



**GREGORY
TERRELL
& COMPANY**

November 10, 2020

To the Board of Directors
Hope Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Academy (the "Academy") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

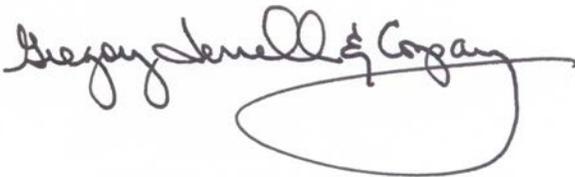
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of the Public School Academies of Detroit and the management of the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

November 10, 2020



**GREGORY
TERRELL
& COMPANY**

November 10, 2020

To the Board of Directors
Hope Academy

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Academy (the "Academy") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

This report is intended solely for the information and use of senior management, the Board of Directors, and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Gregory Terrell & Company", with a large, stylized flourish underneath.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

HOPE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020

HOPE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2020

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Hope Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Academy ("the Academy") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 the Academy as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, as identified 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2020 on our consideration of the 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 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 the Academy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink and includes a large, sweeping underline that loops back under the text.

GREGORY TERRELL & COMPANY
Certified Public Accountants

Detroit, Michigan

November 10, 2020

**HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020**

This section of, HOPE ACADEMY's, annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the Academy's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Academy's financial status remained stable for the 19th year in a row, and that the net change in the general fund balance increased by: **\$82,635** See Financials pg.12
 - The net change in Fund balances for all funds **\$67,747** See Financials pg.12
- | | 2019-20 | % Change
from
previous yr. | 2018-19 | |
|-----------------------------------|--------------------|----------------------------------|--------------------|----------------------|
| - The total cost of programs were | \$5,213,333 | 3% | \$5,081,325 | See Financials pg.12 |
- General Fund Revenues increased .1% to \$5.2 million compared to budgeted amounts and expenses decreased by .1%, accounting for the excess revenues listed above.
 - Blended enrollment used for state aid purposes was 498 compared to 535 originally budgeted.
 - During the 2019-20 year Hope Academy successfully maintained its debt covenant criteria by maintaining an excess revenues to debt payment ratio of 1:10.
 - During the 2019-20, Hope Academy, was impacted by the Governors Executive Order for school closures due the impact of COVID-19. In order to assure compliance with the order and to provide the safest environment for our students, staff and families, Hope Academy moved to a remote learning environment realigned its budget and increased its fundraising efforts in order to purchase PPE and technology equipment needed for remote learning.

OVERVIEW OF THE FINANCIAL STATEMENTS

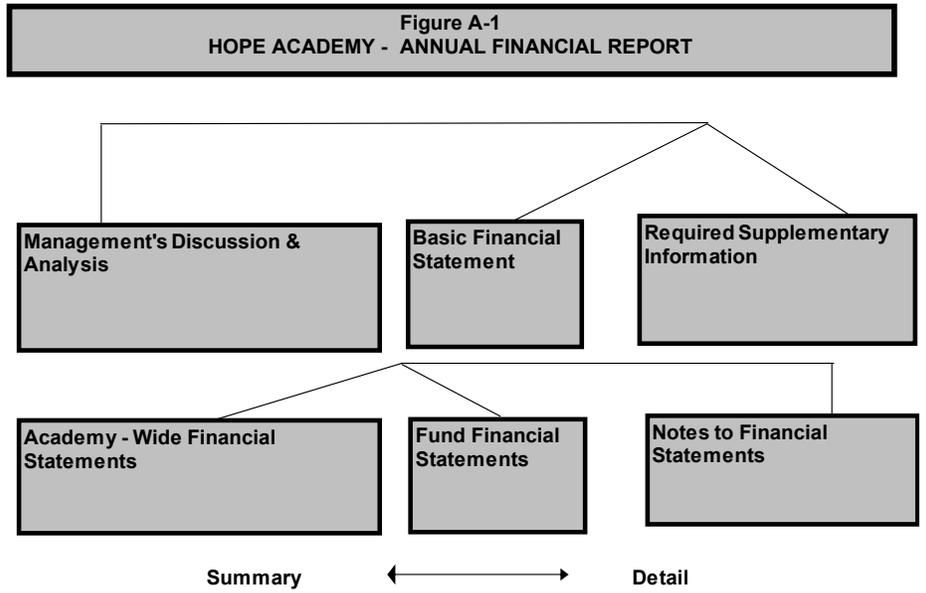
This annual report consist of three parts - management's discussion and analysis [this section], the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy wide statements.

