

**MADISON CREATIVE ARTS ACADEMY, INC.  
(A COMPONENT UNIT OF MADISON COUNTY  
SCHOOL DISTRICT)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**TABLE OF CONTENTS**  
**JUNE 30, 2022**

	<u>Page Number(s)</u>
<b>Independent Auditors' Report</b>	1 – 3
<b>Management's Discussion and Analysis</b>	4 – 8
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Fund	
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16 – 30
<b>Required Supplementary Information</b>	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund	32
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – CARES Fund	33
Notes to Required Supplementary Information	34
Schedule of Proportionate Share of Net Pension Liability	35
Schedule of Contributions	36
<b>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 <i>Government Auditing Standards</i></b>	37 – 38
<b>Management Letter of Independent Auditors Required by Chapter 10.850, Rules of the State of Florida, Office of the Auditor General</b>	39 – 41
<b>Corrective Action Plan</b>	42



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Madison Creative Arts Academy, Inc.:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, and each major fund of Madison Creative Arts Academy, Inc. (the "School") (a component unit of the Madison County School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Madison Creative Arts Academy, Inc. as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 School 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***

The School's 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 School's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***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 opinion. Reasonable assurance is a high level of assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the 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 School'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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 other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Emphasis of Matter – Implementation of New Accounting Standard***

As discussed in Note 1(p) to the financial statements, the School has adopted the provisions of GASB Statement No. 87, *Leases*. This adoption did not lead to a restatement of net position as of June 30, 2022. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2022 on our consideration of Madison Creative Arts Academy, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Madison Creative Arts Academy, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
August 31, 2022

**MADISON CREATIVE ARTS ACADEMY, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

This discussion and analysis (MD&A) of Madison Creative Arts Academy, Inc.'s (the "School") financial condition provides an overview of financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues. The primary purpose of the School is to provide an educational program for approximately 340 students. It is important to the long-term existence of the School to maintain its financial health. Net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

SIGNIFICANT ACTIVITIES DURING FISCAL YEAR 2021-2022 ARE NOTED BELOW:

- The School's enrollment was 334 students.
- The School was rated by the State of Florida as an "A" school.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the School using the integrated approach as prescribed by GASB Statement Number 34.

The government-wide financial statements present the financial picture of the School from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the School as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The fund financial statements include statements for the governmental activities. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach.

The Primary unit of the government is the School Board of Madison County, Florida.

An overview of significant financial information from the current year includes:

- The School's net position was \$2,394,719 at June 30, 2022.
- Total governmental fund revenues exceeded expenses and other financing uses by \$1,306,974.
- Capital assets, net of depreciation, equaled \$7,548,928.
- The School's governmental funds reported combined ending fund balances of \$1,848,568.
- The school is striving to sustain the minimum general fund balance of 5% as a percentage of current year expenditures and was able to end the fiscal year with the ratio at 27%.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

**REPORTING THE SCHOOL AS A WHOLE**

**The Statement of Net Position and the Statement of Activities**

The *Statement of Net Position* and the *Statement of Activities* report information about the School as a whole and about its activities. These statements include *all* assets and liabilities of the School using the accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in them. Net position is the difference between assets and liabilities and is one way to measure the School's financial health, or *financial position*. Over time, *increases or decreases* in the School's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the School's revenue base and the condition of the School's capital assets.

The relationship between revenues and expenses is the School's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the School. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

**Net Position**

The School's net position was \$2,394,719 for the fiscal year ended June 30, 2022. Of this amount, 1,261,610 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions and enabling legislation that limit the School's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position and change in net position of the School's governmental activities.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>ASSETS</b>		
Current and other assets	\$ 2,182,534	\$ 1,494,315
Capital assets, not being depreciated	-	3,754,563
Capital assets, being depreciated, net	7,548,928	186,266
Right to use lease assets, being amortized, net	152,623	-
Total assets	<u>9,884,085</u>	<u>5,435,144</u>
Deferred outflows of resources	<u>867,520</u>	<u>895,492</u>
<b>LIABILITIES</b>		
Current and other liabilities	333,966	1,403,726
Noncurrent liabilities	6,454,174	1,688,511
Net pension liability	755,740	1,527,877
Total liabilities	<u>7,543,880</u>	<u>4,620,114</u>
Deferred inflows of resources	<u>813,006</u>	<u>29,234</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,133,109	3,940,829
Unrestricted (deficit)	1,261,610	(1,808,536)
Total net position, as restated	<u>\$ 2,394,719</u>	<u>\$ 2,132,293</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

**Changes in Net Position**

The results of this year's operations for the School as a whole are reported in the Statement of Activities on page 9. The table below takes the information from the Statement and rearranges it slightly to more readily identify the total revenues for the year.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<b>REVENUES</b>		
General revenues:		
State of Florida Education Finance Program	\$ 2,654,039	\$ 2,634,313
Charges for services	129,743	111,799
Operating grants and contributions	576,868	804,138
Debt forgiveness	-	304,320
Other revenue	8,066	8,578
Interest income	4,726	5,705
Total revenues	<u>3,373,442</u>	<u>3,868,853</u>
<b>EXPENSES</b>		
Instruction and instruction related services	1,831,523	1,987,055
General administration	978	445
School administration	289,270	271,021
Operations	337,649	222,575
Community service	16,434	22,946
Pupil transportation services	56,397	47,191
Food services	98,194	98,015
Health services	61,510	34,861
Fiscal services	92,922	91,582
Depreciation	107,886	53,482
Interest	188,400	-
Amortization	19,762	-
Loss on disposal	10,091	-
Total expenses	<u>3,111,016</u>	<u>2,829,173</u>
Change in net position	<u>\$ 262,426</u>	<u>\$ 1,039,680</u>

**Governmental Activities**

All of the School's services are reported in this category. This includes the education of kindergarten through eighth grade students, and the on-going effort to improve and maintain capital assets. Revenues received from the Florida Education Finance Program through the Madison County Public School system, Federal grants and miscellaneous local revenues finance these activities.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

We have presented the cost of the School’s three largest operational functions - basic instruction, school administration, operations. Providing this information allows citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Total Cost of Services</b>
Instruction and instruction related services	\$ 1,694,192
Operations	337,017
School administration	289,270
Total	\$ 2,320,479

**REPORTING THE SCHOOL’S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the School as a whole. Some funds are required to be established by State law. However, management may establish various funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies that it receives.

**Governmental funds**—The School’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School’s general government operations and the basic 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 School’s programs. The differences between the governmental fund financial statements and the government-wide financial statements are explained in reconciliations following each governmental fund financial statement.

**THE SCHOOL’S FUNDS**

For the year ended June 30, 2022, the governmental funds reported a combined fund balance of \$1,848,568.

	<b>Fund Balance June 30, 2022</b>
General Fund	\$ 1,848,568
Total	\$ 1,848,568

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2022**  
(Continued)

**General Fund Budgetary Highlights**

During the course of the fiscal year, the School revises its General Fund Budget in order to deal with unexpected changes in revenue and expenditures. The Governing Board adopts its initial budget based on projected enrollment and the corresponding projected revenues. Amendments are primarily required to reflect changes in revenue estimates from the State of Florida Education Finance Program (FEFP) as actual enrollments are determined. A schedule showing the School’s original and final General Fund budget amounts compared with actual amounts paid and received is provided in the required supplementation information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets and Debt**

Information on the School’s debt can be found in Note 10, see table of contents for notes to the financials.

At June 30, 2022, the School had \$7,548,928 invested in capital assets (net of depreciation), including furniture, equipment and building improvements.

	<b><u>Governmental Activities June 30, 2022</u></b>
Capital assets, being depreciated	
Furniture, Fixtures and Equipment	\$ 548,486
Leasehold Improvements	-
Software	25,808
Buildings and improvements	7,551,400
Accumulated Depreciation	<u>(576,766)</u>
Totals	<u><u>\$ 7,548,928</u></u>

**ECONOMIC FACTORS**

The economic position of the school for general operating is closely tied to that of the State. The formula for determining funding for education is set by Statute. State funds to charter schools are provided primarily by legislative appropriations from the State’s general revenue funds under the Florida Education Finance Program (FEFP), and the State funding for operations is primarily from sales, gasoline, and corporate income taxes. Additionally, the level of tourism in the State heavily influences the amount of taxes collected. Significant changes in State revenue collections could directly impact future School revenue allocations.

**CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents and creditors with a general overview of the School’s finances, and to demonstrate the School’s accountability for the money it receives. If readers have any questions about this report or need additional financial information, contact the Principal, at Madison Creative Arts Academy, Inc., 622 NE Rocky Ford Road; Madison, FL 32340.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u><b>Governmental Activities</b></u>
<u><b>ASSETS</b></u>	
Cash and cash equivalents	\$ 1,997,637
Grant and other receivables	154,684
Prepaid items and other assets	28,713
Capital assets, being depreciated, net	7,548,928
Right-to-use lease assets, being amortized, net	152,623
Deposit	1,500
<b>Total assets</b>	<u><u>\$ 9,884,085</u></u>
<u><b>DEFERRED OUTFLOWS</b></u>	
Related to changes in the net pension liability	<u><u>\$ 867,520</u></u>
<u><b>LIABILITIES</b></u>	
Accounts payable and accrued expense	\$ 203,346
Deferred revenue	120,209
Due to agency fund	10,411
Noncurrent Liabilities:	
Due within one year	113,513
Due in more than one year	6,178,067
Due within one year - lease	31,873
Due in more than one year - lease	130,721
Net pension liability	755,740
<b>Total liabilities</b>	<u><u>\$ 7,543,880</u></u>
<u><b>DEFERRED INFLOWS</b></u>	
Related to changes in the net pension liability	<u><u>\$ 813,006</u></u>
<u><b>NET POSITION</b></u>	
Net investment in capital assets	\$ 1,133,109
Unrestricted	1,261,610
<b>Total net position</b>	<u><u>\$ 2,394,719</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Functions/Programs</b>	<b>PROGRAM REVENUES</b>				<b>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</b>
	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
Governmental activities:					
Instruction and instruction related services	\$ 1,694,192	\$ -	\$ 576,868	\$ -	\$ (1,117,324)
Instructional media services	78,196	-	-	-	(78,196)
Instructional staff training services	435	-	-	-	(435)
Instruction-related Technology	58,665	-	-	-	(58,665)
Board	35	-	-	-	(35)
General administration	978	-	-	-	(978)
School administration	289,270	-	-	-	(289,270)
Fiscal services	92,922	-	-	-	(92,922)
Operations	337,017	-	-	180,721	(156,296)
Maintenance of plant	632	-	-	-	(632)
Pupil transportation services	56,397	-	-	-	(56,397)
Community service	16,434	31,186	-	-	14,752
Food services	98,194	98,557	-	-	363
Health services	61,510	-	-	-	(61,510)
Depreciation	107,886	-	-	-	(107,886)
Interest expense	188,400	-	-	-	(188,400)
Amortization	19,762	-	-	-	(19,762)
Loss on disposal	10,091	-	-	-	(10,091)
Total governmental activities	\$ 3,111,016	\$ 129,743	\$ 576,868	\$ 180,721	(2,223,684)
General revenues:					
Grants and contributions not restricted to specific purposes					2,473,318
Interest income					4,726
Other revenue					8,066
Total general revenues					2,486,110
Change in net position					262,426
<b>Net position, beginning of year, as restated</b>					2,132,293
<b>Net position, end of year</b>					\$ 2,394,719

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>CARES Act Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,877,428	\$ -	\$ 120,209	\$ 1,997,637
Grant and other receivables	7,842	-	146,842	154,684
Prepaid items and other assets	28,713	-	-	28,713
Due from other funds	146,842	-	-	146,842
Deposit	1,500	-	-	1,500
<b>Total Assets</b>	<u>\$ 2,062,325</u>	<u>\$ -</u>	<u>\$ 267,051</u>	<u>\$ 2,329,376</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 203,346	\$ -	\$ -	\$ 203,346
Due to general fund	-	-	146,842	146,842
Due to agency fund	10,411	-	-	10,411
Deferred revenue	-	-	120,209	120,209
Total liabilities	<u>213,757</u>	<u>-</u>	<u>267,051</u>	<u>480,808</u>
Fund Balances:				
Nonspendable:				
Prepaid and other items	28,713	-	-	28,713
Committed:				
Contingency reserve	310,842	-	-	310,842
Unassigned	1,509,013	-	-	1,509,013
Total fund balances	<u>1,848,568</u>	<u>-</u>	<u>-</u>	<u>1,848,568</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,062,325</u>	<u>\$ -</u>	<u>\$ 267,051</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,548,928
Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	152,623
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(22,580)
Note payable	(6,269,000)
Lease payable	<u>(162,594)</u>
(6,454,174)	(6,454,174)
Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.	
Deferred outflows	867,520
Deferred inflows	(813,006)
Net pension liability	<u>(755,740)</u>
(701,226)	(701,226)
Net position of governmental activities	<u>\$ 2,394,719</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>CARES Act Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Intergovernmental				
Florida education finance program	\$ 2,473,318	\$ -	\$ -	\$ 2,473,318
Capital outlay funds	-	180,721	-	180,721
Federal through state	-	-	576,868	576,868
Local	137,809	-	-	137,809
Interest income	4,726	-	-	4,726
Total revenues	<u>2,615,853</u>	<u>180,721</u>	<u>576,868</u>	<u>3,373,442</u>
<b>Expenditures</b>				
Instruction and instruction related services	1,773,683	-	35,315	1,808,998
Instructional media services	78,196	-	-	78,196
Instructional staff training services	435	-	-	435
Instruction-related Technology	58,665	-	-	58,665
Board	35	-	-	35
General administration	978	-	-	978
School administration	289,270	-	-	289,270
Facility acquisitions and construction	3,611,850	-	-	3,611,850
Fiscal services	56,847	-	-	56,847
Operations	439,680	25,480	-	465,160
Maintenance of plant	632	-	-	632
Pupil transportation services	56,397	-	-	56,397
Community service	16,434	-	-	16,434
Food services	98,194	-	-	98,194
Health services	61,510	-	-	61,510
Redemption of principal	54,033	-	-	54,033
Debt service:				
Interest	188,400	-	-	188,400
Total expenditures	<u>6,785,239</u>	<u>25,480</u>	<u>35,315</u>	<u>6,846,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,169,386)</u>	<u>155,241</u>	<u>541,553</u>	<u>(3,472,592)</u>
<b>Other financing sources</b>				
Lease financing	172,385	-	-	172,385
Debt proceeds	4,607,181	-	-	4,607,181
Transfers in	696,794	-	-	696,794
Transfers out	-	(155,241)	(541,553)	(696,794)
Total other financing sources (uses)	<u>5,476,360</u>	<u>(155,241)</u>	<u>(541,553)</u>	<u>4,779,566</u>
<b>Net change in fund balances</b>	<u>1,306,974</u>	<u>-</u>	<u>-</u>	<u>1,306,974</u>
<b>Fund balance, beginning of year, as restated</b>	541,594	-	-	541,594
<b>Fund balances, end of year</b>	<u>\$ 1,848,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,568</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

