

Audited Financial Statements

University Preparatory Academy
Detroit, Michigan

June 30, 2024

CONTENTS

	<u>Page</u>
Independent Auditors' Report	i – iii
Management's Discussion and Analysis	iv - viii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 18
Supplementary Information	
Budgetary Comparison Schedule – General Fund	19
Schedule of Revenues – General Fund	20
Schedule of Expenditures – General Fund	21 - 23

CONTENTS – Continued

	<u>Page</u>
Appendix- Federal Awards Report	
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>	A-1 – A-2
Independent Auditors’ Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	A-3 – A-5
Schedule of Expenditures of Federal Awards	A-6 – A-7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	A-8
Notes to Schedule of Expenditures of Federal Awards	A-9
Schedule of Findings and Questioned Costs	A-10



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of University Preparatory Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise University Preparatory Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Academy, as of June 30, 2024, 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University Preparatory Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University Preparatory Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University Preparatory Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as detailed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of University Preparatory Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of University Preparatory Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University Preparatory Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
October 31, 2024

University Preparatory Academy

Management's Discussion and Analysis

This section of the University Preparatory Academy annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Academy-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information) *Budgetary Information for Major Funds*

Other Supplementary Information

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

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

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

University Preparatory Academy

Management's Discussion and Analysis

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

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, 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 operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The Academy as a Whole

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

University Preparatory Academy

Management's Discussion and Analysis

Table 1
University Preparatory Academy's Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 10,151,057	\$ 7,629,803
Capital assets	<u>1,773,531</u>	<u>1,590,763</u>
Total assets and deferred outflows	<u>11,924,588</u>	<u>9,220,566</u>
Current liabilities	3,515,824	2,285,511
Long-term debt	<u>606,256</u>	<u>896,047</u>
Total liabilities and deferred inflows	<u>4,122,080</u>	<u>3,181,558</u>
Net position:		
Net invested in capital assets	877,485	545,753
Restricted	-	-
Unrestricted	<u>6,925,023</u>	<u>5,493,255</u>
Total net position	<u>\$ 7,802,508</u>	<u>\$ 6,039,008</u>

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's unrestricted net position was \$6,925,023 and \$5,493,255 at June 30, 2024 and 2023, respectively. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net position for fiscal year 2024 and 2023.

University Preparatory Academy

Management's Discussion and Analysis

Table 2
Changes in University Preparatory Academy's Net Position

	<u>2024</u>	<u>2023</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ 26,278
Federal and state operating grants	7,880,048	8,697,870
General revenues:		
State aid - unrestricted	18,047,957	16,507,446
Gain (loss) on disposal of assets	-	-
Miscellaneous	1,356,578	28,315
Total revenues	<u>27,284,583</u>	<u>25,259,909</u>
Expenses:		
Instruction	12,847,876	12,616,404
Support services	12,033,949	10,783,649
Community services	39,933	42,948
Other	-	209,645
Unallocated depreciation / amortization	599,325	514,129
Interest on long-term debt	-	31,566
Total expenses	<u>25,521,083</u>	<u>24,198,341</u>
Increase (decrease) in net position	<u>\$ 1,763,500</u>	<u>\$ 1,061,568</u>

As reported in the statement of activities, the cost of all governmental activities for the year ended June 30, 2024 and 2023 were \$25,521,083 and \$24,198,341, respectively. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$7,880,048 in 2024 and \$8,697,870 in 2023. We paid for the remaining "public benefit" portion of our governmental activities with \$18,047,957 in 2024 and \$16,507,446 in 2023 in State foundation allowance, and with our other revenues, i.e., interest and contributions.

The Academy experienced an increase in net position of \$1,763,500. The key reason for the change in net position was the Academy's ability to keep expenses in line with revenue received.

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

University Preparatory Academy

Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2024, the Academy had invested \$1,773,531 in furniture, leasehold improvements, and computer hardware. This represents a decrease of \$182,768 from last year. The Academy adopted GASB 87 in fiscal 2022, which resulted in the recognition of right-of-use assets and lease liabilities. We present more detailed information regarding our capital assets and related lease liabilities in the notes to the financial statements.