The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

Fiduciary Funds statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.



HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

Figure A-2
Major Features of Academy - Wide and Fund Financial Statements

	Fund Financial Statements		
	Academy - Wide Statements ↓	Governmental Funds ↓	Fiduciary Funds ↓
Scope	Entire Academy [except fiduciary funds]	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	Statement of net position, Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances.	Statement of fiduciary net assets, Statement of changes in fiduciary net assets.
Type of asset/liability	All assets and liabilities. Both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term, HOPE ACADEMY, Charter School funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Figure A-2 summarized the major features of the HOPE ACADEMY'S, financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

ACADEMY-WIDE STATEMENTS

The Academy-Wide statements report information about the Academy as a whole using accounting methods similar to those used by private sector companies. The statements of net position includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

The two Academy-wide statements report the Academy's net position and how they have changed. State Position - the difference between the Academy's assets and liabilities - are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment and the condition of school buildings and other facilities, and reductions in the state aid funding allocation.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or 'major' funds - not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Governmental activities - Most of the Academy's basic services are included in the general fund such as regular and special education and administration. State foundation aid finances most of these activities.
- The Academy establishes other funds to control and manage money for particular purposes (repaying long term debt) or to show that it is properly using certain revenues like food service, community services funds, capital projects and debt service funds.

The Academy has four kinds of funds:

- Governmental funds - Most of the Academy's basic services are included in governmental funds which generally focus on [1] how cash and other financial assets can readily be converted to cash flow in and out and [2] the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statements that explains the relationship [or differences] between them.
- Debt Service Funds - The Academy used its debt service fund to properly report and allocate expenditures associated with its current Bond Financing Agreement and operating transfers.
- Capital Projects Funds - The Academy used its capital projects fund to properly report and allocate capital projects cost and operating transfers in.
- Fiduciary funds - The Academy is the fiduciary for assets that belong to others, such as the student activities fund or the PTO fund. The Academy is responsible for ensuring that the assets reported in these are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the Academy-wide financial statements because the Academy cannot use these assets to finance its operations.

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Position - The Academy's combined Net Position increased in 2019-20 due to increased revenues.

The analysis of the accumulated deficit that the Academy experienced can be attributed to the following as a result of:

- Increase in expenditures associated with the capital projects fund and capital outlays associated with new building operations.

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The beginning year General Fund balance was \$858,390. The ending General Fund balance for 2019-20 was \$941,025.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made in the first and second quarter to account for the final enrollment counts, and increased Federal Title IA Funding and projected cost categories.
- Changes in the last quarter to account for the winter enrollment counts and to assure that the budget remained compliant with the Budgeting Act and the Budgeting Act and the Governors Executive order regarding COVID-19.

While the Academy's final budget for the general fund anticipated that revenues would exceed expenditures by \$81,400 the actual results for the year show an excess(deficit) of: **\$82,635**

- The actual revenues were .1% higher than projected due to adjustments in Federal revenues
- The actual expenditures were .1% higher than projected due to offsetting adjustments from increases in federal revenues
- The transfers out were less than budgeted.

Debt Service and Capital Projects Fund Highlights

Over the course of the year, the Academy revised its debt service and capital projects budget several times. These budget amendments were specific to the cost of facility renovations.