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

Net change in fund balances-total governmental funds		\$ 1,306,974
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Compensated absences	4,112	
Net pension liability	772,137	
Deferred outflows related to net pension liability	(27,972)	
Deferred inflows related to net pension liability	(783,772)	(35,495)

Governmental funds report debt proceeds as revenues. However, in the statement of activities, proceeds from debt are not reported. This is amount of proceeds from debt received in the current period.		(4,607,181)
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Long-term lease liability - redemption of principle		9,791
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlays	3,726,076	
Loss on disposal	(10,091)	
Depreciation and amortization	(127,648)	3,588,337

Change in net position of governmental activities		\$ 262,426
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The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2022**

	<u>Internal Accounts</u>
	<u>\$ 145,380</u>
Cash and cash equivalents	10,411
Due from general fund	<u>\$ 155,791</u>
Total assets	<u><u>                    </u></u>
 <b><u>LIABILITIES</u></b>  	
Due to student clubs and activities	<u>\$ -</u>
 <b><u>NET POSITION</u></b>  	
Net position	<u><u>\$ 155,791</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2022**

	<u>Internal Accounts</u>
<b>Additions:</b>	
Fieldtrips, athletics, and clubs	<u>\$ 191,873</u>
<b>Deductions:</b>	
Fieldtrips, athletics, and clubs	150,587
Change in net position	<u>41,286</u>
<b>Net position, beginning of year</b>	114,505
<b>Net position, end of year</b>	<u><u>\$ 155,791</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Madison Creative Arts Academy, Inc. (the “School”), which affect significant elements of the accompanying basic financial statements:

(a) **Reporting entity**—Madison Creative Arts Academy, Inc. was created on August 6, 2015, to operate as a charter school under Florida Statutes. The charter was approved and effective beginning July 1, 2016. The School entered into a contract with Madison County District School Board (the “District”) to provide an educational program for elementary and middle school public school students. The School receives a majority of its funding through the District based on a formula of student attendance which is identical to that of other Madison County, Florida public schools. The current Charter has been granted for fifteen years through June 30, 2035. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Madison Creative Arts Academy, Inc. is considered a component unit of the Madison County District School Board.

(b) **Description of government wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by intergovernmental revenues and other nonexchange transactions.

(c) **Basis of presentation – government wide financial statements**—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues, such as monies received from the Madison County District School Board, are reported as general revenues.

(d) **Basis of presentation – fund financial statements**—The fund financial statements provide information about the government’s funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

**General Fund**—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

**Capital Projects Fund**—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and major maintenance projects.

**CARES Fund**—The Coronavirus Aid, Relief, and Economic Security (CARES) fund is used to account for revenues received from the CARES and Elementary and Secondary School Emergency Relief (ESSER) program and the related expenditures.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Basis of presentation – fund financial statements—**(Continued)

Additionally, the School reports the following Fiduciary Fund:

**Agency Fund**—Agency fund are custodial in nature and do not involve measurement of results of operations. The School’s agency fund accounts for classroom support, special area programs and student activities.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

(e) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Madison County School Board, are reported as general revenues.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Budgetary data**—The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School’s governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

(g) **Deposits and investments**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(h) **Income taxes**—The School is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The School files income tax returns in the U.S. Federal jurisdiction. The School’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

(i) **Capital assets**—Capital assets are defined by the School as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture and equipment	3 – 5
Software	5
Buildings and improvements	40

(j) **Revenue sources**—Revenues for current operations are received primarily from the Madison County District School Board pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Madison County District School Board.

Under the provisions of Section 1011.62, Florida Statutes, the Madison County District School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

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

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

(m) **Fund Balance**—

**Net position flow assumption**—Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

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

(n) **Pensions**—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS’s fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(o) **Deferred outflows/inflows of resources**—In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (8).

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:** (Continued)

(p) **New accounting pronouncements**— GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset (RTU), and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has implemented this Statement and its various provisions in 2022 and restated beginning net position for the cumulative adjustment due to the adoption of GASB 87, as required by the Statement.

(q) **Leases**— The School leases portable buildings and copier equipment. The School determines if an arrangement is a lease at inception. The School recognize intangible right-to-use (RTU) assets and corresponding lease liabilities for all leases that are not considered short-term. RTU assets represent the School’s right to use an underlying asset for the lease term and lease liabilities represent the School’s obligation to make lease payments arising from the lease. RTU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Basis of lease classification – Leases that meet the following requirements will not be considered short term: (1) the maximum possible lease term(s) is non-cancelable by both lessee and lessor, and is more than 12 months.

Discount Rate – Unless explicitly stated in the lease agreement, known by the School, or the School is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-to-use assets and liabilities will be the School’s estimated borrowing rate at the time of lease inception.

(2) **Deposits:**

(a) **Custodial credit risk**—In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned. At year end, the carrying amount of the School’s deposits was \$2,143,017 and the bank balance was \$2,166,732. Of the bank balance, \$250,000 is covered by Federal depository insurance or by collateral held by the School’s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes. The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

(3) **Significant Funding Source:**

The School receives a substantial amount of its funding from the Madison County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School’s programs and activities.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(4) **Capital Assets:**

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Capital assets, not being depreciated				
Construction in Process	\$ 3,754,563	\$ -	\$(3,754,564)	\$ -
Total capital assets, not being depreciated	<u>3,754,563</u>	<u>-</u>	<u>(3,754,563)</u>	<u>-</u>
Capital assets, being depreciated:				
Leasehold improvements	\$ 30,806	\$ -	\$ (30,806)	\$ -
Furniture, fixtures, and equipment	549,389	114,226	(115,128)	548,487
Computer software	25,808	-	-	25,808
Buildings and improvements	184,987	7,366,413	-	7,551,400
Total capital assets, being depreciated	<u>790,990</u>	<u>7,480,639</u>	<u>(145,934)</u>	<u>8,125,695</u>
Less accumulated depreciation:				
Leasehold improvements	(29,613)	(1,193)	30,806	-
Furniture, fixtures, and equipment	(369,687)	(102,164)	105,037	(366,814)
Computer software	(20,437)	(4,529)	-	(24,966)
Buildings and improvements	(184,987)	-	-	(184,987)
Total accumulated depreciation	<u>(604,724)</u>	<u>(107,886)</u>	<u>135,843</u>	<u>(576,767)</u>
Capital assets being depreciated, net	<u>\$ 186,266</u>	<u>\$ 7,372,753</u>	<u>\$ (10,091)</u>	<u>\$ 7,548,928</u>

Capital assets are used by multiple functions with the School and cannot be easily charged directly to a specific function. For the year ended June 30, 2022, unallocated depreciation expense was \$107,886.

(5) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance.

(6) **Interfund Balances and Transfers:**

The following is a summary of inter-fund amounts related to agency fund expenditures paid out of the general fund account at June 30, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency Fund	General Fund	<u>\$ 10,411</u>
General Fund	Special Revenue Fund	<u>\$ 146,842</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(6) **Interfund Balances and Transfers:** (Continued)

Transfers from/to other funds for the year ended June 30, 2022, were as follows:

<u>Recipient Fund</u>	<u>Amount</u>	<u>Reason for Transfer</u>
General Fund	\$ 155,241	Transfer from PECO Fund to aid in operation cost for General Fund for the current year.
General Fund	\$ 541,553	Transfer from Special Revenue Fund to aid in CARES cost for the General Fund for the current year.

(7) **Leases:**

The School has leases for buildings and copy equipment, which have remaining lease terms expiring in years 2022 through 2026.

As of June 30, 2022, total lease related assets by major class, and the related accumulated amortization, disclosed separately from other capital assets as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2022</u>
Right-to-use leased assets, being amortized:				
Portable buildings	\$ -	\$ 160,666	\$ -	\$ 160,666
Copiers	11,719	-	-	11,719
Total leased assets, being amortized	<u>11,719</u>	<u>160,666</u>	<u>-</u>	<u>172,385</u>
Less accumulated amortization for:				
Portable buildings	-	(16,067)	-	(16,067)
Copiers	-	(3,695)	-	(3,695)
Total accumulated amortization	<u>-</u>	<u>(19,762)</u>	<u>-</u>	<u>(19,762)</u>
Right-to-use leased assets, net	<u>\$ 11,719</u>	<u>\$ 140,904</u>	<u>\$ -</u>	<u>\$ 152,623</u>

The amortization expense for right-to-use leased assets was for the \$19,762 year ended June 30, 2022.

The principal and interest requirements to maturity for the lease liability as of June 30, 2022 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 31,873	\$ 6,317	\$ 38,190
2024	35,869	4,838	40,707
2025	37,423	3,284	40,707
2026	37,882	1,671	39,553
2027	19,547	235	19,782
Total future minimum lease payments	<u>\$ 162,594</u>	<u>\$ 16,345</u>	<u>\$ 178,939</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**(8) Florida Retirement System:**

**Plan Description and Administration**

The School participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(8) **Florida Retirement System:** (Continued)

**Benefits Provided and Employees Covered**

Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
 Division of Retirement, Research and Education Services  
 P.O. Box 9000  
 Tallahassee, FL 32315-9000  
 850-488-5706 or toll free at 877-377-1737

**Contributions**

The School participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended June 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan &amp; Class</u>	<u>Through June 30, 2021</u>	<u>After June 30, 2021</u>
Regular Class	10.00%	10.82%
DROP	16.98%	18.34%
Senior Management	27.29%	29.01%

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(8) **Florida Retirement System:** (Continued)

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, which are included in the above rates

For the plan year ended June 30, 2022, actual contributions made for employees participating in FRS and HIS were as follows:

School Contributions – FRS	\$ 114,173
School Contributions – HIS	25,366
Employee Contributions – FRS	45,842

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At June 30, 2022, the School reported a net pension liability related to FRS and HIS as follows:

<b>Plan</b>	<b>Net Pension Liability</b>
FRS	\$ 226,390
HIS	529,350
Total	<u>\$ 755,740</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the School’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2022 and June 30, 2021, the School’s proportionate share of the FRS and HIS net pension liabilities were as follows:

<b>Plan</b>	<b>2022</b>	<b>2021</b>
FRS	.002297010%	.002436996%
HIS	.004315414%	.003864976%

For the plan year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 95,583
HIS	98,885
Total	<u>\$ 194,468</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(8) **Florida Retirement System:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>FRS</b>		<b>HIS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 38,804	\$ -	\$ 17,713	\$ (222)
Changes of assumptions	154,907	-	41,595	(21,811)
Net different between projected and actual investment earnings	-	(789,818)	552	-
Change in School's proportionate share	274,634	-	184,455	(1,155)
Contributions subsequent to measurement date	129,119	-	25,741	-
	<u>\$ 597,464</u>	<u>\$ (789,818)</u>	<u>\$ 270,056</u>	<u>\$ (23,188)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

<b>Year</b>	<b>FRS</b>	<b>HIS</b>	<b>Total</b>
2023	\$ (9,333)	\$ 71,733	\$ 62,400
2024	(49,192)	64,633	15,441
2025	(115,537)	40,291	(75,246)
2026	(170,216)	22,423	(147,793)
2027	22,805	17,065	39,870
Thereafter	-	4,982	4,982
Total	<u>\$ (321,473)</u>	<u>\$ 221,127</u>	<u>\$ (100,346)</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(8) **Florida Retirement System:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

*Actuarial assumptions:*

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate decreased from the prior year rate, which was 6.90%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.35% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.50%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2020, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(8) **Florida Retirement System:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 1,012,431	\$ 226,390	\$ (430,652)
HIS	2.16%	611,980	529,350	461,654

(9) **Long-Term Debt:**

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental Activities:					
Note Payable	\$ 1,661,819	\$ 4,607,181	\$ -	\$ 6,269,000	\$ 97,738
Compensated Absences	26,692	14,376	18,488	22,580	15,775
Total Governmental Activities:	<u>\$ 1,688,511</u>	<u>\$ 4,621,557</u>	<u>\$ 18,488</u>	<u>\$ 6,291,580</u>	<u>\$ 113,513</u>

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(9) **Long-Term Debt:** (Continued)

***Governmental Activities***

*Note Payable*

4.25% note payable to bank payable in 360 monthly installments. Payments will be \$31,124 for 22 scheduled payments, after this time, payments may change every 36 payments thereafter. Interest and principal payments will commence on July 1, 2022, the loan is collateralized by the building.

	\$ 6,269,000
Less: Current portion	97,738
Notes payable, less current portion	<u>\$ 6,171,262</u>

Future maturities of note payable are as follows:

	<b>School Principal</b>	<b>Interest</b>	<b>Debt Service</b>
<b>2023</b>	\$ 97,738	\$ 275,746	\$ 373,484
<b>2024</b>	113,398	260,086	373,484
<b>2025</b>	118,312	255,172	373,484
<b>2026</b>	123,440	250,044	373,484
<b>2027</b>	128,789	244,695	373,484
<b>2028-2032</b>	732,665	1,134,757	1,867,422
<b>2033-2037</b>	905,795	961,626	1,867,421
<b>2038-2042</b>	1,119,836	747,585	1,867,421
<b>2043-2047</b>	1,384,456	482,966	1,867,422
<b>2048-2052</b>	1,544,571	155,816	1,700,387
<b>Total</b>	\$ 6,269,000	\$ 4,768,493	\$ 11,037,493

(10) **Related Party Transactions:**

During 2022, the School leased its former building and new school campus land from Madison Academy, a former private school. There is one common board member between the School and Madison Academy. The School paid Madison Academy \$25,000 in lease payments for the former building and \$10 for the new campus land rights for the year ended June 30, 2022. As of June 30, 2022, \$25,000 was payable to Madison Academy.

(11) **Subsequent Events:**

Madison Creative Arts Academy, Inc. has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 31, 2022, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the School’s financial statements:

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

(13) **Restatement of Beginning Net Position and Fund Balance:**

Subsequent to the issuance of the June 30, 2022 financial statements, management became aware of the following: understatement of grants receivable due to accruals for Emergency and Secondary School Emergency Relief (ESSER) receivables for funds that were made readily available to the School after year-end.

Net Position/Fund Balance:		
	June 30, 2021, originally reported	\$ 90,589
	ESSER receivable adjustment	451,005
Net Position/Fund Balance:		
	June 30, 2022, as restated	<u><u>\$ 541,594</u></u>

The impact of the restatement increased the beginning net position on the statement of activities and beginning general fund balance for governmental activities in the amount of \$451,005.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Revenue from state sources	\$ 2,486,733	\$ 2,486,733	\$ 2,473,318	\$ (13,415)
Local	82,653	82,653	137,809	55,156
Interest income	5,000	5,000	4,726	(274)
Total revenues	<u>2,574,386</u>	<u>2,574,386</u>	<u>2,615,853</u>	<u>41,467</u>
<b>Expenditures</b>				
Instruction and instruction related services	2,006,028	2,194,148	1,773,683	420,465
Instructional media services	71,529	78,305	78,196	109
Instructional staff training services	1,800	1,800	435	1,365
Instruction-related Technology	53,066	54,691	58,665	(3,974)
Board	100	100	35	65
General administration	500	500	978	(478)
School administration	297,082	308,726	289,270	19,456
Facility acquisitions and construction	4,035,660	3,611,025	3,611,850	(825)
Fiscal services	51,500	78,861	56,847	22,014
Operations	273,892	304,098	439,680	(135,582)
Maintenance of plant	2,500	2,500	632	1,868
Pupil transportation services	80,087	80,087	56,397	23,690
Community service	30,947	35,418	16,434	18,984
Food services	100,905	100,905	98,194	2,711
Health services	28,852	32,846	61,510	(28,664)
Redemption of principal	-	-	54,033	(54,033)
Debt Service:				
Interest	-	-	188,400	(188,400)
Total expenditures	<u>7,034,448</u>	<u>6,884,010</u>	<u>6,785,239</u>	<u>98,771</u>
<b>Change in fund balance</b>	<u>(4,460,062)</u>	<u>(4,309,624)</u>	<u>(4,169,386)</u>	<u>140,238</u>
<b>Other financing sources (uses)</b>				
Lease financing	-	-	172,385	172,385
Debt Proceeds	4,562,418	4,562,418	4,607,181	44,763
Transfers in	-	-	696,794	696,794
Total other financing sources	<u>4,562,418</u>	<u>4,562,418</u>	<u>5,476,360</u>	<u>913,942</u>
<b>Net change in fund balances</b>	<u>102,356</u>	<u>252,794</u>	<u>1,306,974</u>	<u>1,054,180</u>
<b>Fund balances, beginning of year</b>	541,594	541,594	541,594	-
<b>Fund balances, end of year</b>	<u>\$ 643,950</u>	<u>\$ 794,388</u>	<u>\$ 1,848,568</u>	<u>\$ 1,054,180</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL - CARES FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal through state	\$ 813,772	\$ 1,238,407	\$ 576,868	\$ (661,539)
Total revenues	<u>813,772</u>	<u>1,238,407</u>	<u>576,868</u>	<u>(661,539)</u>
<b>Expenditures</b>				
Instruction and instruction related services	60,105	60,105	35,315	24,790
Facility acquisitions and construction	753,667	1,178,302	-	1,178,302
Total expenditures	<u>813,772</u>	<u>1,238,407</u>	<u>35,315</u>	<u>1,203,092</u>
<b>Change in fund balance</b>	<u>-</u>	<u>-</u>	<u>541,553</u>	<u>541,553</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	-	(541,553)	(541,553)
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual are presented using the School’s budget format for all major governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the “Board”). The budget presented for fiscal year ended June 30, 2022, was amended.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -**  
**LAST 10 FISCAL YEARS AS OF JUNE 30**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Florida Retirement System (FRS)</b>					
Proportion of the net pension liability (asset)	0.0029970100%	0.0024363963%	0.0022695506%	0.0022404340%	0.0015432191%
Proportionate share of the net pension liability (asset)	\$ 226,390	\$ 1,055,970	\$ 781,602	\$ 674,830	\$ 456,474
Covered-employee payroll	1,528,075	1,341,690	1,236,381	1,213,698	1,213,430
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.82%	78.70%	63.22%	55.60%	37.62%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%
<b>Health Insurance Subsidy Program (HIS)</b>					
Proportion of the net pension liability (asset)	0.0043154138%	0.0038649765%	0.003696072%	0.003715154%	0.002547612%
Proportionate share of the net pension liability (asset)	\$ 529,350	\$ 471,907	\$ 413,553	\$ 393,216	\$ 272,402
Covered-employee payroll	1,528,075	1,341,690	1,236,381	1,213,698	1,231,430
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.64%	35.17%	33.45%	32.40%	22.45%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes to financial statements  
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.**  
**SCHEDULE OF CONTRIBUTIONS -**  
**LAST 10 FISCAL YEARS AS OF JUNE 30**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b><u>Florida Retirement System (FRS)</u></b>					
Contractually required contribution	\$ 114,173	\$ 80,951	\$ 70,372	\$ 63,851	\$ 75,351
Contributions in relation to the contractually required contribution	(114,173)	(80,951)	(70,372)	(63,851)	(75,351)
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,528,075	\$ 1,341,690	\$ 1,236,381	\$ 1,213,698	\$ 1,213,430
Contributions as a percentage of covered-employee payroll	7.47%	6.03%	5.69%	5.26%	6.21%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>					
Contractually required contribution	\$ 25,366	\$ 22,272	\$ 20,524	\$ 20,147	\$ 20,143
Contributions in relation to the contractually required contribution	(25,366)	(22,272)	(20,524)	(20,147)	(20,143)
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 1,528,075	\$ 1,341,690	\$ 1,236,381	\$ 1,213,698	\$ 1,213,430
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral  
part of this schedule.