Debt Administration

During the 2023-2024 fiscal year, the Academy retired \$148,964 in long-term debt related to the impact of GASB Statements 87 and 96 on long term building and equipment leases. At year-end, the Academy had \$896,046 in outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the Academy's 2024-2025 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2024-2025 fiscal year is 10 percent and 90 percent of the February 2024 and October 2024 student counts, respectively. The Academy has budgeted its enrollment at 1,880 students for the 2024-2025 school year end, which is a the same enrollment from the 2023-2024 school year.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to its various school districts.

The Academy has prepared its 2024-25 budget assuming a foundation allowance of \$9,849 per pupil. The Academy will continue to be diligent in its spending and monitors its budget closely.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and donors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Office, University Preparatory Academy, 485 W. Milwaukee St., Detroit, MI, 48202.

UNIVERSITY PREPARATORY ACADEMY

STATEMENT OF NET POSITION

JUNE 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,110,821
Accounts receivable	92,543
Due from other governmental units	5,924,005
Prepaid expenses	<u>23,688</u>
Total current assets	10,151,057

Capital Assets - Net of Accumulated Depreciation / Amortization

1,773,531

Total assets \$ 11,924,588

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 437,246
Unearned revenue	1,822,059
Other accrued liabilities	966,729
Long-term debt - current portion	<u>289,790</u>
Total current liabilities	3,515,824

Long-Term Debt - Long-Term Portion

606,256

Net Position

Net investment in capital assets	877,485
Unrestricted	<u>6,925,023</u>
Total net position	<u>7,802,508</u>
Total liabilities and net position	<u>\$ 11,924,588</u>

See accompanying notes to financial statements

UNIVERSITY PREPARATORY ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	Government Type Activities
Instruction				
Basic programs	\$ 10,652,838	\$ -	\$ 2,751,593	\$ (7,901,245)
Added needs	2,159,964	-	2,023,326	(136,638)
Occupational training	35,074			(35,074)
Support services				
Pupil support services	1,691,661	-	652,465	(1,039,196)
Instructional staff support services	1,528,754	-	723,312	(805,442)
General administration	1,438,174	-	-	(1,438,174)
School administration	1,575,989	-	-	(1,575,989)
Business support services	323,310	-	-	(323,310)
Operations and maintenance	2,815,234	-	562,292	(2,252,942)
Pupil transportation services	77,145	-	-	(77,145)
Central support services	1,041,020	-	40,244	(1,000,776)
Athletic activities	262,467	-	-	(262,467)
Food services	1,280,196	-	1,117,030	(163,166)
Community services	39,933	-	9,786	(30,147)
Unallocated depreciation / amortization	599,325	-	-	(599,325)
Total primary government	\$ 25,521,083	\$ -	\$ 7,880,048	(17,641,035)
General Purpose Revenues				
State school aid - unrestricted				18,047,957
Miscellaneous revenues				1,356,578
Total general purpose revenues				19,404,535
Change in net position				1,763,500
Net position - July 1, 2022				6,039,008
Net position - June 30, 2024				\$ 7,802,508

See accompanying notes to financial statements

UNIVERSITY PREPARATORY ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2024

ASSETS

	General	Non-Major Special Revenue - Food Service	Total
Cash and cash equivalents	\$ 4,110,821	\$ -	\$ 4,110,821
Accounts receivable	92,543	-	92,543
Due from other governmental units	5,880,176	43,829	5,924,005
Due from other funds	-	38,837	38,837
Prepaid expenses	23,688	-	23,688
	<u>\$ 10,107,228</u>	<u>\$ 82,666</u>	<u>\$ 10,189,894</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 354,580	\$ 82,666	\$ 437,246
Due to other funds	38,837	-	38,837
Unearned revenue	1,822,059	-	1,822,059
Other accrued liabilities	966,729	-	966,729
	<u>3,182,205</u>	<u>82,666</u>	<u>3,264,871</u>

Fund Balance

Nonspendable	23,688	-	23,688
Assigned	2,833,411	-	2,833,411
Unassigned	4,067,924	-	4,067,924
	<u>6,925,023</u>	<u>-</u>	<u>6,925,023</u>
	<u>\$ 10,107,228</u>	<u>\$ 82,666</u>	<u>\$ 10,189,894</u>