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

APPENDIX A			
Table A-3			
Hope Academy's Statement of Net Position (Academy - Wide Statements)			
	6/30/2020	6/30/2019	
Current and other assets:	\$ 1,765,191	\$ 1,660,280	
Capital assets [Net of accumulated Depreciation]	5,828,534	6,140,206	
Total assets	\$ 7,593,725	\$ 7,800,486	
Current liabilities and deferred inflows	\$ 408,359	\$ 942,495	
Long-term liabilities	7,830,000	7,985,000	
Total liabilities	\$ 8,238,359	\$ 8,927,495	
Net position:			
Invested in capital assets net of related debt and depreciation	\$ (2,156,466)	\$ (1,989,794)	
Restricted for Debt Service and Capital Projects	569,247	584,135	
Unassigned	942,585	278,650	
Total net position	\$ (644,634)	\$ (1,127,009)	
Total Liabilities & Net Position:	\$ 7,593,725	\$ 7,800,486	
Table A-4			
Hope Academy's Statement of Activities			
	6/30/2020	6/30/2019	
Revenues:			
Program revenues			
Federal & State categorical grants:			
Title IA, Title II, Title IV, IDEA, Lunch Program	\$ 538,322	\$ 544,160	
Governmental revenues			
State aid - unrestricted	4,690,706	4,616,969	
Local [Fundraising, Extended Day]	52,052	21,203	
Pension Credits and Miscellaneous	581,300	821,084	
Total revenues	\$ 5,862,380	\$ 6,003,416	
Expenses:			
Instruction	\$ 2,532,928	\$ 2,422,320	
Support Services	1,873,759	1,841,239	
Community and Food Services	3,567	-	
Interest	658,079	675,136	
Unallocated depreciation	311,672	311,672	
Total expenses	\$ 5,380,005	\$ 5,250,367	
Increase/[Decrease] in net position:	\$ 482,375	\$ 753,049	

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

Capital Assets

By the end of 2020, the Academy had invested, \$8,825,822 dollars in capital assets. More detailed information about capital assets can be found in Note 6 to the financial statements. Cumulative depreciation expense is: \$2,997,298

2020	Table A-5 Hope Academy Capital Assets			2020 Net Book Value
	Cost	Accumulated and Depreciated	Net Book Value	
Building and Improvements	\$ 5,531,690	\$ (2,855,302)	\$ 2,676,388	\$ 2,676,388
Furniture & Equipment	608,516	(141,996)	466,520	466,520
Total	<u>\$ 6,140,206</u>	<u>\$ (2,997,298)</u>	<u>\$ 3,142,908</u>	<u>\$ 3,142,908</u>

The Academy's fiscal year 2020-21 capital budget anticipates spending another \$210,000 for capital projects, principally in two areas:

- \$ 150,000 Technology Upgrades through General Fund and E-Rate funding
- \$ 60,000 Building Improvements

Long-term Debt

At year end the Academy had long term debt in the form of bond debt, capital equipment. More detailed information about long term debt can be found in Note 8 to the financial statements.

FACTORS BEARING ON THE ACADEMY'S FUTURE

At the time these financial statements were prepared and audited, the Academy was aware of one existing circumstance that could significantly affect its financial health in the future:

- The 2020-21 foundation allowance has been appropriated and may be amended throughout the year based on current enrollments and approved increases in student state aid.
- Hope Academy's projected enrollments for 2020-21 have been adjusted to allow for the projected increase in enrollments based on recruiting strategies planned.
- As a measure of its commitment to the safety of student, staff and families, Hope Academy's Board has approved its Extended Covid-19 Learning Plan (ECLP) for the 20-21 school year.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Academy's office at 12121 Broadstreet, Detroit MI 48204.

HOPE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 892,809
Due from Other Governmental Units	848,005
Prepaid Expenses	24,377
Capital Assets, net	5,828,534
Total Assets	\$ 7,593,725
Liabilities and Deferred Inflows of Resources	
Accounts Payable	\$ 253,359
Obligations, Due within One Year	155,000
Long-Term Liabilities	
Obligations, Due within more than One Year	7,830,000
Total Liabilities	\$ 8,238,359
Net Position	
Invested in Capital Assets, net of Related Debt	\$ (2,156,466)
Restricted for Debt Service	529,143
Restricted for Capital Projects	40,104
Unrestricted	942,585
Total Net Position	\$ (644,634)

