

HOPE ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2023

HOPE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Academy-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	15
Budgetary Comparison Schedule – Community Service Fund	16
Notes to Financial Statements	17-24



**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Hope Academy

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. As discussed in Note 3 to the financial statements, in 2023 the Academy adopted new accounting guidance, GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Our opinions are not modified with respect to this matter. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Change in Accounting Principle

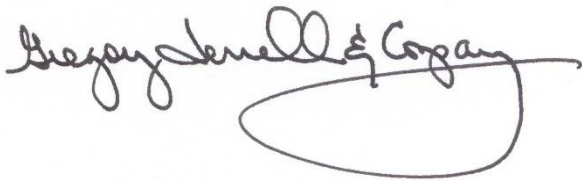
As discussed in Note 3 to the financial statements, in 2023 the Academy adopted new accounting guidance, GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 October 24, 2023 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 black ink and includes a large, sweeping underline that loops back under the company name.

GREGORY TERRELL & COMPANY
Certified Public Accountants

Detroit, Michigan

October 24, 2023

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023

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, 2023. 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 22nd year in a row, and that the net change in the general fund balance increased by: **\$22,203** See Financials pg. 13
- The net change in Fund balances for all funds **(\$8,621)** See Financials pg. 13

	2022-23	% Change from previous yr.	2021-22
- The total cost of programs were	\$6,730,015	16%	\$5,780,251

- General Fund Revenues decreased 2% to \$6.7 million compared to budgeted amounts and expenses decreased by .2%, accounting for the increase in net revenues and the impact of the extraordinary items listed below.
 - Blended K-8 enrollment used for state aid purposes was 413 compared to 430 originally budgeted.

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

- During the 2022-23, year, while realigning revenues to cost and maintaining its budget to account for the reductions in enrollments, Hope Academy successfully maintained its debt covenant criteria by maintaining 25 days cash flows.
- During the 2021-22 and 2022-23 years, 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

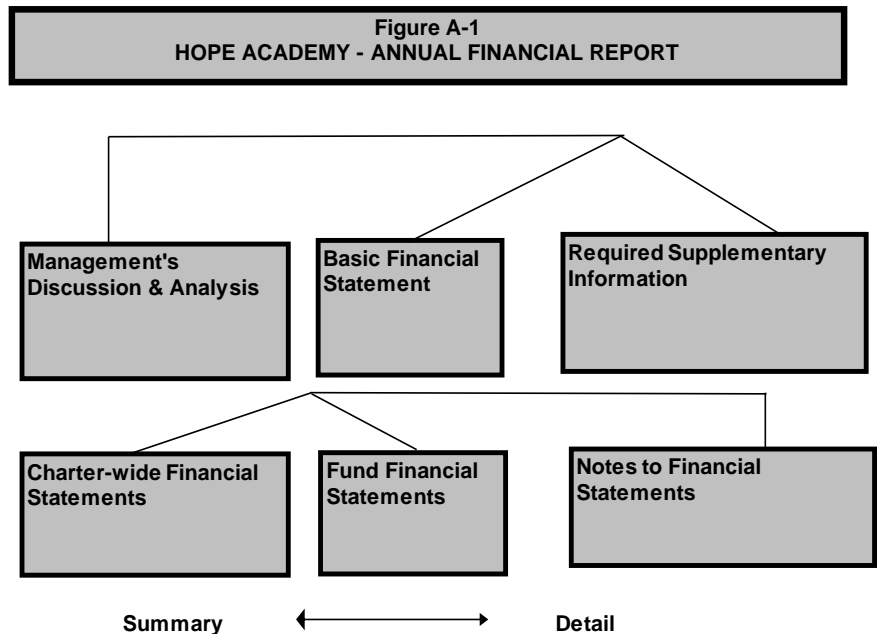
This annual report consist of three parts - management's discussion and analysis [this section], the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

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, 2023

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

	Fund Financial Statements		
	Charter-Wide <u>Statements</u> ↓	Governmental <u>Funds</u> ↓	Fiduciary <u>Funds</u> ↓
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, 2023

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, 2023

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net assets - The Academy's combined General Fund net assets were increased 2022-23 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 \$1,026,933. The ending General Fund balance for 2022-23 was \$1,049,136

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 equal expenditures, the actual results for the year show an excess(deficit) of: **\$22,203**

- The actual revenues were 2% lower than projected due to adjustments in Federal and local revenues
- The actual expenditures were .2% lower 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 it's 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, 2023

APPENDIX A		
Table A-3		
Hope Academy's Net Assets - School Wide Statements		
	<u>6/30/2023</u>	<u>6/30/2022</u>
<u>Current and other assets:</u>	\$ 1,867,985	\$ 1,779,513
Capital assets [Net of accumulated Depreciation]	4,897,909	5,227,064
Total Assets	<u>\$ 6,765,894</u>	<u>\$ 7,006,577</u>
Current liabilities and deferred inflows	\$ 708,516	\$ 619,523
Long-term liabilities	7,644,611	7,939,611
Total liabilities	<u>\$ 8,353,127</u>	<u>\$ 8,559,134</u>
<u>Net assets:</u>		
Invested in capital assets net of related debt and depreciation	\$ (3,037,091)	\$ (3,015,647)
Restricted	403,773	434,597
Unrestricted	1,046,085	1,028,493
Total net assets	<u>\$ (1,587,233)</u>	<u>\$ (1,552,557)</u>
Total Liabilities & Net Position:	<u>\$ 6,765,894</u>	<u>\$ 7,006,577</u>
Table A-3		
Hope Academy's Net Assets		
	<u>6/30/2023</u>	<u>6/30/2022</u>
<u>Revenues:</u>		
Program revenues		
Federal & State categorical grants:		
31A, Title IA, Title II, Title IV, IDEA, Lunch Program	\$ 1,376,783	\$ 1,258,208
<u>Governmental revenues</u>		
State aid - unrestricted	4,827,703	4,300,931
Local	516,908	188,880
Other Transfers In and Financing Sources	-	-
Total revenues	<u>\$ 6,721,394</u>	<u>\$ 5,748,019</u>
<u>Expenses:</u>		
Instruction	\$ 3,292,471	\$ 2,865,632
Support services	2,742,410	2,587,074
Food & Community Services	2,967	15,484
Interest on long-term debt	389,067	294,495
Unallocated depreciation	329,155	329,149
Total expenses	<u>\$ 6,756,070</u>	<u>\$ 6,091,834</u>
Increase/(Decrease) in net assets	<u>\$ (34,676)</u>	<u>\$ (343,815)</u>

HOPE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23, the Academy had invested, \$8,895,775 dollars in capital assets, including the Right-to-Use Assets of \$69,953 from the adoption of GASB 87 that recognizes the cost of leased copier equipment. More detailed information about capital assets can be found in Note 4 to the financial statements.

Cumulative depreciation expense is: \$3,997,866

2023	Table A-5 Hope Academy Capital Assets			2023 Net Book Value
	Cost	Accumulated and Depreciated	Net Book Value	
Building and Improvements	\$8,075,309	(\$3,182,011)	\$4,893,298	\$4,893,298
Right-to-Use-Assets	69,953	(65,342)	4,611	4,611
Furniture & Equipment	750,513	(750,513)	0	0
Total	\$8,895,775	(\$3,997,866)	\$4,897,909	\$4,897,909

The Academy's fiscal year 2023-24 capital budget anticipates spending \$185,000.00 for capital projects, principally in two areas:

- \$65,000 Technology Upgrades through General Fund and E-Rate Funding
- \$120,000 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 4 and 6)

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 2023-24 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 2023-24 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 and Safety for the 23-24 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, 2023

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 843,702
Due from Other Governmental Units	925,499
Prepaid Expenses	98,784
Capital Assets, net	4,897,909
Total Assets	\$ 6,765,894
Liabilities and Deferred Inflows of Resources	
Accounts Payable	\$ 280,341
Other Accrued Liabilities	133,175
Bonds Payable - Current	295,000
Lease Liability - Current	4,611
Long-Term Liabilities	
Bonds Payable, Due within more than One Year	7,640,000
Total Liabilities	\$ 8,353,127
Net Position	
Invested in Capital Assets, net of Related Debt	\$ (3,037,091)
Restricted for Debt Service	366,792
Restricted for Capital Projects	36,981
Unrestricted	1,046,085
Total Net Position	\$ (1,587,233)

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

HOPE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Activities</u> <u>Net (Expenses)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
Governmental Activities:				
Instruction	\$ 3,292,471	\$ -	\$ 1,335,775	\$ (1,956,696)
Support Services	2,742,410	-	41,008	(2,701,402)
Community and Food Services	2,967	-	-	(2,967)
Interest	389,067	-	-	(389,067)
Unallocated Depreciation	329,155	-	-	(329,155)
Total Governmental Activities	<u>\$ 6,756,070</u>	<u>\$ -</u>	<u>\$ 1,376,783</u>	<u>\$ (5,379,287)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 4,827,703
Miscellaneous Revenue				37,242
Contributions not Restricted to a Specific Purpose				479,666
Total General Revenues				<u>\$ 5,344,611</u>
Change in Net Position				\$ (34,676)
Net Position, Beginning of Year				<u>(1,552,557)</u>
Net Position, End of Year				<u>\$ (1,587,233)</u>

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

HOPE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 438,369	\$ 366,792	\$ 36,981	\$ 1,560	\$ 843,702
Due from Other Governmental Units	925,499	-	-	-	925,499
Prepaid Expenses	98,784	-	-	-	98,784
Total Assets	<u>\$ 1,462,652</u>	<u>\$ 366,792</u>	<u>\$ 36,981</u>	<u>\$ 1,560</u>	<u>\$ 1,867,985</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 280,341	\$ -	\$ -	\$ -	\$ 280,341
Other Accrued Liabilities	133,175	-	-	-	133,175
Total Liabilities	<u>\$ 413,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,516</u>
Fund Balances					
Restricted	\$ -	\$ 366,792	\$ 36,981	\$ -	\$ 403,773
Non-spendable	98,784	-	-	-	98,784
Unassigned	950,352	-	-	1,560	951,912
Total Fund Balances	<u>\$ 1,049,136</u>	<u>\$ 366,792</u>	<u>\$ 36,981</u>	<u>\$ 1,560</u>	<u>\$ 1,454,469</u>
Total Liabilities and Fund Balances	<u>\$ 1,462,652</u>	<u>\$ 366,792</u>	<u>\$ 36,981</u>	<u>\$ 1,560</u>	<u>\$ 1,867,985</u>

Total Governmental Fund Balances \$ 1,454,469

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	8,895,775	
Accumulated Depreciation is	<u>(3,997,866)</u>	4,897,909
Long-term Liabilities are not due and payable in the current period and are not reported in the Governmental Funds		
Long-term Obligations		(7,935,000)
Lease Liability - Current		<u>(4,611)</u>
Total Net Position of Governmental Activities		<u>\$ (1,587,233)</u>

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, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local Sources	\$ 476,699	\$ 9,690	\$ 2,552	\$ 27,967	\$ 516,908
State Sources	4,827,703	-	-	-	4,827,703
Federal Sources	1,376,783	-	-	-	1,376,783
Total Revenues	<u>\$ 6,681,185</u>	<u>\$ 9,690</u>	<u>\$ 2,552</u>	<u>\$ 27,967</u>	<u>\$ 6,721,394</u>
EXPENDITURES:					
Current:					
Instruction:					
Basic Programs	\$ 2,380,415	\$ -	\$ -	\$ -	\$ 2,380,415
Added Needs	912,056	-	-	-	912,056
Total Instruction	<u>\$ 3,292,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292,471</u>
Support Services:					
Pupil	\$ 319,911	\$ -	\$ -	\$ -	\$ 319,911
Instructional Support	76,256	-	-	-	76,256
General Administration	59,853	-	-	-	59,853
School Administration	847,044	-	-	-	847,044
Business	545,404	7,986	-	-	553,390
Operations and Maintenance	799,697	-	61,076	-	860,773
Community Service	43,283	-	-	-	43,283
Transportation	-	-	-	-	-
Total Support Services	<u>\$ 2,691,448</u>	<u>\$ 7,986</u>	<u>\$ 61,076</u>	<u>\$ -</u>	<u>\$ 2,760,510</u>
Community Services	\$ -	\$ -	\$ -	\$ 2,967	\$ 2,967
Food Services	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service					
Principal	\$ -	\$ 285,000	\$ -	\$ -	\$ 285,000
Interest	\$ -	\$ 389,067	\$ -	\$ -	\$ 389,067
Total Expenditures	<u>\$ 5,983,919</u>	<u>\$ 682,053</u>	<u>\$ 61,076</u>	<u>\$ 2,967</u>	<u>\$ 6,730,015</u>
Excess (Deficiency) of revenues over Expenditures	\$ 697,266	\$(672,363)	\$ (58,524)	\$ 25,000	\$ (8,621)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	25,000	674,763	25,300	-	725,063
Operating Transfers Out	(700,063)	-	-	(25,000)	(725,063)
NET CHANGE IN FUND BALANCES	\$ 22,203	\$ 2,400	\$ (33,224)	\$ -	\$ (8,621)
Beginning of Year	1,026,933	364,392	70,205	1,560	1,463,090
End of Year	<u>\$ 1,049,136</u>	<u>\$ 366,792</u>	<u>\$ 36,981</u>	<u>\$ 1,560</u>	<u>\$ 1,454,469</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, 2023

Net Change in Fund Balances Total Governmental Funds \$ (8,621)

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	(329,155)
Principal Payments on Lease Liability	18,100
Repayment of Bond Principal	285,000
	285,000

Change in Net Position of Governmental Activities \$ (34,676)

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 330,780	\$ 274,050	\$ 476,699	\$ (202,649)
State Sources	4,473,853	4,827,702	4,827,703	(1)
Federal Sources	<u>2,367,164</u>	<u>1,686,982</u>	<u>1,376,783</u>	<u>310,199</u>
Total Revenues	<u>\$ 7,171,797</u>	<u>\$6,788,734</u>	<u>\$6,681,185</u>	<u>\$ 107,549</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 1,696,931	\$1,660,813	\$2,380,415	\$ (719,602)
Added Needs	<u>2,261,462</u>	<u>1,686,982</u>	<u>912,056</u>	<u>774,926</u>
Total Instruction	<u>\$ 3,958,393</u>	<u>\$3,347,795</u>	<u>\$3,292,471</u>	<u>\$ 55,324</u>
Support Services:				
Pupil	\$ 235,837	\$ 165,450	\$ 319,911	\$ (154,461)
Instructional Support	204,699	325,540	76,256	249,284
General Administration	214,178	150,000	59,853	90,147
School Administration	643,364	685,000	847,044	(162,044)
Business	594,494	500,000	545,404	(45,404)
Operations and Maintenance	574,826	817,000	799,697	17,303
Community Service	6,300	6,300	43,283	(36,983)
Transportation	<u>7,851</u>	<u>1,550</u>	<u>-</u>	<u>1,550</u>
Total Support Services	<u>\$ 2,481,549</u>	<u>\$2,650,840</u>	<u>\$2,691,448</u>	<u>\$ (40,608)</u>
Total Expenditures	<u>\$ 6,439,942</u>	<u>\$5,998,635</u>	<u>\$5,983,919</u>	<u>\$ 14,716</u>
Revenues Over (Under) Expenditures	\$ 731,855	\$ 790,099	\$ 697,266	\$ 92,833
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(696,193)</u>	<u>(696,193)</u>	<u>(675,063)</u>	<u>(21,130)</u>
NET CHANGE IN FUND BALANCE	\$ 35,662	\$ 93,906	\$ 22,203	\$ 71,703
Beginning of Year	<u>1,025,774</u>	<u>1,026,933</u>	<u>1,026,933</u>	<u>-</u>
End of Year	<u>\$ 1,061,436</u>	<u>\$1,120,839</u>	<u>\$1,049,136</u>	<u>\$ 71,703</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 6,300	\$ 25,000	\$ 27,967	\$ (2,967)
Total Revenues	\$ 6,300	\$ 25,000	\$ 27,967	\$ (2,967)
EXPENDITURES:				
Support Services:				
Community Services	\$ 6,300	\$ 25,000	\$ 2,967	\$ 22,033
Total Expenditures	\$ 6,300	\$ 25,000	\$ 2,967	\$ 22,033
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 25,000	\$ (25,000)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	\$ -	\$ -	\$ (25,000)	\$ 25,000
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, 2023

(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, 2023
(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, 2023
(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.

New Accounting Principle

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. GASB 96 is effective for the fiscal year ended June 30, 2023, and requires a SBITA subscriber to recognize a subscription liability and an intangible right-to-use subscription asset. This improves the relevancy and consistency of information. The Academy adopted GASB 96 for the year ended June 30, 2023, which did not require any adjustments to the June 30, 2023 financial statements as the Academy did not have any SBITA, as defined under GASB 96.

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.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

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

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).

Budgets and Budgetary Accounts

For the year end June 30, 2023, General Fund expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Basic Programs	\$ 1,660,813	\$ 2,380,415	\$ (719,602)
Pupil	165,450	319,911	(154,461)
School Administration	685,000	847,044	(162,044)
Business	500,000	545,404	(45,404)
Community Service	6,300	43,283	(36,983)

(4) **CASH AND CASH EQUIVALENTS**

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

Cash and Cash Equivalents \$ 843,702

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 General Fund deposits were reflected in the account of one bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$437,769 of which \$187,769 was not covered under FDIC insurance.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(4) **CAPITAL ASSETS**

A summary of capital assets at June 30, 2023 is presented below:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Capital Assets				
Furniture and Equipment	\$ 750,513	\$ -	\$ -	\$ 750,513
Right to Use Assets	69,953	-	-	69,953
Building and Improvements	<u>8,075,309</u>	<u>-</u>	<u>-</u>	<u>8,075,309</u>
Subtotal	<u>\$8,895,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,895,775</u>
Less Accumulated Depreciation				
Furniture and Equipment	\$ 733,450	\$ 17,063	\$ -	\$ 750,513
Right to Use Assets	48,093	17,249	-	65,342
Building and Improvements	<u>2,887,168</u>	<u>294,843</u>	<u>-</u>	<u>3,182,011</u>
Subtotal	<u>\$3,668,711</u>	<u>\$ 329,155</u>	<u>\$ -</u>	<u>\$ 3,997,866</u>
Net Capital Assets	<u>\$5,227,064</u>	<u>\$ (329,155)</u>	<u>\$ -</u>	<u>\$ 4,897,909</u>

Depreciation for fiscal year ended June 30, 2023 amounted to \$329,155. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

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

Due from other governmental units as of June 30, 2023 to the Academy's General Fund were as follows:

State of Michigan - State Aid	\$ 812,053
State of Michigan - Federal Grants	78,892
Wayne RESA	24,222
Eastern Michigan University	<u>10,332</u>
Total Due from Other Governmental Units	<u>\$ 925,499</u>

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(6) **LONG TERM DEBT**

During the year ended June 30, 2023, 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 2021	\$ 8,220,000	\$ -	\$ 285,000	\$ 7,935,000	\$ 295,000
Right-to-Use-Lease	22,711	-	18,100	4,611	4,611
Total	\$ 8,242,711	\$ -	\$ 303,100	\$ 7,939,611	\$ 299,611

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, 2023 is \$179,601. 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>
2024	\$ 295,000	\$ 375,065	\$ 670,065
2025	310,000	362,085	672,085
2026	320,000	348,445	668,445
2027	335,000	334,365	669,365
2028	350,000	319,625	669,625
2029-2033	1,985,000	1,351,875	3,336,875
2034-2039	2,515,000	827,855	3,342,855
2040-2041	1,825,000	182,035	2,007,035
Total	\$ 7,935,000	\$ 4,101,350	\$ 12,036,350

The Academy was in compliance with the Days Cash on Hand Covenant at June 30, 2023. However, the Academy was not in compliance with the Debt Service Coverage Ratio Covenant requirement of 1.10 to 1.00 at June 30, 2023. At June 30, 2023, the Academy had a Debt Service Coverage Ratio of 1.04 to 1.00.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(7) **LEASE COMMITMENTS**

The Academy leases copier equipment under a non-cancelable lease. The lease requires an annual payment of \$18,534 and expires in 2024.

The Academy adopted GASB 87 and used discount rate of 3%, which resulted in the recognition of right-to-use assets and lease liabilities. Future minimum lease liability payments as of June 30, 2023 are as follows:

Year Ended	Total Lease		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Liability</u>
2024	\$ 4,611	\$ 23	\$ 4,634
Total	<u>\$ 4,611</u>	<u>\$ 23</u>	<u>\$ 4,634</u>

(8) **INTEREST EXPENSE**

The Academy incurred interest expense in the amount of \$20,253 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.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(Continued)

(11) **SUBSEQUENT EVENTS**

Subsequent to June 30, 2023, the Academy entered into an agreement with First Independence National Bank for a State Aid Note in the amount of \$600,000. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 9.250%. The note matures on July 26, 2024 and the monthly principal payments the total amount of interest are as follows:

<u>Date</u>	<u>Amount</u>	<u>Monthly Amt</u>
10/26/2023	\$ 54,327	\$ 62,991
11/26/2023	58,785	62,991
12/26/2023	59,238	62,991
01/26/2024	59,695	62,991
02/26/2024	60,155	62,991
03/26/2024	60,618	62,991
04/26/2024	61,086	62,991
05/26/2024	61,556	62,991
06/26/2024	62,031	62,991
07/26/2024	<u>62,509</u>	<u>62,991</u>
Total Principal	\$ 600,000	<u>\$ 629,911</u>
Interest	<u>29,911</u>	
Total Principal and Interest	<u>\$ 629,911</u>	

Subsequent events have been evaluated through October 24, 2023, 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

SINGLE AUDIT

JUNE 30, 2023

HOPE ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1-2
Report on Compliance for each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Supplemental Schedules -	
Schedule of Findings and Questioned Costs	8
Status of Prior Year Findings and Questioned Costs	9



**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, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 24, 2023.

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.

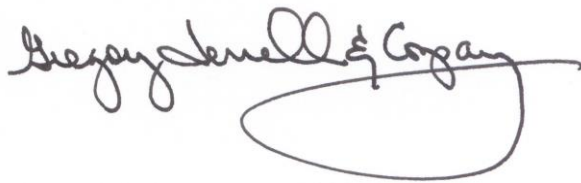
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

October 24, 2023



**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

Opinion on Each Major Federal Program

We have audited Hope Academy's (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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

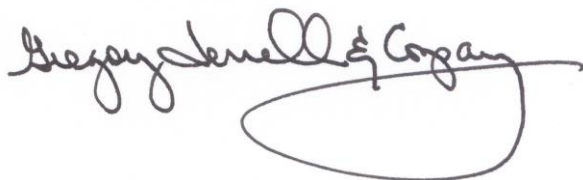
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated October 24, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 basic financial statements as a whole.

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

October 24, 2023

HOPE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor Program Title	Grant Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at 1-Jul-22	Federal Funds/ Payments In-kind Received	Current Year Expenditures	Accrued or (Deferred) Revenue at 30-Jun-23	Amounts Awarded to Subrecipients
U.S. Department of Education								
Passed through the Michigan Department of Education								
Title I, Part A-Improving Basic Programs	221530-2122	84.010	\$ 347,322	\$ -	\$ 28,651	\$ 28,651	\$ -	\$ -
Title I, Part A-Improving Basic Programs	231530-2223	84.010	317,557	-	231,238	232,696	1,458	-
Total			664,879	-	259,889	261,347	1,458	-
Title II, Part A - Improving Teacher Quality	220520-2122	84.367	44,783	11,050	25,030	13,980	-	-
Title II, Part A - Supporting Effective Instruction	230520-2223	84.367	48,519	-	24,265	30,310	6,045	-
Total			93,302	11,050	49,295	44,290	6,045	-
Title IV, Part A - Student Support & Academic Enrich	220750-2122	84.424	45,832	-	1,000	1,000	-	-
Title IV, Part A - Student Support & Academic Enrich	230750-2223	84.424	48,101	-	22,226	22,226	-	-
Total			93,933	-	23,226	23,226	-	-
ESSER I Formula Funds	203711-1920	84.425D	34,419	-	34,419	34,419	-	-
ESSER II Formula Funds	213712-2021	84.425D	314,691	-	314,691	314,691	-	-
ESSER II Formula Funds Assessments	213762-2022	84.425D	5,474	1,980	1,980	-	-	-
ESSER III Formula Funds	213713-2122	84.425U	2,071,886	-	552,998	624,387	71,389	-
Total			2,426,470	1,980	904,088	973,497	71,389	-
Total noncluster programs passed through the Michigan Department of Education			\$ 3,278,584	\$ 13,030	\$ 1,236,498	\$ 1,302,360	\$ 78,892	\$ -
U.S. Department of Education								
Passed through the Wayne RESA								
Wayne County RESA IDEA	21-22	84.027A	108,396	30,011	30,011	-	-	-
Wayne County RESA IDEA	22-23	84.027A	74,423	-	74,423	74,423	-	-
Total noncluster programs passed through Wayne RESA			\$ 182,819	\$ 30,011	\$ 104,434	\$ 74,423	\$ -	\$ -
TOTAL FEDERAL AWARDS			\$ 3,461,403	\$ 43,041	\$ 1,340,932	\$1,376,783	\$ 78,892	\$ -

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

(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, 2023

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:

ESSER I	CFDA No.84.425D
ESSER II	CFDA No.84.425D
ESSER III	CFDA No.84.425U
- (8) The threshold used for distinguishing between Type A and B programs was \$750,000.
- (9) The Academy did not qualify as a low-risk auditee.

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2023.

SECTION III: FEDERAL AWARDS FINDINGS

There are no Federal Awards findings for the year ended June 30, 2023.

HOPE ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

The Academy was required to have a Single Audit performed for the year ended June 30, 2022. There are no prior year findings and questioned costs.



**GREGORY
TERRELL
& COMPANY**

October 24, 2023

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, 2023, 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**

October 24, 2023

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, 2023. 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 8, 2023. 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. The Academy adopted the new GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during fiscal year 2023. 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 October 24, 2023.

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

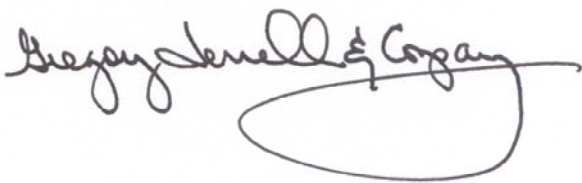
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were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



GREGORY TERRELL & COMPANY

Certified Public Accountants

Detroit, Michigan

October 24, 2023