See accompanying notes to financial statements

UNIVERSITY PREPARATORY ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

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

Total Governmental Fund Balances	\$ 6,925,023
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,845,263 and the accumulated depreciation / amortization is \$4,071,732.	1,773,531
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(896,046)</u>
Net Position of Governmental Activities	<u>\$ 7,802,508</u>

See accompanying notes to financial statements

UNIVERSITY PREPARATORY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Non-Major Special Revenue - Food Service</u>	<u>Total</u>
Revenues			
Local sources	\$ 736,355	\$ -	\$ 736,355
State sources	19,753,243	38,357	19,791,600
Federal sources	4,910,906	1,078,673	5,989,579
Interdistrict sources	767,050	-	767,050
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	26,167,554	1,117,030	27,284,584
Expenditures			
Instruction			
Basic programs	11,143,824	-	11,143,824
Added needs	2,159,964	-	2,159,964
Occupational training	35,074	-	35,074
Support services			
Pupil support services	1,691,661	-	1,691,661
Instructional staff support services	1,528,754	-	1,528,754
General administration	1,438,174	-	1,438,174
School administration	1,575,989	-	1,575,989
Business support services	323,310	-	323,310
Operations and maintenance	3,030,397	-	3,030,397
Pupil transportation services	77,145	-	77,145
Central support services	1,176,510	-	1,176,510
Athletic activities	262,467	-	262,467
Food services	-	1,324,882	1,324,882
Community services	39,933	-	39,933
Building improvement services	44,732	-	44,732
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	24,527,934	1,324,882	25,852,816
Excess (deficiency) of revenues over expenditures	1,639,620	(207,852)	1,431,768
Other Financing Sources (Uses)			
Operating transfers in	-	207,852	207,852
Operating transfers out	(207,852)	-	(207,852)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(207,852)	207,852	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,431,768	-	1,431,768
Fund balance - July 1, 2023	5,493,255	-	5,493,255
	<hr/>	<hr/>	<hr/>
Fund balance - June 30, 2024	\$ 6,925,023	\$ -	\$ 6,925,023
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See accompanying notes to financial statements

UNIVERSITY PREPARATORY ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

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

Net Change in Fund Balances - Total Governmental Funds	\$	1,431,768
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital outlay	\$	782,094	
Depreciation and amortization expense		(599,325)	182,769

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal		148,963
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Change in Net Position of Governmental Activities	\$	1,763,500
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UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of University Preparatory Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

University Preparatory Academy was formed as a public-school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on July 1, 2000.

The Academy entered into a ten-year contract with the Grand Valley State University Board of Trustees to charter a public-school academy through June 30, 2028. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The Grand Valley State University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Grand Valley State University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2024 were approximately \$521,000.

The Academy entered into an agreement with Detroit 90/90, a not-for-profit corporation. Under the terms of this agreement, Detroit 90/90 provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay Detroit 90/90 a fee equal to Detroit 90/90’s break-even operating costs attributed to UPA that are not cost allocated to the PSAD UPA budget plus one percent (1%) of such Detroit 90/90 UPA operating costs. The total paid for these services amounted to approximately \$518,600 for the year ended June 30, 2024.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public-school academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds

A governmental fund is a fund through which most Academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund (Food Service) - The special revenue fund, is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government-wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held no investments during the year ended June 30, 2024. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

Accounts receivables and due from other governmental units at June 30, 2024 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2024 and are considered current for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2024 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. Depreciation and amortization are computed using the straight-line method over the following useful lives:

Building and improvements	10 – 39 years
Furniture and equipment	5 – 6 years
Computers and software	3 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in the following three components: Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by any outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of Net investment in capital assets or Restricted.