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

HOPE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 2,532,928	\$ -	\$ 418,763	\$ (2,114,165)
Support Services	1,873,759	-	119,559	(1,754,200)
Community and Food Services	3,567	-	-	(3,567)
Interest	658,079	-	-	(658,079)
Unallocated Depreciation	311,672	-	-	(311,672)
Total Governmental Activities	<u>\$ 5,380,005</u>	<u>\$ -</u>	<u>\$ 538,322</u>	<u>\$ (4,841,683)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 4,690,706
Pension Credit and Miscellaneous Revenue				587,817
Contributions not Restricted to a Specific Purpose				45,535
Total General Revenues				<u>\$ 5,324,058</u>
Change in Net Position				\$ 482,375
Net Position, Beginning of Year				<u>(1,127,009)</u>
Net Position, End of Year				<u>\$ (644,634)</u>

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

**HOPE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 322,002	\$ 529,143	\$ 40,104	\$ 1,560	\$ 892,809
Due from Other Governmental Units	848,005	-	-	-	848,005
Prepaid Expenses	24,377	-	-	-	24,377
Total Assets	\$ 1,194,384	\$ 529,143	\$ 40,104	\$ 1,560	\$ 1,765,191
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 253,359	\$ -	\$ -	\$ -	\$ 253,359
Total Liabilities	\$ 253,359	\$ -	\$ -	\$ -	\$ 253,359
Fund Balances					
Restricted	\$ -	\$ 529,143	\$ 40,104	\$ -	\$ 569,247
Non-spendable	24,377	-	-	-	24,377
Unassigned	916,648	-	-	1,560	918,208
Total Fund Balances	\$ 941,025	\$ 529,143	\$ 40,104	\$ 1,560	\$ 1,511,832
Total Liabilities and Fund Balance	\$ 1,194,384	\$ 529,143	\$ 40,104	\$ 1,560	\$ 1,765,191
Total Governmental Fund Balances					\$ 1,511,832
Amounts reported for Governmental Activities in the Statement of Net Position are different because:					
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Governmental Funds					
The cost of Capital Assets is				8,825,822	
Accumulated Depreciation is				(2,997,288)	5,828,534
Long-term Liabilities are not due and payable in the current period and are not reported in the Governmental Funds					
Deferrerd Inflows - Pension					-
Long-term Obligations					(7,985,000)
Total Net Position of Governmental Activities					\$ (644,634)

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

HOPE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local Sources	\$ -	\$ 5,908	\$ 609	\$ 45,535	\$ 52,052
State Sources	4,690,706	-	-	-	4,690,706
Federal Sources	538,322	-	-	-	538,322
Total Revenues	<u>\$ 5,229,028</u>	<u>\$ 5,908</u>	<u>\$ 609</u>	<u>\$ 45,535</u>	<u>\$ 5,281,080</u>
EXPENDITURES:					
Current:					
Instruction:					
Basic Programs	\$ 1,572,133	\$ -	\$ -	\$ -	\$ 1,572,133
Added Needs	960,795	-	-	-	960,795
Total Instruction	<u>\$ 2,532,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,532,928</u>
Support Services:					
Pupil	\$ 192,855	\$ -	\$ -	\$ -	\$ 192,855
Instructional Support	134,178	-	-	-	134,178
General Administration	168,220	-	-	-	168,220
School Administration	527,763	-	-	-	527,763
Business	240,917	14,646	-	-	255,563
Operations and Maintenance	547,605	-	39,132	-	586,737
Community Service	8,443	-	-	-	8,443
Total Support Services	<u>\$ 1,819,981</u>	<u>\$ 14,646</u>	<u>\$ 39,132</u>	<u>\$ -</u>	<u>\$ 1,873,759</u>
Community Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,567</u>	<u>\$ 3,567</u>
Debt Service					
Principal	\$ -	\$ 145,000	\$ -	\$ -	\$ 145,000
Interest	\$ -	\$ 658,079	\$ -	\$ -	\$ 658,079
Total Expenditures	<u>\$ 4,352,909</u>	<u>\$ 817,725</u>	<u>\$ 39,132</u>	<u>\$ 3,567</u>	<u>\$ 5,213,333</u>
Excess (Deficiency) of revenues over Expenditures	\$ 876,119	\$ (811,817)	\$ (38,523)	\$ 41,968	\$ 67,747
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	812,452	23,000	-	835,452
Operating Transfers Out	(793,484)	-	-	(41,968)	(835,452)
NET CHANGE IN FUND BALANCES	<u>\$ 82,635</u>	<u>\$ 635</u>	<u>\$ (15,523)</u>	<u>\$ -</u>	<u>\$ 67,747</u>
Beginning of Year	858,390	528,508	55,627	1,560	1,444,085
End of Year	<u>\$ 941,025</u>	<u>\$ 529,143</u>	<u>\$ 40,104</u>	<u>\$ 1,560</u>	<u>\$ 1,511,832</u>

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

HOPE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances Total Governmental Funds \$ 67,747

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report Capital Outlays as expenditures in the Statement of Activities

These costs are allocated over their estimated useful lives as depreciation:

Depreciation Expense	(311,672)
Pension Credit not reported in the Governmental Fund Financial Statements	581,300
Repayment of Bond Principal	145,000

Change in Net Position of Governmental Activities \$ 482,375

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

HOPE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ -	\$ 240,300	\$ -	\$ 240,300
State Sources	4,899,982	4,539,182	4,690,706	(151,524)
Federal Sources	<u>574,320</u>	<u>641,518</u>	<u>538,322</u>	<u>103,196</u>
Total Revenues	<u>\$ 5,474,302</u>	<u>\$ 5,421,000</u>	<u>\$ 5,229,028</u>	<u>\$ 191,972</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 1,519,334	\$ 1,254,270	\$ 1,572,133	\$ (317,863)
Added Needs	<u>1,291,648</u>	<u>1,306,062</u>	<u>960,795</u>	<u>345,267</u>
Total Instruction	<u>\$ 2,810,982</u>	<u>\$ 2,560,332</u>	<u>\$ 2,532,928</u>	<u>\$ 27,404</u>
Support Services:				
Pupil	\$ 45,000	\$ 151,391	\$ 192,855	\$ (41,464)
Instructional Support	57,341	111,604	134,178	(22,574)
General Administration	207,500	207,226	168,220	39,006
School Administration	503,569	573,925	527,763	46,162
Business	292,102	318,773	240,917	77,856
Operations and Maintenance	625,258	601,742	547,605	54,137
Community Service	6,300	6,300	8,443	(2,143)
Transportation	<u>7,850</u>	<u>7,850</u>	<u>-</u>	<u>7,850</u>
Total Support Services	<u>\$ 1,744,920</u>	<u>\$ 1,978,811</u>	<u>\$ 1,819,981</u>	<u>\$ 158,830</u>
Total Expenditures	<u>\$ 4,555,902</u>	<u>\$ 4,539,143</u>	<u>\$ 4,352,909</u>	<u>\$ 186,234</u>
Revenues Over (Under) Expenditures	\$ 918,400	\$ 881,857	\$ 876,119	\$ 5,738
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(837,000)</u>	<u>(800,457)</u>	<u>(793,484)</u>	<u>(6,973)</u>
NET CHANGE IN FUND BALANCE	\$ 81,400	\$ 81,400	\$ 82,635	\$ (1,235)
Beginning of Year	<u>849,388</u>	<u>998,801</u>	<u>858,390</u>	<u>(140,411)</u>
End of Year	<u>\$ 930,788</u>	<u>\$ 1,080,201</u>	<u>\$ 941,025</u>	<u>\$ 139,176</u>

