

Morrison Education Group, Inc. dba Sun Valley Academy

**Financial Statements,
Supplementary Information,
and Single Audit Reports**

Year Ended June 30, 2022

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Independent Auditors' Report

To the Board of Directors of
Morrison Education Group, Inc. dba Sun Valley Academy
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Morrison Education Group, Inc. dba Sun Valley Academy (MEG), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MEG as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 the *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 MEG 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 MEG's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 opinion. 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 MEG'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 MEG'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 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 March 28, 2023, on our consideration of MEG'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 MEG'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 MEG's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

March 28, 2023

Morrison Education Group, Inc. dba Sun Valley Academy

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Current assets:	
Cash	\$ 2,566,672
Restricted cash, current portion	95,292
Due from government	102,919
Other receivables	1,425
Prepaid expenses	<u>23,390</u>
Total current assets	2,789,698
Property and equipment:	
Land	3,590,724
Building and improvements	21,215,954
Furniture and equipment	1,570,514
Less accumulated depreciation	<u>(2,819,325)</u>
Total property and equipment, net	23,557,867
Deposits	10,350
Restricted cash, noncurrent portion	<u>593,604</u>
Total assets	<u><u>\$ 26,951,519</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:	
Accounts payable	\$ 75,743
Accrued payroll and related	52,093
Accrued interest	445,087
Long-term debt, current portion	<u>321,689</u>
Total current liabilities	894,612
Long-term debt, net of current portion	<u>26,622,910</u>
Total liabilities	27,517,522
Net assets (deficit):	
Without donor restrictions	(1,096,140)
With donor restrictions	<u>530,137</u>
Total net assets (deficit)	<u>(566,003)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 26,951,519</u></u>

The accompanying notes are an integral part of these statements.

Morrison Education Group, Inc. dba Sun Valley Academy

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State Equalization	\$ 6,028,988	\$ 210,418	\$ 6,239,406
Classroom Site Funds		694,790	694,790
Instructional Improvement Fund		32,264	32,264
Grants	1,665,920		1,665,920
Rental income	9,999		9,999
Miscellaneous	75,552		75,552
Net assets released from restrictions	<u>760,802</u>	<u>(760,802)</u>	
Total revenue and support	8,541,261	176,670	8,717,931
EXPENSES			
Salaries and related	4,569,272		4,569,272
Professional services	368,958		368,958
Food service	402,421		402,421
Supplies and instructional aids	285,334		285,334
Office and administration	33,990		33,990
Utilities	393,205		393,205
Repairs and maintenance	24,626		24,626
Consulting	104,929		104,929
Insurance	11,249		11,249
Advertising	194,489		194,489
Depreciation	946,610		946,610
Interest	1,803,289		1,803,289
Miscellaneous	<u>102,354</u>		<u>102,354</u>
Total expenses	<u>9,240,726</u>		<u>9,240,726</u>
Change in net assets	(699,465)	176,670	(522,795)
Net assets (deficit), beginning of year	<u>(396,675)</u>	<u>353,467</u>	<u>(43,208)</u>
Net assets (deficit), end of year	<u>\$ (1,096,140)</u>	<u>\$ 530,137</u>	<u>\$ (566,003)</u>

The accompanying notes are an integral part of these statements.

Morrison Education Group, Inc. dba Sun Valley Academy

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ (522,795)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	946,610
Amortization of loan issuance costs	21,746
Changes in:	
Due from government	885,614
Other receivables	13,103
Prepaid expenses	64,199
Accounts payable	(61,067)
Accrued payroll and related	<u>5,445</u>
Net cash provided by operating activities	1,352,855
Cash flows from investing activities:	
Purchases of property and equipment	<u>(3,429)</u>
Net cash used by investing activities	<u>(3,429)</u>
Net increase in cash and restricted cash	1,349,426
Cash and restricted cash, beginning of year	<u>1,906,142</u>
Cash and restricted cash, end of year	<u>\$ 3,255,568</u>
<u>Cash and restricted cash</u>	
Cash	\$ 2,566,672
Restricted cash, current portion	95,292
Restricted cash, noncurrent portion	<u>593,604</u>
	<u>\$ 3,255,568</u>
<u>Supplemental disclosure of cash flow information</u>	
Cash paid for interest	\$ 1,781,543

The accompanying notes are an integral part of these statements.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morrison Education Group, Inc. dba Sun Valley Academy (MEG) is a 501(c)(3) nonprofit corporation formed in 2009. The mission of MEG is to provide a premium education to kindergarten through eighth grade students through the development of leadership skills which will motivate students to become life-long learners, responsible individuals and productive members of their communities.