**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,  
Madison Creative Arts Academy, Inc.:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund and the aggregate remaining fund information of Madison Creative Arts Academy, Inc. as of and for the year ended June 30, 2022, and related notes to the financial statements, which collectively comprise Madison Creative Arts Academy, Inc.'s basic financial statements and have issued our report thereon dated August 31, 2022.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as item 2022-001 to be a material weakness.

## **Finding 2022-001: Preparation of Financial Statements and Significant Adjustments**

**Condition and Criteria:** The internal controls of Madison Creative Arts Academy, Inc. have focused primarily on the objective of effectiveness and efficiency of operations (i.e., performance and mission goals and safeguarding of resources). However, the system of internal control over the objectives of reliability of financial reporting contains certain deficiencies. A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

**Cause:** For the year ended June 30, 2022, certain adjustments were required to be made to the accounting records subsequent to the start of the audit process. Since these adjustments resulted in a material misstatement of the financial statements, this deficiency is deemed to be a material weakness.

**Effect:** Financial statements would be materially misstated if significant adjustments were not made.

**Recommendation:** We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Madison Creative Arts Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Madison Creative Arts Academy, Inc.'s Response to Finding**

Madison Creative Arts Academy, Inc.'s response to the finding identified in our audit is described in the accompanying corrective action plan. Madison Creative Arts Academy, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tallahassee, Florida  
August 31, 2022



**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.850, RULES OF THE STATE OF FLORIDA,  
OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,  
Madison Creative Arts Academy, Inc.:

**Report on the Financial Statements**

We have audited the financial statements of Madison Creative Arts Academy, Inc., as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated August 31, 2022.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 31, 2022, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below.

<b>Tabulation of Uncorrected Audit Findings</b>			
<b>Description</b>	<b>Current Year Finding #</b>	<b>2020-21 FY Finding #</b>	<b>2019-20 FY Finding #</b>
Preparation of Financial Statements and Significant Adjustments	2022-001	2021-001	-

**Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Madison Creative Arts Academy, Inc., 400122.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the Madison Creative Arts Academy, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Madison Creative Arts Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Madison Creative Arts Academy, Inc. It is management's responsibility to monitor the Madison Creative Arts Academy, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Madison Creative Arts Academy, Inc. maintains on its web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Madison Creative Arts Academy, Inc. did maintain all of the required information on its website as specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did note one such finding below.

## **2022-002: Charter Filing Requirements**

During the audit period, it was noted Madison Creative Arts Academy, Inc. did not fulfill certain financial filing requirements timely as outlined in the District Charter.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Madison County District School Board, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

### **Management's Response to Finding**

Management's response to the findings identified in our audit are described in the accompanying corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*James Moore & Co., P.L.*

Tallahassee, Florida  
August 31, 2022



August 31, 2022

James Moore & Co, P.L.

Re: Response to Findings

Please consider the following response to the findings cited in the Independent Auditors' Report on Internal Control Over Financial Reporting and the Management Letter of Independent Auditors dated August 31, 2022.

**Finding 2022-001: Preparation of Financial Statements and Significant Adjustments**

The 2021-2022 school year brought with it a series of "firsts" for MCAA; the completion of construction and move to our new school location, the implementation of the new lease standards, additional ESSER funds, and an amendment to our Charter contract that shortened the previous period of time for our end of year reporting. The auditors proposed material adjustments that resulted from activities that are outside of the boundaries of a typical school year in a timely manner. Future corrective actions will include timely consultation with the District CFO, the Auditor General's Office and/or professionals from the auditing firm of James Moore & Co as needed.

**Finding 2022-002: Charter Filing Requirements**

Management will work closely with the District to ensure that MCAA reports are submitted in the correct format to the correct District personnel at each reporting period.

Should you require any additional information or clarification, please do not hesitate to contact me via email at [barrsj@mcaa.academy](mailto:barrsj@mcaa.academy) or by phone at (850) 973-2529.

Sincerely,

Ms. Janna Barrs  
Executive Director (Administrator)  
Madison Creative Arts Academy, Inc.

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2812 W. US 90, Madison, Florida 32340

Madison Creative Arts Academy, Inc. is a tuition-free public charter school and will not discriminate illegally on the basis of sex, race, religion, national origin, disability, or age as to employment or educational programs and activities.

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