

# **Hope Academy Financial Statements June 30, 2024**



**THE CLAIRMOUNT GROUP, PLC**  
Certified Public Accountants

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THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Hope Academy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major funds and the aggregate remaining fund information of Hope Academy as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Hope Academy 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 funds and the aggregate remaining fund information of Hope Academy as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hope 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 Hope 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 and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hope 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 Hope Academy's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 and 24 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.

### ***Supplementary Information***

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2024, on our consideration of the Hope Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Hope Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hope Academy's internal control over financial reporting and compliance.

### ***The Clairmount Group, PLC***

The Clairmount Group, PLC  
Detroit, Michigan 48226  
October 6, 2024

**Hope Academy  
Management's Discussion and Analysis  
June 30, 2024**

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

**Using the Annual Report**

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

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

Basic Financial Statements

Academy - Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for General Fund

Other Supplemental Information

**Hope Academy  
Management's Discussion and Analysis (Continued)  
June 30, 2024**

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***Reporting the Academy as a Whole - Academy - Wide Financial Statements***

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the Statement of Activities - indicate whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The Statement of Net Position and the Statement of Activities report the governmental activities of the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds must be established by State law and bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes or to show that it meets legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

- **Governmental Funds** - All of the Academy's services are reported in governmental funds. Governmental fund reporting shows how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation.

**Hope Academy  
Management's Discussion and Analysis (Continued)  
June 30, 2024**

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***The Academy as a Whole***

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30, 2024:

	<b>Governmental Activities</b>	
	June 30	
<b><u>Assets</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Current and other assets	\$ 2,194,748	\$ 1,867,985
Capital assets	4,604,311	4,897,909
Total assets	<u>\$ 6,799,059</u>	<u>\$ 6,765,894</u>
<b><u>Liabilities</u></b>		
Current liabilities	\$ 745,885	\$ 708,516
Long-Term Liabilities	7,327,099	7,644,611
Total liabilities	<u>\$ 8,072,984</u>	<u>\$ 8,353,127</u>
<b><u>Net Position</u></b>		
Net deficit in capital assets	\$ (2,973,180)	\$ (3,037,091)
Restricted	380,169	403,773
Unrestricted(deficit)	1,319,086	1,046,085
Total net position	<u>\$ (1,273,925)</u>	<u>\$ (1,587,233)</u>
Total liabilities and net position	<u>\$ 6,799,059</u>	<u>\$ 6,765,894</u>

The above analysis focuses on the net position. The change in the net position of the Academy's governmental activities is discussed below. The Academy's net deficit was \$(1.3) million on June 30, 2024. Capital assets, net of related debt totaling \$3.0 million, compare the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt obligation will be repaid from General Fund operations as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Academy's ability to use those assets for day-to-day operations.



**Hope Academy  
Management's Discussion and Analysis (Continued)**

The \$1.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities, which shows the changes in net position for fiscal years 2024 and 2023:

	<b>Governmental Activities</b>	
	June 30	
	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
General revenue		
Federal and state categorical grants	\$ 3,012,971	\$ 1,376,783
State Aid - Unrestricted	4,351,101	4,827,703
Local	275,828	516,908
Total revenue	<u>\$ 7,639,900</u>	<u>\$ 6,721,394</u>
<b>Function/Program Expenses:</b>		
Instruction	\$ 3,673,565	\$ 3,292,471
Support services	2,971,091	2,742,410
Community services	15,384	2,967
Interest on long-term debt	377,565	389,067
Unallocated depreciation	288,987	329,155
Total functions/program expenses	<u>\$ 7,326,592</u>	<u>\$ 6,756,070</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 313,308</u>	<u>\$ (34,676)</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$7.3 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$3.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$4.3 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

**Hope Academy  
Management's Discussion and Analysis (Continued)  
June 30, 2024**

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

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2024, the Academy had approximately \$4.6 million invested in net capital assets, including buildings and building improvements, furniture, and equipment. This represents a net increase, including additions and depreciation, of approximately \$.2 million from last year.

**Debt**

Debt includes bond obligations of approximately \$7.6 million, a decrease of \$.3 million from last year.

**The Academy's Funds**

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Examining funds helps the reader consider whether the Academy is accountable for the resources taxpayers and others provide and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$1.8 million, which is an increase of \$.3 million from last year.