The significant accounting policies of MEG follow:

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. MEG is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: The majority of MEG's revenue arrangements generally consist of a single performance obligation to transfer promised services over time.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Contributions: MEG follows the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted conditional grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Donated Services: Donated services are recognized only if the services received either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of volunteers have made contributions of their time to MEG to help with programs, provide clerical support, and assist with general maintenance. Although appreciated, the value of the volunteers' contributed time is not reflected in the financial statements since it does not meet any of the recognition criteria. MEG did not have donated services requiring recognition in the financial statements during the year ended June 30, 2022.

Due From Government: Due from government consists primarily of state approved payments to MEG to operate the charter school. MEG has never experienced any losses due to non-payment, expects none on the June 30, 2022 balances, and therefore has not established an allowance for uncollectibility.

Prepaid Expenses: Prepaid expenses consist mainly of prepaid licenses, textbooks, and insurance.

Property and Equipment: All acquisitions of building and improvements and leasehold improvements with a cost of \$1,000 or more, and furniture and equipment with a cost of \$100 or more and an estimated life of one year or more are capitalized. Assets are stated at cost. Depreciation is provided on the straight-line basis over the following estimated useful lives of the respective assets:

Building and improvements	30 years
Furniture and equipment	3-10 years

Deposits: Deposits consist of a security deposit related to the lease of its previous school site.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Loan Issuance Costs: Loan issuance costs and origination fees are deferred and amortized over the term of the loan using the effective interest rate method, and are included in the Statement of Financial Position as an offset to the related debt (see Note 5).

Advertising: Advertising costs are expensed as incurred.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in Note 7. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: MEG is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 2 - LIQUIDITY AND AVAILABILITY

MEG monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. MEG has the following financial assets as of June 30, 2022 that could readily be made available within one year of its fiscal year end to fund expenses without limitations:

Financial assets included in current assets:

Cash	\$ 2,566,672
Restricted cash, current portion	95,292
Due from government	102,919
Other receivables	<u>1,425</u>
Total financial assets included in current assets	2,766,308

Less amounts unavailable for general expenditure within one year:

Classroom Site Funds carry over	530,137
Restricted cash, current portion	<u>95,292</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,140,879</u>

In addition to financial assets available to meet general expenditures over the year, MEG operates with a balanced budget and anticipates covering its general expenditures by collecting revenue from the State of Arizona, contributions, grants, and other revenues; and by utilizing donor-restricted resources from current and prior year gifts.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 - RESTRICTED CASH

Restricted cash consists of required deposits associated with the long-term debt (see Note 5). The bond fund contains money that was deposited upon issuance of the bond, and will be used to pay for future principal and interest. All other funds will be used to pay for various expenses.

Restricted cash consists of the following as of June 30, 2022:

Bond Fund	\$ 593,604
Tax and Insurance Fund	39,014
Expense Fund	6,386
Repair and Replacement Fund	49,735
Revenue Fund	<u>157</u>
Total	<u>\$ 688,896</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

MEG maintains all of its cash with two financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, such cash may be in excess of FDIC insurance limits. MEG has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2022:

Education Revenue Bonds (Series 2019) were issued by the Industrial Development Authority of the County of Maricopa (IDA). \$27,390,000 of total proceeds from the issued bonds were loaned to MEG pursuant to a loan agreement dated October 1, 2019. The School used \$10,870,000 to repay the previously issued Series 2018 Education Revenue Bonds, and used the remaining \$16,520,000 to construct a new school and expand an existing school site. The loan matures on July 1, 2049, with an interest rate of 6.50%. Monthly principal and interest payments vary, and range from a minimum of \$148,363 to a maximum of \$170,926. The loan is secured by a deed of trust on real property. \$ 27,390,000

\$149,000 loan under the Paycheck Protection Program (PPP), created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1% and matures in 5 years, but payments are not required to begin for six months after the funding of the loan. MEG was unable to meet conditions for loan forgiveness, therefore they have began repayment subsequent to June 30, 2022. The loan is uncollateralized and is fully guaranteed by the Federal government. 149,000

	<u>27,539,000</u>
Less unamortized loan issuance costs	594,401
Less current portion	<u>321,689</u>
Total	<u><u>\$ 26,622,910</u></u>

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 5 - LONG-TERM DEBT - Continued

The future minimum payments on the long-term debt are as follows:

Year ending June 30:

2023	\$	321,689
2024		318,274
2025		338,609
2026		350,428
2027		345,000
Thereafter		<u>25,865,000</u>
		27,539,000
Less unamortized loan issuance costs		594,401
Less current portion		<u>321,689</u>
Total		<u>\$ 26,622,910</u>

Under the IDA loan agreement, MEG is required to comply with certain financial covenants. At June 30, 2022, MEG was in compliance with these covenants.

NOTE 6 - PAYCHECK PROTECTION PROGRAM

On March 31, 2021, MEG was approved for a \$149,000 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1% and matures in 5 years, but payments are not required to begin for six months after the funding of the loan. MEG was unable to meet the conditions for loan forgiveness, therefore they began repaying the loan subsequent to June 30, 2022. The loan is uncollateralized and is fully guaranteed by the Federal government.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 7 - FUNCTIONAL EXPENSE CLASSIFICATION

The Statement of Activities reports certain categories of expenses that are attributable to program and supporting functions of MEG. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: depreciation, rentals, repairs and maintenance, interest, insurance, and utilities, which are allocated on a square footage basis; salaries and related, professional services, supplies and instructional aids, office and administration, consulting, advertising, and miscellaneous are allocated on the basis of estimates of time and effort.

The following summarizes MEG's expenses by function for the year ended June 30, 2022:

	Providing Quality Education for Children	General and Administrative	Fundraising	Total
Salaries and related	\$ 3,463,855	\$ 1,105,417		\$ 4,569,272
Professional services	162,064	206,894		368,958
Food service	402,421			402,421
Supplies and instructional aids	266,921	18,413		285,334
Office and administration	14,001	19,989		33,990
Utilities	334,224	58,981		393,205
Repairs and maintenance	20,932	3,694		24,626
Consulting	89,190	15,739		104,929
Insurance	9,562	1,687		11,249
Advertising	165,316	29,173		194,489
Depreciation	826,307	120,303		946,610
Interest	1,532,796	270,493		1,803,289
Miscellaneous	49,576	40,642	\$ 12,136	102,354
Total expenses	<u>\$ 7,337,165</u>	<u>\$ 1,891,425</u>	<u>\$ 12,136</u>	<u>\$ 9,240,726</u>

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released from restrictions for the year ending June 30, 2022 consisted of the following:

Classroom Site Funds	\$ 518,120
Instructional Improvement Fund	32,264
Results Based Funding	<u>210,418</u>
	<u>\$ 760,802</u>

Net assets with donor restrictions consisted of the following at June 30, 2022:

Classroom Site Funds	<u>\$ 530,137</u>
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NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

Compliance: MEG's compliance with certain laws and regulations is subject to review by the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in adjustments or withholding of MEG's State Equalization assistance.

NOTE 10 - CONDITIONAL CONTRIBUTIONS

MEG received conditional contributions during the fiscal year ended June 30, 2022. Conditional contributions are recorded when the donor-imposed conditions are substantially met. Certain conditions are required to be met by MEG in the subsequent years in order to earn and receive these amounts. As of June 30, 2022, amounts awarded but not yet earned totaled \$452,528. While management believes that MEG will meet these conditions, they had not been met as of the year ended June 30, 2022. Accordingly, no amount has been recorded for these conditional contributions as a receivable in these financial statements.

NOTE 11 - ECONOMIC DEPENDENCY

Approximately 99% of MEG's revenue for the year ended June 30, 2022 was derived from the State of Arizona through payments of State Equalization, Classroom Site Funds (Proposition 301), Instructional Improvement Fund, State of Arizona grants, and federal grants passed through the State of Arizona. Non-federal funds that are paid from the State of Arizona are subject to funding approval from the state legislature. Changes in state funding levels for charter schools could have a significant impact on MEG's future revenues.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 12 - PENSION PLAN

MEG contributes to a 401(k) retirement plan for all qualifying employees. Contributions are matched 25-50%, based on years of service, for up to 6% of the employees' salary deferrals. During the year ended June 30, 2022, MEG contributed \$169,247 to its employees' retirement plan accounts.

NOTE 13 - SUBSEQUENT EVENTS

MEG has evaluated subsequent events through March 28, 2023, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2022 that would require an adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Morrison Education Group, Inc. dba Sun Valley Academy

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

<u>Listings Number</u>	<u>Federal Program Name</u>	<u>Cluster Title</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Agriculture						
10.555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	None	\$ 8,723	\$
10.559	Summer Food Service Program for Children	Child Nutrition Cluster	Arizona Department of Education	None	504,238	
10.559	COVID-19 Summer Food Service Program for Children	Child Nutrition Cluster	Arizona Department of Education	None	32,452	
	<i>Total FAL 10.559</i>				<u>536,690</u>	
	<i>Total Child Nutrition Cluster</i>				<u>545,413</u>	
Total U.S. Department of Agriculture					<u>545,413</u>	
U.S. Department of Education						
84.010A	Title I Grants to Local Education Agencies	N/A	Arizona Department of Education	22FT1TTI-210191-01A 22FT1TTI-210827-01A	230,915	
84.027A	Special Education - Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	22FESCBG-210191-09A 22FESCBG-210827-09A	109,888	
84.027X	COVID-19 Special Education - Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	22FARPIB-210191-01A 22FARPIB-210827-01A	28,888	
	<i>Total FAL 84.027</i>				<u>138,776</u>	
	<i>Total Special Education Cluster (IDEA)</i>				<u>138,776</u>	
84.282A	Charter School Program	N/A	Arizona Department of Education	22FAZC27-210827-01A	48,310	
84.365A	English Language Acquisition State Grants	N/A	Arizona Department of Education	22FELENG-210191-66A	10,308	
84.367A	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	N/A	Arizona Department of Education	21FT1TII-110191-03A	25,574	
84.425U	COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	N/A	Arizona Department of Education	21FESIII-110191-01A 21FESIII-110827-01A	601,015	
Total U.S. Department of Education					<u>1,054,898</u>	
Total Expenditures of Federal Awards					<u>\$ 1,600,311</u>	<u>\$</u>

The accompanying notes are an integral part of this schedule.

Morrison Education Group, Inc. dba Sun Valley Academy

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of Morrison Education Group, Inc. dba Sun Valley Academy (MEG) for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 - FEDERAL ASSISTANCE LISTINGS NUMBER

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2022 *Federal Assistance Listings*. When no Federal Assistance Listings numbers had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 3 - INDIRECT COST RATE

MEG did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 4 - SUBRECIPIENTS

MEG did not pass any funds onto subrecipients during the year ended June 30, 2022.

SINGLE AUDIT REPORTS



**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***

To the Board of Directors of
Morrison Education Group, Inc. dba Sun Valley Academy
Phoenix, Arizona

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 Morrison Education Group, Inc. dba Sun Valley Academy (MEG), a nonprofit organization and an affiliate of TeamCFA Foundation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MEG'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MEG's internal control. Accordingly, we do not express an opinion on the effectiveness of MEG'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 MEG'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 MEG'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*.

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 MEG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MEG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fester & Chapman, PLLC

March 28, 2023



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

To the Board of Directors of
Morrison Education Group, Inc. dba Sun Valley Academy
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morrison Education Group, Inc. dba Sun Valley Academy's (MEG) 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 MEG's major federal programs for the year ended June 30, 2022. MEG's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MEG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 MEG 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 MEG'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 MEG'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 MEG'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 MEG'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 MEG'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 MEG'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 MEG'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.

Fester & Chapman, PLLC

March 28, 2023

Morrison Education Group, Inc. dba Sun Valley Academy

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued:	Unmodified	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified?	_____	<u>X</u>
		(None reported)
Noncompliance material to the financial statements noted?	_____	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____	<u>X</u>
Significant deficiencies identified?	_____	<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 2 CFR §200.516(a)?	_____	<u>X</u>

Identification of major programs:

<u>Federal Assistance Listings Number</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
10.559	COVID-19 Summer Food Service Program for Children
84.425U	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief

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

Auditee qualified as low-risk auditee? _____ X

Other Matters:

Auditee's Summary Schedule of Prior Findings required to be reported in accordance with 2 CFR §200.511(b)? _____ X

Morrison Education Group, Inc. dba Sun Valley Academy

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.