Fund Equity

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

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

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

Leases and Subscription Based IT Arrangements (SBITA)

The Academy is a lessee for a noncancelable lease/subscription of equipment. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease/subscription, the Academy initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the Academy determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease/subscription. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

Estimates

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

Upcoming Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year-end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general fund budget. During the year ended June 30, 2024 the budget was amended in a legally permissible manner. Refer to page 19 of these financial statements for the budgetary comparison schedule.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2024, the Academy held no investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2024, \$3,876,439 of the Academy's cash was exposed to custodial credit risk. All cash balances were uncollateralized as of June 30, 2024.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Local sources	\$ 51,159
State sources	3,762,989
Federal sources	<u>2,109,857</u>
Total	<u><u>\$ 5,924,005</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets subject to depreciation / amortization				
Right to use - assets	\$ 1,089,970	\$ -	\$ -	\$ 1,089,970
Right to use - subscription-based IT	-	109,583	-	109,583
Furniture, equipment and improvements	<u>3,973,199</u>	<u>672,511</u>	<u>-</u>	<u>4,645,710</u>
Total asset cost basis	5,063,169	782,094	-	5,845,263
Accumulated depreciation / amortization				
Right to use - assets	653,982	108,897	-	762,879
Right to use - subscription-based IT	-	36,528	-	36,528
Furniture, equipment and improvements	<u>2,818,425</u>	<u>453,900</u>	<u>-</u>	<u>3,272,325</u>
Subtotal	<u>3,472,407</u>	<u>599,325</u>	<u>-</u>	<u>4,071,732</u>
Total net capital assets	<u><u>\$ 1,590,762</u></u>	<u><u>\$ 182,769</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,773,531</u></u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 – LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2024:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Direct borrowing - building	3.00%	Jun-27	

Loan Activity

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Direct borrowing - building	<u>\$ 1,045,010</u>	<u>\$ -</u>	<u>\$ 148,964</u>	<u>\$ 896,046</u>	<u>\$ 289,790</u>

Following are maturities of long-term obligations for principal and interest for the next three fiscal years:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 289,790	\$ 23,280
2026	298,593	14,477
2027	307,663	5,406

NOTE 7 - RETIREMENT PLAN

All leased employees of the Academy are eligible to participate in a retirement plan established by its management company which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will match up to 6% of leased employee contributed funds up to \$6,000.

UNIVERSITY PREPARATORY ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

UNIVERSITY PREPARATORY ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local sources	\$ 992,508	\$ 1,293,017	\$ 736,355	\$ (556,662)
State sources	20,246,573	20,183,822	19,753,243	(430,579)
Federal sources	5,072,882	5,090,945	4,910,906	(180,039)
Total general fund revenues	26,311,963	26,567,784	26,167,554	(400,230)
Expenditures				
Instruction				
Basic programs	11,331,401	11,063,682	11,143,824	80,142
Added needs	2,237,447	2,386,741	2,159,964	(226,777)
Occupational training	-	-	35,074	35,074
Support services				
Pupil support services	1,819,265	1,727,763	1,691,661	(36,102)
Instructional staff support services	1,614,291	1,662,376	1,528,754	(133,622)
General administration	1,427,050	1,458,959	1,438,174	(20,785)
School administration	1,492,242	1,532,242	1,575,989	43,747
Business support services	414,468	365,968	323,310	(42,658)
Operations and maintenance	2,620,629	3,301,018	3,030,397	(270,621)
Pupil transportation services	47,000	84,500	77,145	(7,355)
Central support services	1,132,871	1,183,803	1,176,510	(7,293)
Athletic activities	216,941	256,006	262,467	6,461
Community services	55,000	68,474	39,933	(28,541)
Building improvement services	1,952,000	553,000	44,732	(508,268)
Total general fund expenditures	26,360,605	25,644,532	24,527,934	(1,116,598)
Excess (deficiency) of revenues over expenditures	(48,642)	923,252	1,639,620	716,368
Other Financing Sources (Uses)				
Operating transfers out	-	(211,088)	(207,852)	3,236
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(48,642)	712,164	1,431,768	719,604
Fund balance - July 1, 2023	5,493,255	5,493,255	5,493,255	-
Fund balance - June 30, 2024	\$ 5,444,613	\$ 6,205,419	\$ 6,925,023	\$ 719,604

UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

Local Sources

Other local revenues	\$ 736,355
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State Sources

At risk	1,300,118
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Special education	405,168
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State aid	<u>18,047,957</u>
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Total state sources	19,753,243
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Federal Sources