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance Under / (Over) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES:				
Local Sources	\$ 36,895	\$ 50,000	\$ 45,535	\$ 4,465
Total Revenues	<u>\$ 36,895</u>	<u>\$ 50,000</u>	<u>\$ 45,535</u>	<u>\$ 4,465</u>
EXPENDITURES:				
Support Services:				
Community Services	\$ 36,895	\$ 13,457	\$ 3,567	\$ 9,890
Total Expenditures	<u>\$ 36,895</u>	<u>\$ 13,457</u>	<u>\$ 3,567</u>	<u>\$ 9,890</u>
Revenues Over (Under) Expenditures	\$ -	\$ 36,543	\$ 41,968	\$ (5,425)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	\$ -	\$ -	\$ (41,968)	\$ 41,968
NET CHANGE IN FUND BALANCE	\$ -	\$ 36,543	\$ -	\$ 36,543
Beginning of Year	<u>1,560</u>	<u>1,560</u>	<u>1,560</u>	<u>-</u>
End of Year	<u>\$ 1,560</u>	<u>\$ 38,103</u>	<u>\$ 1,560</u>	<u>\$ 36,543</u>

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) **ORGANIZATION**

Hope Academy (the “Academy”) is a Public School Academy. The State of Michigan has delegated to Eastern Michigan University the responsibility of authorizing the establishment of public school academies. Eastern Michigan University approved the establishment of Hope Academy pursuant to the Michigan School Code of 1976 (“Code”), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy’s activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (cont'd)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used by the Academy to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of capital facilities and other capital assets.

The Academy reports the following non-major governmental funds:

The *school service fund* is the Academy's primary non-major fund. It is used to account for community service activities. It is a subsidiary operation and obligation of the General Fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by the Academy are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and Fixtures	3-7 years
Building Improvements	20 years
Building	30 years

The Academy's capitalization policy is individual amounts exceeding \$1,000.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Deferred Outflow and Inflow of Resources

Deferred Outflow of Resources is defined as the consumption or usage of net assets applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources is defined as the acquisition of net assets applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

Budgets and Budgetary Accounts

A General Fund budget and a School Service Fund budget (Community Services only) was adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Budgets and Budgetary Accounts (cont'd)

For the year end June 30, 2020, General Fund expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Basic Programs	\$ 1,254,270	\$ 1,572,133	\$ (317,863)
Pupil	151,391	192,855	(41,464)
Instructional Support	111,604	134,178	(22,574)
Community Service	6,300	8,443	(2,143)

(4) **SINGLE AUDIT**

The Code of Federal Regulations Subtitle A, Chapter II, Part 200, Subpart F, Title 2: Grants and Agreements Part 200.501 (d) states that a non-federal entity that expends less than \$750,000 in federal funds is exempt from federal audit requirements, unless required by the terms of the award. The Academy reported expenditures of federal awards of \$538,322 for the year ended June 30, 2020. As the Academy's expenditures of federal awards was less than \$750,000 a Single Audit is not required.

(5) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and Cash Equivalents	<u>\$ 892,809</u>
---------------------------	-------------------

State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$901,498 of which \$401,498 was not covered under FDIC insurance.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(6) **CAPITAL ASSETS**

A summary of capital assets at June 30, 2020 is presented below:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Capital Assets				
Furniture and Equipment	\$ 750,512	\$ -	\$ -	\$ 750,512
Building and Improvements	8,075,310	-	-	8,075,310
Subtotal	<u>\$8,825,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,825,822</u>
Less Accumulated Depreciation				
Furniture and Equipment	\$ 665,394	\$ 22,687	\$ -	\$ 688,081
Building and Improvements	2,020,222	288,985	-	2,309,207
Subtotal	<u>\$2,685,616</u>	<u>\$ 311,672</u>	<u>\$ -</u>	<u>\$ 2,997,288</u>
Net Capital Assets	<u>\$6,140,206</u>	<u>\$ (311,672)</u>	<u>\$ -</u>	<u>\$ 5,828,534</u>

Depreciation for fiscal year ended June 30, 2020 amounted to \$311,672. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

(7) **DUE FROM OTHER GOVERNMENTAL UNITS**

Due from other governmental units as of June 30, 2020 to the Academy's General Fund were as follows:

State of Michigan - State Aid	\$ 843,387
State of Michigan - Federal Grants	<u>4,618</u>
Total Due from Other Governmental Units	<u><u>\$ 848,005</u></u>

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(8) LONG TERM DEBT

The Academy issued \$8,885,000 in bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. The bonds are guaranteed by the Academy's State Aid payments. The bonds are further secured by a first mortgage lien granted to the Bond Trustee. Payments of principal and interest on the bonds are due on each April 1 and October 1 at a rate of 8.125%. The Academy is required to comply with certain financial covenants contained in their general obligation bond agreement. The Academy was in compliance with the Minimum Fund Balance and the Long-Term Debt Service Coverage Ratio financial covenants for the year ended June 30, 2020.

Long-term obligation activity is summarized as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds	\$8,130,000	\$ -	\$ 145,000	\$7,985,000	\$ 155,000
Total Governmental Activities	<u>\$8,130,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$7,985,000</u>	<u>\$ 155,000</u>

The Academy has established a Reserve Fund for the payment of principal and interest on the bonds. The amount of the Reserve Account at June 30, 2020 is \$308,784. In addition, the Michigan Finance Authority (MFA) established an issuer reserve account in the amount of \$500,000 to be used for the payment of principal and interest on the bonds. The remaining balance of the issuer reserve account, after the bonds are paid in full will be returned to the MFA.

The annual requirements to service the bond payable outstanding to maturity, including both principal and interest are as follows:

Year Ended June 30	Principal	Interest	Total
2025	\$ 215,000	\$ 591,906	\$ 806,906
2021	155,000	648,781	803,781
2022	170,000	636,188	806,188
2023	180,000	622,375	802,375
2024	195,000	607,750	802,750
2026-2030	1,355,000	2,669,064	4,024,064
2031-2035	2,005,000	2,021,093	4,026,093
2036-2040	2,965,000	1,062,751	4,027,751
2041-2041	745,000	60,531	805,531
Total	<u>\$ 7,985,000</u>	<u>\$ 8,920,439</u>	<u>\$ 16,905,439</u>

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(9) **INTEREST EXPENSE**

The Academy incurred interest expense in the amount of \$15,958 on its State Aid Anticipation Note.

(10) **MANAGEMENT AGREEMENT**

The Academy is a party to an Educational Service Provider Agreement with BFDI Educational Services, L3C ("BES"). Under the agreement, BES provided financial management and certain school management services to support Academy Board K-8 operations. The Educational Service Provider Agreement provides for BES to be reimbursed by the Academy for the actual cost of providing the outlined services and the actual costs associated with the employment of the Academy's school staff.

(11) **AGENT DEFINED BENEFIT PENSION PLAN**

Plan Description

The Academy was an active participant in the Michigan Public School Employees' Retirement System (MPERS) from the Academy's inception to approximately May 2014, where all Academy employees were hired by the Academy's management company. MPERS is a cost-sharing, multiple employer, state-wide, agent defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. MPERS issues a publicly available financial report which includes financial statements and required supplemental information for this defined benefit plan. This report can be obtained at www.michigan.gov/ors or in writing to Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909.

For the year ended June 30, 2020, the Academy recognized total pension credit of \$581,300.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(11) **SUBSEQUENT EVENTS**

On September 3, 2020, the Academy entered into an agreement with First Independence National Bank for a State Aid Note in the amount of \$750,000. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 3.25%. The note matures on June 26, 2021 and the monthly principal payments the total amount of interest are as follows:

Date	Amount
10/26/2020	\$ 81,065
11/26/2020	82,781
12/26/2020	83,066
01/26/2021	83,246
02/26/2021	83,478
03/26/2021	83,803
04/26/2021	83,947
05/26/2021	84,197
06/26/2021	84,417
Total Principal	\$ 750,000
Interest	15,958
Total Principal and Interest	\$ 765,958

Subsequent events have been evaluated through November 10, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S 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
Hope 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hope Academy ("the Academy"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

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

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

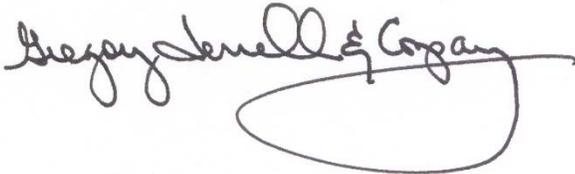
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink and is positioned above a large, empty oval shape.

GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

November 10, 2020