional staff	1,047,902	964,358	1,001,191	36,833
General administration	269,962	321,442	332,026	10,584
School administration	615,212	617,548	605,712	(11,836)
Business	75,661	77,554	84,034	6,480
Central	231,380	239,821	299,319	59,498
Operations and maintenance	1,159,453	1,191,542	1,228,898	37,356
Pupil transportation services	401,738	434,037	404,605	(29,432)
Other	-	7,548	3,130	(4,418)
Community services	21,139	42,568	58,400	15,832
Welfare activities	15,015	7,069	-	(7,069)
Total expenditures	9,668,441	9,471,078	9,511,841	40,763
Net Change in Fund Balance	-	-	5,799	5,799
Fund Balance - Beginning of year	79,057	79,057	79,057	-
Fund Balance - End of year	\$ 79,057	\$ 79,057	\$ 84,856	\$ 5,799

Supplementary Information

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*

Independent Auditor's Report

To Management and the Board of Directors
Timberland Charter Academy

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Timberland Charter Academy (the "Academy") as of and for the year ended June 30, 2024 and the related notes to the basic financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 24, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Timberland Charter Academy

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 24, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Timberland Charter Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Timberland Charter Academy's (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2024. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

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

Responsibilities of Management for Compliance

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

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 the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *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 the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Directors
Timberland Charter Academy

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.

Plante & Moran, PLLC

October 24, 2024

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2024	Current Year Cash Transferred to Subrecipient
Clusters:										
Special Education Cluster - U.S. Department of Education -										
Special Education Grants to States - Passed through the Muskegon ISD:										
IDEA Flowthrough:										
IDEA Flowthrough 21-22	220450	84.027	\$ 163,168	\$ 163,168	\$ 76,455	\$ -	\$ -	\$ -	\$ 76,455	\$ -
IDEA Flowthrough 22-23	230450	84.027	163,168	163,168	163,168	-	163,168	-	-	-
IDEA Flowthrough 23-24	240450	84.027	135,508	-	-	-	135,508	135,508	-	-
COVID-19 ARP IDEA Flowthrough	221280	84.027X	15,371	1,876	1,876	-	15,371	13,495	-	-
Total IDEA Flowthrough		84.027	477,215	165,044	241,499	-	314,047	149,003	76,455	-
IDEA Preschool:										
IDEA Preschool 2020 - 2021	210460	84.173	2,940	2,940	2,940	-	-	-	2,940	-
COVID-19 ARP IDEA Preschool	221185	84.173X	1,774	-	-	-	1,774	1,774	-	-
Total IDEA Preschool			4,714	2,940	2,940	-	1,774	1,774	2,940	-
Total Special Education Cluster			481,929	167,984	244,439	-	315,821	150,777	79,395	-
Other federal awards:										
Passed through the Michigan Department of Education:										
Title I Grants to Local Educational Agencies:										
Title I Part A 22-23	231530	84.010	471,448	423,925	112,179	-	111,697	(482)	-	-
Title I Part A 23-24	241530	84.010	444,380	-	-	-	263,082	298,062	34,980	-
Total Title I Part A		84.010	915,828	423,925	112,179	-	374,779	297,580	34,980	-
Title II Supporting Effective Instruction State Grants:										
Title II Part A 22-23	230520	84.367	71,970	60,106	17,510	-	11,496	(6,014)	-	-
Title II Part A 23-24	240520	84.367	55,802	-	-	-	25,315	25,436	121	-
Total Title II Part A		84.367	127,772	60,106	17,510	-	36,811	19,422	121	-
Title IV Part A - Student Support & Academic Enrichment Program:										
Title IV Part A 22-23	230750	84.424	38,897	15,818	8,146	-	6,502	(1,644)	-	-
Title IV Part A 23-24	240750	84.424	55,334	-	-	-	30,906	30,906	-	-
Total Title IV Part A		84.424	94,231	15,818	8,146	-	37,408	29,262	-	-
Education Stabilization Fund (ESF) -										
Passed through Michigan Department of Education:										
COVID-19 ESSER Formula Fund II	213712	84.425D	1,231,236	739,000	25,961	-	320,082	294,121	-	-
COVID-19 ESSER Formula Fund III	213713	84.425U	2,767,149	145,296	1,390	-	1,195,003	1,491,188	297,575	-
Total Education Stabilization Fund Program			3,998,385	884,296	27,351	-	1,515,085	1,785,309	297,575	-
Total noncluster programs passed through the Michigan Department of Education			5,136,216	1,384,145	165,186	-	1,964,083	2,131,573	332,676	-

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Program Title/Project Number/Subrecipient Name	Grant/Project Number	Assistance Listing Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2024	Current Year Cash Transferred to Subrecipient
Passed through Calhoun ISD -										
Title I Grants to Local Educational Agencies:										
Title I - Technical Assistance Grant	231580	84.010	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -	\$ -
Total federal awards			\$ 5,638,145	\$ 1,552,129	\$ 409,625	\$ -	\$ 2,299,904	\$ 2,302,350	\$ 412,071	\$ -

Timberland Charter Academy

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Revenue from federal sources - As reported on financial statements (includes all funds)	\$	2,346,483
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds		301,362
Revenue reported in the governmental funds as available and measurable - Reported in the statement of activities in the prior year		<u>(345,495)</u>
Federal expenditures per the schedule of expenditures of federal awards	\$	<u><u>2,302,350</u></u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Timberland Charter Academy (the "Academy") under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The Academy has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Michigan Department of Education NexSys Grant Auditor Report (GAR) in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor and relate to the timing of payments and the fiscal year to which the payments relate.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.425	Education Stabilization Fund	Unmodified

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	