IDEA	464,112
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Title I	942,583
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Title II A	111,814
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Title IV	114,061
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Other program revenue	<u>3,278,336</u>
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Total federal sources	4,910,906
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Interdistrict Sources

	<u>767,050</u>
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Total general fund revenues	<u>\$ 26,167,554</u>
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UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

Basic Programs

Purchased services	\$ 9,621,042
Other purchased services	42,082
Supplies and materials	<u>1,480,700</u>
Total basic programs	11,143,824

Added Needs

Purchased services	2,137,236
Other purchased services	14,068
Supplies and materials	<u>8,660</u>
Total added needs	2,159,964

Occupational Training

Purchased services	35,074
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Pupil Support Services

Truancy and absenteeism	78,394
Guidance services	664,388
Psychological services	144,283
Speech pathology and audiology	238,119
Social work services	<u>566,477</u>

Total pupil support services	1,691,661
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Instructional Staff Support Services

Purchased services	1,522,416
Other purchased services	5,211
Supplies and materials	<u>1,127</u>

Total instructional staff support services	1,528,754
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General Administration

Purchased services	1,420,617
Other purchased services	1,450
Supplies and materials	495
Other expenditures	<u>15,612</u>

Total general administration	1,438,174
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UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED FOR THE YEAR ENDED JUNE 30, 2024

School Administration

Purchased services	1,555,945
Other purchased services	20,044
	<hr/>
Total school administration	1,575,989

Business Support Services

Purchased services	220,336
Rentals	101,425
Other purchased services	696
Supplies and materials	853
	<hr/>
Total business support services	323,310

Operations and Maintenance

Purchased services	551,130
Repairs and maintenance	928,913
Rentals	495,180
Other purchased services	176,874
Supplies and materials	878,300
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Total operations and maintenance	3,030,397

Pupil Transportation Services

Purchased services	77,145
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Central Support Services

Purchased services	805,509
Other purchased services	2,373
Supplies and materials	368,628
	<hr/>
Total central support services	1,176,510

Athletic Activities

Purchased services	252,372
Other purchased services	1,162
Supplies and materials	8,933
	<hr/>
Total athletic activities	262,467

UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

Community Services

Supplies and materials

39,933

Building Improvement Services

44,732

Total general fund expenditures

\$ 24,527,934

APPENDIX

Federal Awards Report



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

**To the Board of Directors
of University Preparatory Academy**

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Academy, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise University Preparatory Academy's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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.



Croskey Lanni, PC

Rochester, Michigan
October 31, 2024



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

**To the Board of Directors
of University Preparatory Academy**

**Report on Compliance for Each Major Federal Program
*Opinion on Each Major Federal Program***

We have audited University Preparatory Academy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of University Preparatory Academy's major federal programs for the year ended June 30, 2024. University Preparatory Academy's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on University Preparatory Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about University Preparatory Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan
October 31, 2024

UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash Assistance (Commodities) -										
National School Lunch Program Commodities 2023-2024	N/A	10.555	\$ 49,303	\$ -	\$ -	\$ -	\$ 33,440	\$ 33,440	\$ -	\$ -
Cash Assistance:										
COVID-19 - Supply Chain Assistance 2023	220910	10.555	37,135	25,996	(11,139)	-	-	11,139	-	-
COVID-19 - Supply Chain Assistance 2023	230910	10.555	20,693	-	(20,693)	-	-	20,693	-	-
National School Lunch Program 2023-2024	231960/ 241960	10.555	740,457	-	-	-	708,859	740,457	31,598	-
COVID-19 - Supply Chain Assistance 2024	240910	10.555	47,736	-	-	-	47,736	47,736	-	-
Total Cash and Noncash Assistance		10.555	895,324	25,996	(31,832)	-	790,035	853,465	31,598	-
National School Breakfast Program:										
National School Breakfast Program 2023-2024	231970/ 241970	10.553	147,425	-	-	-	140,065	147,425	7,360	-
Summer Food Service Program:										
Summer Food Service Program Operating 2023-2024	230900	10.559	13,103	-	-	-	13,103	13,103	-	-
Total Child Nutrition Cluster			1,055,852	25,996	(31,832)	-	943,203	1,013,993	38,958	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:										
IDEA Special Education – Formula Grants to ISDs:										
IDEA Flowthrough 2324	240450	84.027A	464,113	-	-	-	464,113	464,113	-	-
Total Special Education Cluster			464,113	-	-	-	464,113	464,113	-	-

