

HOPE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021

HOPE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2021

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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, 2021, 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, 2021, 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 1, 2021 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 black ink, appearing to read "Gregory Terrell & Company", with a large, stylized flourish underneath.

GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

November 1, 2021

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021

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, 2021. 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 21th year in a row, and that the net change in the the general fund balance increased by: **\$84,749** See Financials pg.12
 - The net change in Fund balances for all funds **(\$16,510)** See Financials pg.12
- | | 2020-21 | % Change
from previous
yr. | 2019-20 |
|-----------------------------------|--------------------|----------------------------------|--------------------|
| - The total cost of programs were | \$5,842,146 | 12% | \$5,213,333 |
- General Fund Revenues decreased 1% to \$5.4 million compared to budgeted amounts and expenses decreased by 1%, accounting for the increase in net revenues and the impact of the extraordinary items listed below.
 - Blended enrollment used for state aid purposes was 498 compared to 535 originally budgeted.

Extraordinary Items (those events defined as non-recurring):

- During the 2020-21, year Hope Academy successfully maintained its debt covenant criteria by maintaining an excess revenues to debt payment ratio of 1:10.
- During the 2020-21, 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.
- During the 2020-21, year, Hope Academy successfully negotiated a lower interest rate on its bonds. This reduced interest rate will save the Academy \$3.5 million over the life of the bond.

OVERVIEW OF THE FINANCIAL STATEMENTS

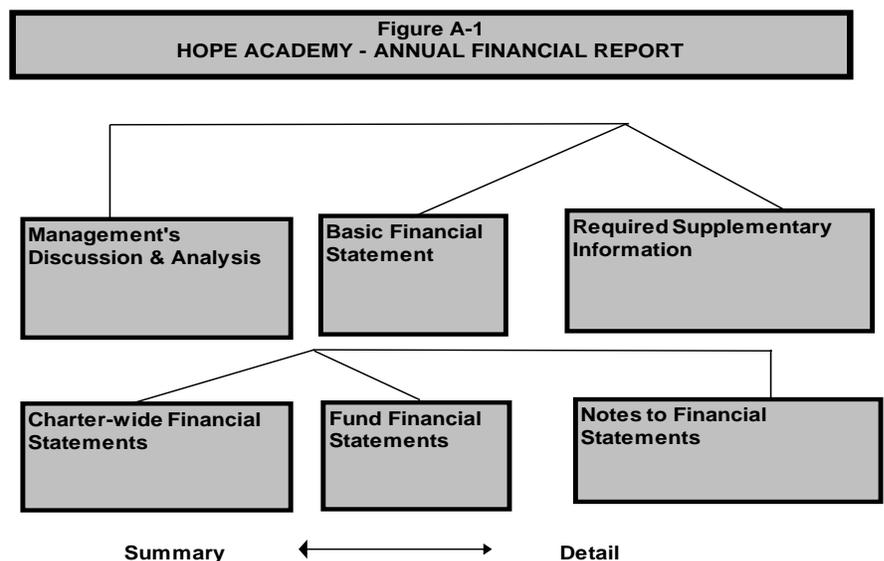
This annual report consist of three parts - management's discussion and analysis [this section], the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

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, 2021

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

Fund Financial Statements			
	Charter-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 assets 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 assets 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, 2021

The two Academy-wide statements report the Academy's net assets and how they have changed. Net Assets - 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 its 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 Charter 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 [like repaying long term debt] or to show that it is properly using certain revenues like food services, 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 near 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 in.
- 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, 2021

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net assets - The Academy's combined General Fund net assets were increased 2020-21 due to increased revenues

The analysis of the increase in net assets that the Academy experienced can be attributed to the following as a result of:

- Increase in revenues and effective budget management

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The beginning year General Fund balances were \$941,025. The ending General Fund balance for 2020-21 was \$1,025,774

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 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: **\$84,749**

- The actual revenues were 6% lower than projected due to adjustments in Federal and local revenues
- The actual expenditures were .1% higher than projected due to offsetting adjustments from decreases in revenues

Debt Service and Capital Projects Fund Budgetary 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.

Also during the year, the Academy in collaboration with its bond refinancing team which included its Educational Service Provider, bond counsel, and board, successfully negotiated a lower interest on its bonds. This new interest rate will save the Academy \$3.5 million over the life of the bond.

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021

APPENDIX A			
Table A-3			
Hope Academy's Net Assets - School Wide Statements			
	6/30/2021	6/30/2020	
<u>Current and other assets:</u>	\$ 1,751,738	\$ 1,765,191	
Capital assets [Net of accumulated Depreciation]	5,516,864	5,828,534	
Total Assets	\$ 7,268,602	\$ 7,593,725	
Current liabilities and deferred inflows	\$ 256,416	\$ 408,359	
Long-term liabilities	8,220,000	7,830,000	
Total liabilities	\$ 8,476,416	\$ 8,238,359	
<u>Net assets:</u>			
Invested in capital assets net of related debt and depreciation	\$ (2,703,136)	\$ (2,156,466)	
Restricted	467,988	569,247	
Unrestricted	1,027,334	942,585	
Total net assets	\$ (1,207,814)	\$ (644,634)	
Total Liabilities & Net Position:	\$ 7,268,602	\$ 7,593,725	
Table A-3			
Hope Academy's Net Assets			
	6/30/2021	6/30/2020	
<u>Revenues:</u>			
Program revenues			
Federal & State categorical grants: 31A, Title IA, Title II, Title IV, IDEA, Lunch Program	\$ 773,069	\$ 538,322	
<u>Governmental revenues</u>			
State aid - unrestricted	4,554,028	4,690,706	
Local	55,120	52,052	
Other Transfers In and Financing Sources	-	581,300	
Total revenues	\$ 5,382,217	\$ 5,862,380	
<u>Expenses:</u>			
Instruction	\$ 2,180,559	\$ 2,532,928	
Support services	2,641,253	1,873,759	
Food & Community Services	2,935	3,567	
Interest on long-term debt	808,979	658,081	
Unallocated depreciation	311,671	311,670	
Total expenses	\$ 5,945,397	\$ 5,380,005	
<u>Increase/(Decrease) in net assets</u>	\$ (563,180)	\$ 482,375	

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the Academy had invested, \$8,825,823 dollars in capital assets. More detailed information about capital assets can be found in Note 5 to the financial statements. Cumulative depreciation expense is: \$3,308,959

2021	Table A-5 Hope Academy Capital Assets			2021 Net Book Value
	Cost	Accumulated and Depreciated	Net Book Value	
Building and Improvemens	\$8,075,311	(\$2,598,192)	\$5,477,119	\$5,477,119
Furniture & Equipment	750,512	(710,767)	39,745	39,745
Total	\$8,825,823	(\$3,308,959)	\$5,516,864	\$5,516,864

The Academy's fiscal year 2021-22 capital budget anticipates spending \$269,000.00 for capital projects, principally in two areas:

- \$209,000 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, and capital equipment (See Note 7)

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 2021-22 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 2021-22 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 students, staff and families, Hope Academy's Board has approved its Extended Covid-19 Learning Plan (ECLP) for the 21-22 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, 2021

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 738,390
Due from Other Governmental Units	928,348
Prepaid Expenses	85,000
Capital Assets, net	<u>5,516,864</u>
Total Assets	<u>\$ 7,268,602</u>
Liabilities and Deferred Inflows of Resources	
Accounts Payable	\$ 256,416
Long-Term Liabilities	
Obligations, Due within more than One Year	<u>8,220,000</u>
Total Liabilities	<u>\$ 8,476,416</u>
Net Position	
Invested in Capital Assets, net of Related Debt	\$ (2,703,136)
Restricted for Debt Service	205,866
Restricted for Capital Projects	262,122
Unrestricted	<u>1,027,334</u>
Total Net Position	<u>\$ (1,207,814)</u>

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

HOPE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<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	\$ 2,180,559	\$ -	\$ 745,153	\$ (1,435,406)
Support Services	2,641,253	-	27,916	(2,613,337)
Community and Food Services	2,935	-	-	(2,935)
Interest	808,979	-	-	(808,979)
Unallocated Depreciation	311,671	-	-	(311,671)
Total Governmental Activities	\$ 5,945,397	\$ -	\$ 773,069	\$ (5,172,328)
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 4,554,028
Pension Credit and Miscellaneous Revenue				43
Contributions not Restricted to a Specific Purpose				55,077
Total General Revenues				\$ 4,609,148
Change in Net Position				\$ (563,180)
Net Position, Beginning of Year				(644,634)
Net Position, End of Year				\$ (1,207,814)

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

HOPE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 268,842	\$ 205,866	\$ 262,122	\$ 1,560	\$ 738,390
Due from Other Governmental Units	928,348	-	-	-	928,348
Prepaid Expenses	85,000	-	-	-	85,000
Total Assets	\$ 1,282,190	\$ 205,866	\$ 262,122	\$ 1,560	\$ 1,751,738
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 256,416	\$ -	\$ -	\$ -	\$ 256,416
Total Liabilities	\$ 256,416	\$ -	\$ -	\$ -	\$ 256,416
Fund Balances					
Restricted	\$ -	\$ 205,866	\$ 262,122	\$ -	\$ 467,988
Non-spendable	85,000	-	-	-	85,000
Unassigned	940,774	-	-	1,560	942,334
Total Fund Balances	\$ 1,025,774	\$ 205,866	\$ 262,122	\$ 1,560	\$ 1,495,322
Total Liabilities and Fund Balance	\$ 1,282,190	\$ 205,866	\$ 262,122	\$ 1,560	\$ 1,751,738
Total Governmental Fund Balances					\$ 1,495,322
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				8,825,823	
Accumulated Depreciation is				(3,308,959)	5,516,864
Long-term Liabilities are not due and payable in the current period and are not reported in the Governmental Funds					
Long-term Obligations					(8,220,000)
Total Net Position of Governmental Activities					\$ (1,207,814)

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, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local Sources	\$ -	\$ 39	\$ 4	\$ 55,077	\$ 55,120
State Sources	4,554,028	-	-	-	4,554,028
Federal Sources	773,069	-	-	-	773,069
Total Revenues	<u>\$ 5,327,097</u>	<u>\$ 39</u>	<u>\$ 4</u>	<u>\$ 55,077</u>	<u>\$ 5,382,217</u>
EXPENDITURES:					
Current:					
Instruction:					
Basic Programs	\$ 1,316,979	\$ -	\$ -	\$ -	\$ 1,316,979
Added Needs	863,580	-	-	-	863,580
Total Instruction	<u>\$ 2,180,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,180,559</u>
Support Services:					
Pupil	\$ 237,923	\$ -	\$ -	\$ -	\$ 237,923
Instructional Support	192,657	-	-	-	192,657
General Administration	218,013	-	-	-	218,013
School Administration	665,883	-	-	-	665,883
Business	383,865	299,294	65,394	-	748,553
Operations and Maintenance	578,222	-	2	-	578,224
Community Service	-	-	-	-	-
Total Support Services	<u>\$ 2,276,563</u>	<u>\$ 299,294</u>	<u>\$ 65,396</u>	<u>\$ -</u>	<u>\$ 2,641,253</u>
Community Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935</u>	<u>\$ 2,935</u>
Debt Service					
Principal	<u>\$ -</u>	<u>\$ 208,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,420</u>
Interest	<u>\$ -</u>	<u>\$ 808,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 808,979</u>
Total Expenditures	<u>\$ 4,457,122</u>	<u>\$ 1,316,693</u>	<u>\$ 65,396</u>	<u>\$ 2,935</u>	<u>\$ 5,842,146</u>
Excess (Deficiency) of revenues over Expenditures	\$ 869,975	\$ (1,316,654)	\$ (65,392)	\$ 52,142	\$ (459,929)
OTHER FINANCING SOURCES (USES):					
Series 2021 Bond Proceeds	-	7,957,890	262,110	-	8,220,000
Series 2011 Bond Refunding	-	(7,776,581)	-	-	(7,776,581)
Operating Transfers In	-	812,068	25,300	-	837,368
Operating Transfers Out	<u>(785,226)</u>	<u>-</u>	<u>-</u>	<u>(52,142)</u>	<u>(837,368)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 84,749</u>	<u>\$ (323,277)</u>	<u>\$ 222,018</u>	<u>\$ -</u>	<u>\$ (16,510)</u>
Beginning of Year	<u>941,025</u>	<u>529,143</u>	<u>40,104</u>	<u>1,560</u>	<u>1,511,832</u>
End of Year	<u>\$ 1,025,774</u>	<u>\$ 205,866</u>	<u>\$ 262,122</u>	<u>\$ 1,560</u>	<u>\$ 1,495,322</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, 2021

Net Change in Fund Balances Total Governmental Funds \$ (16,510)

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	(311,671)
Series 2021 Bond Proceeds	(8,220,000)
Series 2011 Bond Refunding	7,776,581
Repayment of Bond Principal	208,420

Change in Net Position of Governmental Activities \$ (563,180)

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 103,699	\$ 187,928	\$ -	\$ 187,928
State Sources	4,823,992	4,649,088	4,554,028	95,060
Federal Sources	<u>708,880</u>	<u>830,537</u>	<u>773,069</u>	<u>57,468</u>
Total Revenues	<u>\$ 5,636,571</u>	<u>\$ 5,667,553</u>	<u>\$ 5,327,097</u>	<u>\$ 340,456</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 1,208,442	\$ 1,278,684	\$ 1,316,979	\$ (38,295)
Added Needs	<u>1,265,525</u>	<u>1,265,525</u>	<u>863,580</u>	<u>401,945</u>
Total Instruction	<u>\$ 2,473,967</u>	<u>\$ 2,544,209</u>	<u>\$ 2,180,559</u>	<u>\$ 363,650</u>
Support Services:				
Pupil	\$ 154,200	\$ 154,200	\$ 237,923	\$ (83,723)
Instructional Support	112,720	112,720	192,657	(79,937)
General Administration	207,500	207,500	218,013	(10,513)
School Administration	590,000	590,000	665,883	(75,883)
Business	340,000	340,000	383,865	(43,865)
Operations and Maintenance	825,634	825,634	578,222	247,412
Community Service	6,300	6,300	-	6,300
Transportation	<u>7,850</u>	<u>21,532</u>	<u>-</u>	<u>21,532</u>
Total Support Services	<u>\$ 2,244,204</u>	<u>\$ 2,257,886</u>	<u>\$ 2,276,563</u>	<u>\$ (18,677)</u>
Total Expenditures	<u>\$ 4,718,171</u>	<u>\$ 4,802,095</u>	<u>\$ 4,457,122</u>	<u>\$ 344,973</u>
Revenues Over (Under) Expenditures	\$ 918,400	\$ 865,458	\$ 869,975	\$ (4,517)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	<u>(837,000)</u>	<u>(784,058)</u>	<u>(785,226)</u>	<u>1,168</u>
NET CHANGE IN FUND BALANCE	\$ 81,400	\$ 81,400	\$ 84,749	\$ (3,349)
Beginning of Year	<u>939,790</u>	<u>939,790</u>	<u>941,025</u>	<u>1,235</u>
End of Year	<u>\$ 1,021,190</u>	<u>\$ 1,021,190</u>	<u>\$ 1,025,774</u>	<u>\$ (4,584)</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, 2021

	<u>Budgeted Amounts</u>			Variance Under / (Over) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES:				
Local Sources	\$ 51,000	\$ 52,942	\$ 55,077	\$ (2,135)
Total Revenues	\$ 51,000	\$ 52,942	\$ 55,077	\$ (2,135)
EXPENDITURES:				
Support Services:				
Community Services	\$ 51,000	\$ 52,942	\$ 2,935	\$ 50,007
Total Expenditures	\$ 51,000	\$ 52,942	\$ 2,935	\$ 50,007
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 52,142	\$ (52,142)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	\$ -	\$ -	\$ (52,142)	\$ 52,142
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
Beginning of Year	1,560	1,560	1,560	-
End of Year	\$ 1,560	\$ 1,560	\$ 1,560	\$ -

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(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, 2021
(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, 2021
(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, 2021
(Continued)

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

Budgets and Budgetary Accounts (cont'd)

For the year end June 30, 2021, General Fund expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Basic Programs	\$ 1,278,684	\$ 1,316,979	\$ (38,295)
Pupil	154,200	237,923	(83,723)
Instructional Support	112,720	192,657	(79,937)
General Administration	207,500	218,013	(10,513)
School Administration	590,000	665,883	(75,883)
Business	340,000	383,865	(43,865)

(4) **CASH AND CASH EQUIVALENTS**

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

Cash and Cash Equivalents \$ 738,390

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 banks. 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 two banks (without recognition of checks written but not yet cleared or of deposits in transit) at \$208,817 of which \$0, was not covered under FDIC insurance.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(Continued)

(5) **CAPITAL ASSETS**

A summary of capital assets at June 30, 2021 is presented below:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>July 1, 2021</u>
Capital Assets				
Furniture and Equipment	\$ 750,512	\$ -	\$ -	\$ 750,512
Building and Improvements	<u>8,075,310</u>	<u>1</u>	<u>-</u>	<u>8,075,311</u>
Subtotal	<u>\$8,825,822</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 8,825,823</u>
Less Accumulated Depreciation				
Furniture and Equipment	\$ 688,081	\$ 22,686	\$ -	\$ 710,767
Building and Improvements	<u>2,309,207</u>	<u>288,985</u>	<u>-</u>	<u>2,598,192</u>
Subtotal	<u>\$2,997,288</u>	<u>\$ 311,671</u>	<u>\$ -</u>	<u>\$ 3,308,959</u>
Net Capital Assets	<u>\$5,828,534</u>	<u>\$ (311,670)</u>	<u>\$ -</u>	<u>\$ 5,516,864</u>

Depreciation for fiscal year ended June 30, 2021 amounted to \$311,671. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

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

Due from other governmental units as of June 30, 2021 to the Academy's General Fund were as follows:

State of Michigan - Federal Grants	\$ 112,993
State of Michigan - State Aid	814,607
Wayne RESA	<u>748</u>
Total Due from Other Governmental Units	<u>\$ 928,348</u>

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(Continued)

(7) LONG TERM DEBT

During the year ended June 30, 2021, the Academy issued \$8,220,000 in bonds (Series 2021) to refund the Series 2011 bonds and to acquire technology and equipment. The Series 2021 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 and secured by a mortgage granted to the Trustee on the Academy's facilities. Payments of principal and interest on the bonds are due each April 1 and October 1 at interest rates of 4.4% through fiscal 2031 and 4.9% thereafter. The Academy is required to comply with certain financial covenants contained in their bond agreement. Long-term debt activity is summarized below:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds Series 2011	\$ 7,985,000	\$ -	\$ (7,985,000)	\$ -	\$ -
Bonds Series 2021	-	8,220,000	-	8,220,000	-
Total	\$ 7,985,000	\$ 8,220,000	\$ (7,985,000)	\$ 8,220,000	\$ -

The Academy has established a Reserve Fund for the payment of principal and interest on the bonds. The amount of the Trust Investment statement at June 30, 2021 is \$176,495. 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:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 300,394	\$ 300,394
2023	285,000	387,605	672,605
2024	295,000	375,065	670,065
2025	310,000	362,084	672,084
2026	320,000	348,445	668,445
2027-2031	1,825,000	1,517,828	3,342,828
2032-2036	2,285,000	1,057,418	3,342,418
2037-2041	2,900,000	440,510	3,340,510
Total	\$ 8,220,000	\$ 4,789,349	\$ 13,009,349

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(Continued)

(8) **INTEREST EXPENSE**

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

(9) **MANAGEMENT AGREEMENT**

The Academy is a party to an Educational Service Provider Agreement with BFDI Educational Services, Inc. ("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) **SUBSEQUENT EVENTS**

On September 3, 2021, the Academy entered into an agreement with First Independence National Bank for a State Aid Note in the amount of \$650,000. 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 25, 2022 and the monthly principal payments the total amount of interest are as follows:

<u>Date</u>	<u>Amount</u>	<u>Monthly Amt</u>
10/25/2021	\$ 70,294	\$73,349.15
11/25/2021	71,779	73,349.15
12/25/2021	71,974	73,349.15
01/25/2022	72,168	73,349.15
02/25/2022	72,364	73,349.15
03/25/2022	72,560	73,349.15
04/25/2022	72,756	73,349.15
05/25/2022	72,953	73,349.15
06/25/2022	<u>73,151</u>	<u>73,349.15</u>
Total Principal	\$ 650,000	<u>660,142.35</u>
Interest	<u>10,142</u>	
Total Principal and Interest	<u>\$ 660,142</u>	

Subsequent events have been evaluated through November 1, 2021, 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.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(Continued)

(12) **COVID-19 PANDEMIC**

The COVID-19 Pandemic whose effects first became known in January 2020 is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Academy operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Academy's grantors, employees, and vendors all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Academy's financial position and changes in financial position is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

HOPE ACADEMY

SINGLE AUDIT

JUNE 30, 2021

HOPE ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2021

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**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, 2021, 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 1, 2021.

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.

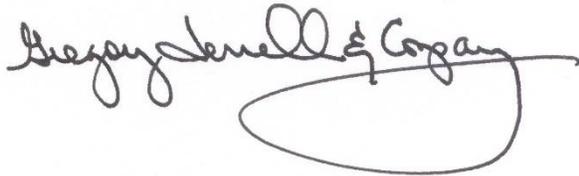
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 1, 2021



**GREGORY
TERRELL
& COMPANY**

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

To the Board of Directors
Hope Academy

Report on Compliance for Each Major Federal Program

We have audited Hope Academy (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2021. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Academy's internal control over compliance.

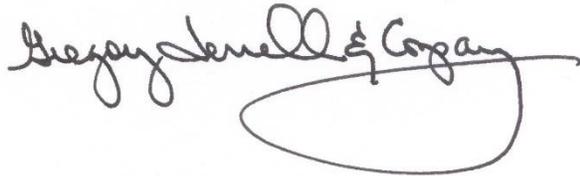
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Hope Academy as of and for the year ended June 30, 2021, and have issued our report thereon dated November 1, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

November 1, 2021

HOPE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor Program Title	Grant Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at 1-Jul-20	Federal Funds/ Payments In-kind Received	Current Year Expenditures	Accrued or (Deferred) Revenue at 30-Jun-21	Amounts Awarded to Subrecipients
U.S. Department of Education									
Passed through the Michigan Department of Education									
Title I, Part A-Improving Basic Programs	201530	84.010	\$ 373,109	\$ 335,730	\$ 98,072	\$ 131,425	\$ 33,353	\$ -	\$ -
Title I, Part A-Improving Basic Programs	211530	84.010	339,737	-	-	245,047	245,047	-	-
Total Title I Part A			<u>712,846</u>	<u>335,730</u>	<u>98,072</u>	<u>376,472</u>	<u>278,400</u>	<u>-</u>	<u>-</u>
Title II, Part A - Improving Teacher Quality	200520	84.367	56,750	26,048	6,906	6,906	-	-	-
Title II, Part A - Improving Teacher Quality	210520	84.367	67,043	-	-	14,516	26,054	11,538	-
Total Title II Part A			<u>123,793</u>	<u>26,048</u>	<u>6,906</u>	<u>21,422</u>	<u>26,054</u>	<u>11,538</u>	<u>-</u>
Title IV, Part A - Student Support & Academic Enrich	200750	84.424	30,868	16,850	1,080	1,080	-	-	-
Title IV, Part A - Student Support & Academic Enrich	210750	84.424	39,622	-	-	13,880	18,200	4,320	-
Total Title IV Part A			<u>70,490</u>	<u>16,850</u>	<u>1,080</u>	<u>14,960</u>	<u>18,200</u>	<u>4,320</u>	<u>-</u>
Governor's Emergency Education Relief (GEER) Funds	201200	84.425C	43,222	-	-	13,357	19,339	5,982	-
ESSER Formula Funds	203710	84.425D	289,406	-	-	70,923	162,076	91,153	-
Total Education Stabilization Fund (ESF) Section 1			<u>332,628</u>	<u>-</u>	<u>-</u>	<u>84,280</u>	<u>181,415</u>	<u>97,135</u>	<u>-</u>
U.S. Department of Treasury									
Passed through the Michigan Department of Education									
District COVID Costs		21.019	174,206	-	-	174,206	174,206	-	-
Coronavirus Relief Funds		21.019	6,132	-	-	6,132	6,132	-	-
Total Coronavirus Relief Fund			<u>180,338</u>	<u>-</u>	<u>-</u>	<u>180,338</u>	<u>180,338</u>	<u>-</u>	<u>-</u>
Total noncluster programs passed through the Michigan Department of Education			<u>\$ 1,420,095</u>	<u>\$ 378,628</u>	<u>\$ 106,058</u>	<u>\$ 677,472</u>	<u>\$ 684,407</u>	<u>\$ 112,993</u>	<u>\$ -</u>
U.S. Department of Treasury									
Passed through the Wayne RESA									
Wayne County RESA IDEA	19-20	84.027A	102,676	102,676	4,618	4,618	-	-	-
Wayne County RESA IDEA	20-21	84.027A	88,662	-	-	87,914	88,662	748	-
Total noncluster programs passed through Wayne RESA			<u>\$ 191,338</u>	<u>\$ 102,676</u>	<u>\$ 4,618</u>	<u>\$ 92,532</u>	<u>\$ 88,662</u>	<u>\$ 748</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,611,433</u>	<u>\$ 481,304</u>	<u>\$ 110,676</u>	<u>\$ 770,004</u>	<u>\$ 773,069</u>	<u>\$ 113,741</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial awards programs of the Academy and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized the CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

(4) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Uniform Guidance.

(5) **INDIRECT COST**

The 10% de minimis indirect cost rate was not elected.

HOPE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of the Academy.
- (2) There were no significant deficiencies or material weaknesses disclosed during the audit of the financial statements.
- (3) No instances of noncompliance material to the financial statements of the Academy, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (4) There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
- (5) The auditors' report on compliance for the major federal award programs for the Academy expresses an unqualified opinion on all major federal programs.
- (6) There are no audit findings that are required to be reported in accordance with Uniform Guidance.
- (7) The programs tested as major programs were:

<u>Title I</u>	<u>CFDA 84.010</u>
<u>Education Stabilization Fund (ESF) Section 1</u>	<u>CFDA 84.425</u>
Governor's Emergency Education Relief (GEER) Funds	CFDA 84.425C
ESSER Formula Funds	CFDA 84.425D
- (8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- (9) The Academy did qualify as a low-risk auditee.

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2021.

SECTION III: FEDERAL AWARDS FINDINGS

There are no Federal Awards findings for the year ended June 30, 2021.

HOPE ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

The Academy was not required to have a Single Audit performed for the year ended June 30, 2020.



**GREGORY
TERRELL
& COMPANY**

November 1, 2021

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, 2021, 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.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan



**GREGORY
TERRELL
& COMPANY**

November 1, 2021

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, 2021. 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 26, 2021. 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 1, 2021.

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

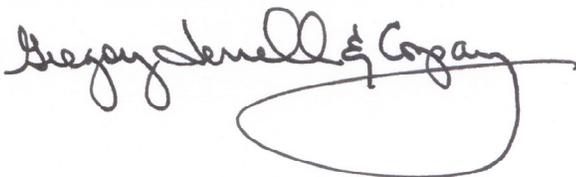
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were 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 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,

A handwritten signature in black ink, appearing to read "Gregory Terrell & Company", with a large, sweeping flourish underneath.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

November 1, 2021