The balance in the General Fund, our principal operating fund, increased by approximately \$.3 million to \$1.4 million. The balance is available to fund costs related to allowable school operating purposes.

**General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year-end. The required supplemental information of these financial statements provides a schedule showing the Academy's original and final budget amounts compared with amounts paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2023-2024 General Fund's original budget. Budgeted revenues were decreased by \$.2 million due to a decrease in awarding of various grant.

**Hope Academy  
Management's Discussion and Analysis (Continued)  
June 30, 2024**

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**Economic Factors Affecting Next Year's Budgets:**

The Academy's administration considered many factors when setting the Academy's 2025 fiscal year's budget. One of the most important factors affecting the budget is the continued impact of the outbreak of the coronavirus (COVID-19) on enrollment. In an effort to meet the varied concerns of students and parents, the Academy is offering both in-person instruction and virtual instruction. However, the future effects of coronavirus and its potential variants are unknown.

The State Foundation per-pupil allowance for the 2025 fiscal year is \$9,991. The 2025 budget was adopted in June 2024, based on the estimated number of students enrolled in September 2024. Approximately 67 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding primarily depends on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical enrollment levels. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

**Contacting the Academy's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

**Hope Academy**  
**Statement of Net Position- Governmental Activities**  
**June 30, 2024**

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**Assets**

Cash	\$ 902,297
Due from other governmental units	1,097,496
Grants receivable	84,855
Prepaid expenses	110,100
Capital assets- net of accumulated depreciation	4,604,311
Total assets	<u>\$ 6,799,059</u>

**Liabilities**

Accounts payable	\$ 370,475
Notes payable	62,509
Long-term debt - current portion	312,901
Total current liabilities	<u>745,885</u>

Long-term debt - long-term portion	<u>7,327,099</u>
Total liabilities	8,072,984

**Net Position**

Net investment in capital assets	(2,973,180)
Restricted for	
Debt service	366,167
Capital projects	14,002
Unrestricted	<u>1,319,086</u>
Total net position	(1,273,925)

Total liabilities and net position	<u>\$ 6,799,059</u>
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See accompanying notes to financial statements.

**Hope Academy**  
**Statement of Activities**  
**Year Ended June 30, 2024**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in Position</u>
Governmental Activities:				
Instruction	\$ 3,673,565	\$ -	\$ 3,012,971	\$ (660,594)
Support services	2,971,091	-	16,645	(2,954,446)
Community services	15,384	-	-	(15,384)
Interest	377,565	-	-	(377,565)
Unallocated depreciation	288,987	-	-	(288,987)
Total Governmental Activities	<u>7,326,592</u>	<u>-</u>	<u>3,029,616</u>	<u>(4,296,976)</u>
General Revenues:				
State of Michigan unrestricted revenue				4,351,101
Miscellaneous revenue				43,183
Contributions not restricted to specific purpose				216,000
Total general revenues				<u>4,610,284</u>
Change in net position				313,308
Net Position, beginning of year				<u>(1,587,233)</u>
Net Position, end of year				<u>\$ (1,273,925)</u>

See accompanying notes to financial statements.

**Hope Academy  
Governmental Funds  
Balance Sheet  
June 30, 2024**

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	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash	\$ 520,568	\$ 366,167	\$ 14,002	\$ 1,560	\$ 902,297
Due from other governmental units	1,097,496	-	-	-	1,097,496
Grants receivable	84,855	-	-	-	84,855
Prepaid expenses	110,100	-	-	-	110,100
<b>Total assets</b>	<u>\$ 1,813,019</u>	<u>\$ 366,167</u>	<u>\$ 14,002</u>	<u>\$ 1,560</u>	<u>\$ 2,194,748</u>
<b>Liabilities</b>					
Accounts payable	\$ 370,475	\$ -	\$ -	\$ -	\$ 370,475
Notes payable	62,509	-	-	-	62,509
<b>Total liabilities</b>	<u>432,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>432,984</u>
<b>Fund Balance</b>					
Restricted for					
Debt service	-	366,167	-	-	366,167
Capital projects	-	-	14,002	-	14,002
Non-spendable	110,100	-	-	-	110,100
Unassigned	1,269,935	-	-	1,560	1,271,495
Total fund balances (deficit)	<u>1,380,035</u>	<u>366,167</u>	<u>14,002</u>	<u>1,560</u>	<u>1,761,764</u>
Total liabilities and fund balance	<u>\$ 1,813,019</u>	<u>\$ 366,167</u>	<u>\$ 14,002</u>	<u>\$ 1,560</u>	<u>\$ 2,194,748</u>

See accompanying notes to financial statements.

**Hope Academy  
Reconciliation of the Total Governmental  
Fund Balance to Net Position of Governmental Activities  
Year Ended June 30, 2024**

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<b>Total fund balances for governmental funds</b>	\$ 1,761,764
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Capital assets, net of depreciation	4,604,311
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	<u>(7,640,000)</u>
<b>Net Position - Governmental activities</b>	<b><u>\$ (1,273,925)</u></b>

See accompanying notes to financial statements.

**Hope Academy  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 646,895	\$ 11,813	\$ 8,433	\$ 7,966	\$ 675,107
State sources	5,164,888	-	-	-	5,164,888
Federal sources	1,799,905	-	-	-	1,799,905
Total revenues	7,611,688	11,813	8,433	7,966	7,639,900
<b>Expenditures</b>					
Current					
Instruction					
Basic programs	1,905,338	-	-	-	1,905,338
Added needs	1,768,227	-	-	-	1,768,227
Total instruction	3,673,565	-	-	-	3,673,565
Support services					
Pupil	225,051	-	-	-	225,051
Instructional support	164,069	-	-	-	164,069
General administration	171,738	-	-	-	171,738
School administration	880,205	-	-	-	880,205
Business	637,708	-	-	-	637,708
Operations and maintenance	836,110	-	50,737	-	886,847
Transportation	1,800	-	-	-	1,800
Central	3,673	-	-	-	3,673
Total support	2,920,354	-	50,737	-	2,971,091
Community services	7,418	-	-	7,966	15,384
Debt service					
Principal	-	295,000	-	-	295,000
Interest and other expenditures	-	377,565	-	-	377,565
Total debt service	-	672,565	-	-	672,565
Total expenditures	6,601,337	672,565	50,737	7,966	7,332,605
Excess (Deficiency) of revenues over Expenditures	1,010,351	(660,752)	(42,304)	-	307,295
Other financing sources (uses):					
Operating transfers in	-	660,127	25,300	-	685,427
Operating transfers out	(679,452)	-	(5,975)	-	(685,427)
Total other financing sources	(679,452)	660,127	19,325	-	-
Net change in fund balances	330,899	(625)	(22,979)	-	307,295
Fund balance - beginning of year	1,049,136	366,792	36,981	1,560	1,454,469
Fund balance- end of year	\$ 1,380,035	\$ 366,167	\$ 14,002	\$ 1,560	\$ 1,761,764

See accompanying notes to financial statements.



**Hope Academy  
 Governmental Funds  
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2024**

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**Net change in fund balances - Total governmental funds** \$ 307,295

Total change in net position reported for governmental activities in the statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Depreciation expense	(288,987)
Repayments of long-term debt	<u>295,000</u>

**Net Position - Governmental activities** \$ 313,308

See accompanying notes to financial statements.

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 1 - NATURE OF OPERATIONS**

**Reporting Entity**

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On July 1, 2020, the Academy entered into a contract with the Eastern Michigan University Board of Trustees to charter Hope Academy, which expires June 30, 2025. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Eastern Michigan University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Eastern Michigan University Board of Trustees 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2024, paid to the Eastern Michigan University Board of Trustees were approximately \$116,388.

**Administrative Services**

On July 1, 2020, the Academy entered into a management agreement with BFDI Educational Services, Inc, a nonprofit organization, that expires June 30, 2025. Under the terms of the agreement, Academy Management is responsible for the complete management, operations, administration, and educational program of the Academy. The Academy pays a management fee of eight percent of the revenues the Academy receives from the State Aid per pupil amount. The total paid for these services amounted to approximately \$437,187 for the year ended June 30, 2024.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Hope Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

**Measurement Focus, Basis Accounting and Financial Statement Presentation**

**Academy - Wide Financial Statements** - The Academy - Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributors; and (3) capital grants and contributors. Likewise, general revenue includes all unrestricted state and federal aid.

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

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis Accounting and Financial Statement Presentation (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Academy’s major governmental fund is the General Fund.

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

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

The Academy reports the following major governmental funds:

*General Fund* – 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.

*Debt Service Fund* – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

*Capital Project Funds* – The Capital Project Funds accounts for the allocation of capital projects costs and operating transfers in.

Additionally, the Academy reports the following fund type:

*Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy’s Special Revenue Fund is the Community Service Activity. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, and short- term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Restricted Investments** – The Academy reports restricted investments in the Debt Service and Capital Projects Funds.

**Due from other Governmental Units**—Receivables on June 30, 2024, primarily consist of state school aid and grant revenue due from the State of Michigan and the Federal Government, respectively.

**Prepaid Expenses**—Certain vendor payments reflect costs applicable to future fiscal years and are recorded as prepaid costs in both Academy-wide and fund financial statements.

**Restricted Assets** –The restricted assets represent amounts held in the Debt Service Fund for future principal and interest payments.

**Capital Assets** – Capital assets, including buildings, building improvements, and equipment, are reported in the applicable governmental column in the Academy-Wide financial statements. The Academy defines capital assets as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Normal repair and maintenance costs that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings and building improvements, equipment, and furniture are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 40 years
Furniture and other equipment	3 to 10 years

**Long-Term Obligations** – Long-term obligations are reported in the Academy - Wide financial statements. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Net Position** – Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position consists of the following:

*Net investment in capital assets* – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

*Restricted net position* – Consists of restricted assets less any accrued interest.

*Unrestricted net position* – Consists of all other assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance** – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Non-spendable:* Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted:* Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

*Unassigned:* The residual classification of the General Fund includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

**Use of Estimates** - The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner; the Academy amended the budget to reflect changes in funding from federal and state sources.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Academy is in compliance with the Uniform Budget and Accounting Act.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government's repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has designated one bank for the deposit of its funds.

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 4 - DEPOSITS AND INVESTMENTS(continued)**

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of \$239,291 was not fully insured by the FDIC. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it will not always be practical to insure all deposits. The Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Academy will do business using the criteria established in the investment policy.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer an investment's maturity, the greater its fair value sensitivity to changes in market interest rates. The Academy's investment restricts investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The Academy's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

**Credit Risk** – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices.

**Fair Value Measurement**– The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Academy has the following recurring fair value measurements as of June 30, 2024: Level 1 inputs – Mutual Funds of \$.3 million valued using quoted market prices.

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 5 – DUE FROM OTHER GOVERNMENT UNITS**

Due from other government units as of year-end were as follows:

	Total
State of Michigan - State aid	\$ 938,448
Federal grants receivable	159,048
	<u>\$ 1,097,496</u>

The Academy's management evaluates its receivables for collectability annually. As of June 30, 2024, management believes all receivables were collectible, and no allowance was necessary.

**NOTE 6 – CAPITAL ASSETS**

Capital assets the Academy's governmental activities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets being depreciated:				
Building and improvements	\$ 8,075,309	\$ -	\$ -	\$ 8,075,309
Furniture & Equipment	750,513	-	-	750,513
Subtotal	<u>8,825,822</u>	-	-	<u>8,825,822</u>
Less accumulated depreciation:				
Building and improvements	3,182,011	288,987	-	3,470,998
Furniture & Equipment	750,513	-	-	750,513
Subtotal	<u>3,932,524</u>	<u>288,987</u>	-	<u>4,221,511</u>
Net capital assets being depreciated	<u>\$ 4,893,298</u>	<u>\$ (288,987)</u>	<u>\$ -</u>	<u>\$ 4,604,311</u>

Depreciation expense for the fiscal year ended June 30, 2024, was \$288,987. Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities, and allocation is not practical.

**NOTE 7 - NOTES PAYABLE**

The Academy entered into an agreement with First Independence National Bank for a \$600,000 State Aid Note. The note is guaranteed by the Academy's State Aid payments. It has an interest rate of 9.25% and matures on July 26, 2024. The borrowing was utilized for working capital. The interest paid was \$28,911.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
State note loan	\$ -	\$ 600,000	\$ 537,491	\$ 62,509	\$ 62,509

**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 8 - LONG-TERM DEBT**

The Academy issued \$8,200,000 in bonds (Series 2021) to refund the Series 2011 bonds and acquire technology and equipment. The Series 2021 bonds are a direct obligation and pledge the full faith and credit of the Academy. The Academy's State Aid payments guarantee the bonds and are 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 must comply with certain financial covenants in their bond agreement.

Long-term contractual obligations can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bond Series - 2021	\$ 7,935,000	\$ -	\$ 295,000	\$ 7,640,000	\$ 314,091

The Academy has established a Reserve Fund to pay principal and interest on the bonds. The amount of the Trust Investment statement on June 30, 2024, was \$177,948. In addition, the Michigan Finance Authority (MFA) established an issuer reserve account in the amount of \$500,000 to be used to pay principal and interest on bonds. After the bonds are paid in full, the remaining balance of the issuer reserve account 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 Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 314,091	\$ 360,520	\$ 674,611
2026	327,727	346,700	674,427
2027	339,091	332,280	671,371
2028	354,090	317,360	671,450
2029	369,091	301,780	670,871
2030-2035	2,122,272	1,426,587	3,548,859
2034-2039	2,686,818	488,930	3,175,748
2040-2041	1,126,820	76,083	1,202,903
Total	<u>\$ 7,640,000</u>	<u>\$ 3,650,240</u>	<u>\$ 11,290,240</u>

On June 30, 2024, the Academy was in compliance with the Days Cash on Hand Covenant. However, it was not in compliance with the Debt Coverage Ratio Covenant requirement of 1.0 to 1.0. At June 30, 2024, the Academy had a Debt Service Coverage Ratio of 1.48 to 1.0.

**NOTE 9 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.



**Hope Academy**  
**Notes to Financial Statements**  
**June 30, 2024**

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**NOTE 10 - CONTINGENCIES**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

**NOTE 11 - SUBSEQUENT EVENTS**

On September 16, 2024, the Academy participated in the State Aid Borrowing Program and borrowed \$600,000 at 9.750 percent.

Subsequent events have been evaluated through October 6, 2024, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated.

## **Required Supplemental Information**

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**Hope Academy**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual Amounts	Under/ (Over) Final Budget
<b>Revenues</b>				
Local sources	\$ 428,255	\$ 433,593	\$ 646,895	\$ (213,302)
State sources	5,049,800	5,072,837	5,164,888	(92,051)
Federal sources	2,128,878	1,902,856	1,799,905	102,951
Total revenues	7,606,933	7,409,286	7,611,688	(202,402)
<b>Expenditures</b>				
Current				
Instruction				
Basic programs	1,742,984	2,163,679	1,905,338	258,341
Added needs	2,214,462	1,399,812	1,768,227	(368,415)
Total instruction	3,957,446	3,563,491	3,673,565	(110,074)
Support services				
Pupil	250,000	275,289	225,051	50,238
Instructional support	350,000	125,800	164,069	(38,269)
General administration	165,000	95,000	171,738	(76,738)
School administration	718,250	895,000	880,205	14,795
Business	550,000	740,929	637,708	103,221
Operations and maintenance	574,826	929,038	836,110	92,928
Transportation	7,500	7,500	1,800	5,700
Central	350	350	3,673	(3,323)
Total support	2,615,926	3,068,906	2,920,354	148,552
Community service	6,300	6,300	7,418	(1,118)
Total expenditures	6,579,672	6,638,697	6,601,337	37,360
Excess (Deficiency) of revenues over Expenditures	1,027,261	770,589	1,010,351	(239,762)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(696,193)	(700,535)	(679,452)	(21,083)
Total other financing sources	(696,193)	(700,535)	(679,452)	(21,083)
Net change in fund balances	331,068	70,054	330,899	(260,845)
Fund balance - beginning of year	1,049,136	1,049,136	1,049,136	-
Fund balance- end of year	<u>\$ 1,380,204</u>	<u>\$ 1,119,190</u>	<u>\$ 1,380,035</u>	<u>\$ (260,845)</u>

**Single Audit**

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THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

**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 of  
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"), for the year ended June 30, 2024, 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 6, 2024.

**Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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.

### ***The Clairmount Group, PLC***

The Clairmount Group, PLC  
Detroit, Michigan  
October 6, 2024



THE CLAIRMOUNT GROUP, PLC  
Certified Public Accountants

## **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 of  
Hope Academy

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

#### ***Opinion on Each Major Federal Program***

We have audited Hope Academy (the "Academy") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of The Academy's major federal programs for the year ended June 30, 2024. 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, 2024.

#### ***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 judgment 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 an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 that we identified during the audit.

## **Report on Internal Control over Compliance**

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



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

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

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

*The Clairmount Group, PLC*

The Clairmount Group, PLC  
Detroit, Michigan  
October 6, 2024

**Hope Academy  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024**

Federal Grants/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2023	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2024
U.S. Department of Education:							
Special Education Cluster:							
U.S. Department of Education:							
Passed through the Wayne County ISD IDEA Flowthrough	84.027	2324	82,871	-	67,296	82,871	15,575
Total IDEA Special Education			82,871	-	67,296	82,871	15,575
Total Special Education Cluster			82,871	-	67,296	82,871	15,575
Passed through the Michigan Department of Education:							
Title I, Part A- Improving Basic Programs	84.010						
Title I, Part A- Improving Basic Programs		231530	317,557	1,458	79,203	77,745	-
Title I, Part A- Improving Basic Programs		241350	290,744	-	181,953	209,934	27,981
Total Title I, Part A - Improving Basic Programs			608,301	1,458	261,156	287,679	27,981
Passed through Calhoun Intermediate School District							
Title I Technical Assistance Grant (TAG)	84.010	S010A220022	20,000	-	20,000	20,000	-
Passed through Wayne RESA Intermediate School District							
Title I Regional Assistance Grant (RAG)	84.010	-	19,980	-	9,795	9,795	-
Passed through the Michigan Department of Education:							
Teacher and School Leader Incentive Grants							
Teacher and School Leader Incentive Grants	84.367	230520	48,519	6,045	6,045	-	-
Teacher and School Leader Incentive Grants		240520	21,945	-	2,947	16,645	13,698
Total Title II, Part A- Improving Teacher Quality			70,464	6,045	8,992	16,645	13,698
Passed through the Michigan Department of Education:							
Student Support & Academic Enrichment							
Student Support & Academic Enrichment	84.424	230750	48,519	-	18,726	18,726	-
Student Support & Academic Enrichment		240750	20,112	-	-	16,356	16,356
Total Student Support & Academic Enrichment			68,631	-	18,726	35,082	16,356
Passed through the Michigan Department of Education:							
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Formula	84.425U	213713	2,071,886	71,389	1,333,784	1,347,833	85,438
Total US Department of Education			2,942,133	78,892	1,719,749	1,799,905	159,048
Total Federal Awards			<u>\$ 2,942,133</u>	<u>\$ 78,892</u>	<u>\$ 1,719,749</u>	<u>\$ 1,799,905</u>	<u>\$ 159,048</u>

**Hope Academy**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

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**NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards (the "Schedule") includes the federal grant activity of Hope Academy under programs of the federal government for the year ended June 30, 2024. Expenditures reported on the Schedule are reported on the same basis of accounting as the general-purpose financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from those presented in or used in preparing the general-purpose financial statements.

Because the Schedule presents only a selected portion of Hope Academy's operations, it is not intended to and does not present Hope Academy's financial position, changes in net assets, or cash flows, if applicable. Pass-through entity identifying numbers are presented where available.

**NOTE 2 - GRANT AUDITOR'S REPORT**

Management has utilized the Cash Management System (CMS) Grant Auditor's Report to prepare the cash received column of the schedule of federal award expenditures. The following reconciliation shows the amount of cash received before and after June 30, 2024.

	<u>Title II Part A</u>	<u>Title IV Part A</u>
Cash received - Grant Auditor Report	\$ 22,690	\$ 35,083
Cash received after June 30, 2024	<u>(13,699)</u>	<u>(16,357)</u>
Cash received - Schedule of Expenditures of Federal Awards	<u>\$ 8,991.00</u>	<u>\$ 18,726.00</u>

**NOTE 3 - INDIRECT COST RATE**

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

**Hope Academy**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes       X       None Noted

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?            Yes       X       No

Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes       X       None Noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            Yes       X       No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?       X       Yes            No

**Hope Academy  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2024**

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**Section II - Financial Statement Findings**

There were none.

**Section III - Federal Award Findings and Questioned Costs**

There were none.

**Section IV - Summary Schedule of Prior Audit Findings**

There were none.