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2024

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2023	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Current Year Cash Transferred To Subrecipient
Other Federal Awards:										
U.S. Department of Agriculture -										
Passed through the Michigan Department of Education:										
Child and Adult Care Food Program (CACFP):										
CACFP Meals 2022-2023	231920	10.558	14,048	14,048	1,769	-	2,547	778	-	-
CACFP - Cash in Lieu 2022-2023	232010	10.558	1,579	1,579	132	-	186	54	-	-
CACFP Meals 2023-2024	241920	10.558	15,670	-	-	-	14,862	15,670	808	-
CACFP - Cash in Lieu 2023-2024	242010	10.558	1,088	-	-	-	1,032	1,088	56	-
Total Child and Adult Care Food Program		10.558	32,385	15,627	1,901	-	18,627	17,590	864	-
National School Breakfast Expansion Program:										
National School Breakfast Expansion Program 2023	221995	10.579	10,000	10,000	10,000	-	10,000	-	-	-
National School Lunch Program Equipment Assistance Grant:										
National School Lunch Program Equipment Assistance Grant EAG23	211991	10.579	47,090	-	-	-	47,090	47,090	-	-
Total ALN 10.579		10.579	57,090	10,000	10,000	-	57,090	47,090	-	-
Total U.S. Department of Agriculture			89,475	25,627	11,901	-	75,717	64,680	864	-
U.S. Department of Education -										
Passed through the Michigan Department of Education:										
Title I, Part A: Improving Basic Programs Operated by LEAS:										
Title I, Part A 2223	231530	84.010A	995,632	728,640	91,793	-	204,090	112,297	-	-
Title I, Part A 2324	241530	84.010A	1,011,870	-	-	-	-	830,286	830,286	-
Total Title I, Part A		84.010A	2,007,502	728,640	91,793	-	204,090	942,583	830,286	-
Title II, Part A: Supporting Effective Instruction:										
Title II, Part A 2324	240520	84.367	114,690	-	-	-	-	111,814	111,814	-
Title IV, Part A: Student Support and Academic Enrichment:										
Title IV, Part A 2223	230750	84.424A	126,962	56,129	-	-	36,760	36,760	-	-
Title IV, Part A 2324	240750	84.424A	102,423	-	-	-	-	77,300	77,300	-
Total Title IV, Part A		84.424A	229,385	56,129	-	-	36,760	114,060	77,300	-
Education Stabilization Fund:										
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	6,363,979	3,085,643	216,756	-	2,444,457	3,278,336	1,050,635	-
Total U.S. Department of Education			8,715,556	3,870,412	308,549	-	2,685,307	4,446,793	2,070,035	-
Total Federal Awards			<u>\$10,324,996</u>	<u>\$ 3,922,035</u>	<u>\$ 288,618</u>	<u>\$ -</u>	<u>\$ 4,168,340</u>	<u>\$ 5,989,579</u>	<u>\$ 2,109,857</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

UNIVERSITY PREPARATORY ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 4,910,906
Special Revenue Fund - Food Service	<u>1,078,673</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 5,989,579</u>

Opening Receivables per the Schedule of Expenditures of Federal Awards

Federal net accrued revenue as originally presented on the June 30, 2023 schedule of expenditures of federal awards	\$ 419,430
Timing differences between the Michigan Department of Education's Grant Auditor Report and Academy receipt not considered in the June 30, 2023 Current Year Cash Receipts column of the schedule of expenditures of federal awards (Grant Auditor Report shows as paid, but not reflected in the Current Year Cash Receipts Column)	<u>(130,812)</u>
Revised opening accrued revenue as presented on the June 30, 2024 schedule of expenditures of federal awards	<u>\$ 288,618</u>

UNIVERSITY PREPARATORY ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

University Preparatory Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

UNIVERSITY PREPARATORY ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes no

Identification of major programs:

Assistance Listing Number(s)
84.425U

Name of Federal Program or Cluster
Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported