

# **Inkster Preparatory Academy**

(A Michigan Public School Academy)

## **Financial Statements**

**For the Year Ended June 30, 2023**



**THE CLAIRMOUNT GROUP, PLC**

Certified Public Accountants

## Table of Contents

	<b>Page(s)</b>
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis .....	4-8
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	9
Statement of Activities.....	10
<b>Fund Financial Statements:</b>	
Governmental Funds	
Combined Balance Sheet.....	11
Reconciliation of the Total Governmental Fund Balance to the Net Position of Governmental Activities .....	12
Statement of Revenue, Expenditures and Changes in Fund Balance.....	13
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
<b>Notes to Financial Statements</b> .....	15-21
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule – General Fund .....	22
<b>Other Reporting Information</b>	
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Audit Standards</i> .....	23-24



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Inkster Preparatory Academy

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund (General Fund), and the School Service Fund information of Inkster Preparatory Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Inkster Preparatory 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, the major fund and the School Service Fund of Inkster Preparatory Academy as of June 30, 2023, 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 Inkster Preparatory Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 Inkster Preparatory Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***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 Inkster Preparatory Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Inkster Preparatory Academy's ability to continue as a going concern for a reasonable period of time.

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 23, 2023, on our consideration of Inkster Preparatory Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inkster Preparatory Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inkster Preparatory Academy's internal control over financial reporting and compliance.

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

The Clairmount Group, PLC  
Detroit, Michigan  
October 23, 2023

## **Inkster Preparatory Academy Management’s Discussion and Analysis**

---

This section of the Inkster Preparatory Academy (the “Academy”) annual financial report presents our discussion and analysis of the Academy’s financial performance during the year ending June 30, 2023. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes on those statements. Those statements are organized so the reader can understand Inkster Preparatory Academy, (the “Academy”) financially as a whole. The government-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. These 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 operation in more detail than the government-wide financial statements by providing information about the Academy’s most significant fund. The General Fund is presented with the School Service Fund included in a separate column as a non-major funds. The components of the annual report are as follows:

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

Basic Financial Statements  
Government-Wide Financial Statements- Fund Financial Statements  
Notes to the Basic Financial Statements  
(Required Supplementary Information)  
Budgetary Information for Major Fund

### **Reporting the Academy as a Whole – Government-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 an 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 position. Over time, increases or decreases in the Academy’s net position – as reported in the Statement of Activities –are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy’s operating results. However, the Academy’s goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of education provided and the safety of the school, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy’s services, including instruction, support services, and School Service s. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

## Inkster Preparatory Academy Management's Discussion and Analysis (Continued)

---

### Reporting the Academy's Governmental Fund – Fund Financial Statements

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

**Governmental Funds** - All of the Academy's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of operations of the Academy and 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 difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund reconciliations.

### The Academy as a Whole

As discussed above, the Statement of Net Position provides information on the Academy as a whole. Below is a summary of the Academy's net position as of June 30, 2023:

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 1,700,178	\$ 1,359,912
Capital assets - net of accumulated depreciation	<u>674,250</u>	<u>847,049</u>
<b>Total Assets</b>	<b><u>\$ 2,374,428</u></b>	<b><u>\$ 2,206,961</u></b>
<u>Liabilities</u>		
Current Liabilities	1,807,329	1,933,187
Lease obligation -long-term	<u>435,122</u>	<u>204,815</u>
<b>Total Liabilities</b>	<b><u>2,242,451</u></b>	<b><u>2,138,002</u></b>
<u>Net Position</u>		
Net investment in capital assets	21,664	(10,352)
Unrestricted	<u>283,112</u>	<u>79,311</u>
<b>Total Net position</b>	<b><u>304,776</u></b>	<b><u>68,959</u></b>
<b>Total Liabilities and Net position</b>	<b><u>\$ 2,547,227</u></b>	<b><u>\$ 2,206,961</u></b>

## Inkster Preparatory Academy Management's Discussion and Analysis (Continued)

---

The above analysis focuses on the net position (see Table 1). The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was \$93,014 on June 30, 2023. Capital assets, recorded at historical cost, net of accumulated depreciation, totaled \$635,287. The unrestricted net assets 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 assets 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 change in net position for the fiscal year ended June 30, 2023.

	<b>Governmental Activities</b>	
<u>Revenues</u>	<u>2023</u>	<u>2022</u>
<b>Program Revenues:</b>		
Operating grants and contributions	\$ 612,868	\$ 676,560
<b>General Revenues:</b>		
State foundation allowance	2,925,592	1,882,807
Other	32,348	30,500
<b>Total Revenues</b>	<u>3,570,808</u>	<u>2,589,867</u>
<b>Function/Program Expenses:</b>		
Instruction	1,334,284	1,049,250
Support services	1,746,739	982,265
Food services	231,047	202,477
Unallocated interest	22,921	27,823
Unallocated amortization	211,762	320,941
<b>Total Expenses</b>	<u>3,546,753</u>	<u>2,582,756</u>
<b>Change in Net Position</b>	<u>\$ 24,056</u>	<u>\$ 7,111</u>

As reported in the Statement of Activities, the cost of our governmental activities this year was \$3,546,753. Certain activities were partially funded by those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of \$612,868. We paid for the remaining "public benefit" portion of our governmental activities with \$2,957,940 in state foundation allowance and with our other revenues.

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



## **Inkster Preparatory Academy Management's Discussion and Analysis (Continued)**

---

### **The General Fund**

The General Fund had revenues of \$3,352,928 and total expenditures of \$3,321,926. The fund balance was \$110,313. As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources the state and others provide and may provide insight into the Academy's overall financial health.

### **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 expenditure does not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were revisions made to the 2022-2023 General Fund original budgets. Budgeted revenues and expenditures were increased to reflect the increase in student enrollment.

### **Capital and Right to Use Assets**

As of June 30, 2023, the Academy had \$635,287 invested in net capital and right to use assets, net of accumulated depreciation and amortization.

	<u>2023</u>	<u>2022</u>
Equipment	\$ 1,058,811	\$ 1,058,811
Rights to use assets	<u>38,963</u>	<u>38,963</u>
	1,097,774	1,097,774
Less accumulated depreciation/ amortization	<u>462,487</u>	<u>250,725</u>
	<u>\$ 635,287</u>	<u>\$ 847,049</u>

## **Inkster Preparatory Academy Management's Discussion and Analysis (Continued)**

---

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

The Academy's administration considered many factors when setting the Academy's 2024 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 allowance for the 2024 fiscal year is \$9,608. The 2024 budget was adopted in June 2023, based on the estimated number of students that will be enrolled in September 2023. Approximately 75% of the total general fund revenue is from the foundation allowance and American Rescue Recovery Plan due to the federal CARES grant funding passed by the US Congress in late 2020 and early 2021. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. 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.

### ***Request of Information***

The financial report is designed to give an overview of the financial conditions of Inkster Preparatory Academy. If you should desire additional financial information, it can be obtained by contacting the Academy's Management Company:

ACCEL Schools  
27355 Woodsfield Street  
Inkster, Michigan  
(313) 278-3825

**Inkster Preparatory Academy**  
**Statement of Net Position**  
**June 30, 2023**

---

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 895,722
Due from governmental units	800,973
Other receivables	1,520
Prepaid expenses	1,963
Total current assets	<u>1,700,178</u>
<b>Capital Assets</b> - net of accumulated depreciation	<u>635,287</u>
Total assets	<u>\$ 2,335,465</u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable	\$ 1,540,501
Accrued salaries and benefits	47,311
Unearned revenue	2,053
Lease obligation - current	<u>217,464</u>
Total current liabilities	1,807,329
Lease obligation - long term	<u>435,122</u>
Total current liabilities	2,242,451
<b>Net Position</b>	
Net investment in capital assets	(17,299)
Unassigned	<u>110,313</u>
Total net position	<u>93,014</u>
Total liabilities and net position	<u>\$ 2,335,465</u>

See accompanying notes to the financial statements

**Inkster Preparatory Academy**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

---

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Activities Net (Expense) Revenues and Changes in Net Assets</u>
Primary Government-Governmental Activities:			
Instruction	\$ 1,334,284	\$ 394,988	\$ (939,296)
Support services	1,746,739	-	(1,746,739)
Food service	231,047	217,880	(13,167)
Unallocated interest expense	22,921	-	(22,921)
Unallocated amortization	211,762	-	(211,762)
Total Governmental Activities	<u>\$ 3,546,753</u>	<u>\$ 612,868</u>	<u>\$ (2,933,885)</u>
General Revenues:			
State aid not restricted to specific purposes			2,925,592
Other Income			<u>32,348</u>
Total general revenues			<u>2,957,940</u>
Change in net position			24,055
Net Position - Beginning of year			<u>68,959</u>
Net Position - End of year			<u>\$ 93,014</u>

See accompanying notes to the financial statements

**Inkster Preparatory Academy**  
**Balance Sheet – Governmental Fund**  
**June 30, 2023**

---

	General Fund	Non Major School Service Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 895,722	\$ -	\$ 895,722
Due from other governmental units	800,973	-	800,973
Other receivable	1,520	-	1,520
Prepaid expenses	1,963	-	1,963
<b>Total assets</b>	<u>\$ 1,700,178</u>	<u>\$ -</u>	<u>\$ 1,700,178</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,540,501	\$ -	\$ 1,540,501
Accrued salaries and benefits	47,311	-	47,311
Unearned revenue	2,053	-	2,053
<b>Total liabilities</b>	1,589,865	-	1,589,865
<b>Fund Balance</b>			
Nonspendable	1,963	-	1,963
Unassigned	108,350	-	108,350
Total fund balance	<u>110,313</u>	<u>-</u>	<u>110,313</u>
Total liabilities and fund balance	<u>\$ 1,700,178</u>	<u>\$ -</u>	<u>\$ 1,700,178</u>

See accompanying notes to the financial statements

**Inkster Preparatory Academy**  
**Reconciliation of the Total Governmental Fund Balance to Net**  
**Position of Governmental Activities**  
**For the Year Ended June 30, 2023**

---

<b>Fund Balance</b> - Total governmental funds		\$ 110,313
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and right to use assets used in governmental activities are not financial resources and are not reported in governmental funds		
Capital and rights to use assets	\$ 1,097,774	
Accumulated depreciation/amoritzation	<u>(462,487)</u>	635,287
Long-term liabiliteis are not due and payable in the current period and, therefore, are not reported in the funds		<u>(652,586)</u>
<b>Total Net Position</b> - Governmental activities		<u><u>\$ 93,014</u></u>

See accompanying notes to the financial statements

**Inkster Preparatory Academy**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balance – All Governmental Funds**  
**For the Year Ended June 30, 2023**

	General Fund	Non Major School Service Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 251,292	\$ -	\$ 251,292
State sources	2,727,273	13,789	2,741,062
Federal sources	374,363	204,091	578,454
<b>Total revenues</b>	<b>3,352,928</b>	<b>217,880</b>	<b>3,570,808</b>
<b>Expenditures</b>			
Current			
Instruction services			
Basic programs	932,356	-	932,356
Added needs	401,928	-	401,928
<b>Total instruction</b>	<b>1,334,284</b>	<b>-</b>	<b>1,334,284</b>
Support services			
Pupil	138,536	-	138,536
Instructional	101,365	-	101,365
General administration	314,476	-	314,476
School administration	328,987	-	328,987
Business services	6,583	-	6,583
Operation and maintenance	501,153	-	501,153
Pupil transportation and services	187,073	-	187,073
Central services	168,566	-	168,566
Debt			
Principal	204,815	-	204,815
Interest	22,921	-	22,921
<b>Total support services</b>	<b>1,974,475</b>	<b>-</b>	<b>1,974,475</b>
Food service	-	231,047	231,047
<b>Total expenditures</b>	<b>3,308,759</b>	<b>231,047</b>	<b>3,539,806</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	13,167	13,167
Operating transfers out	(13,167)	-	(13,167)
<b>Total financing sources(uses)</b>	<b>(13,167)</b>	<b>13,167</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>31,002</b>	<b>-</b>	<b>31,002</b>
<b>Fund Balances - Beginning of year</b>	<b>79,311</b>	<b>-</b>	<b>79,311</b>
<b>Fund Balances - End of year</b>	<b>\$ 110,313</b>	<b>\$ -</b>	<b>\$ 110,313</b>

See accompanying notes to the financial statements

**Inkster Preparatory Academy**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

---

<b>Net Change in Fund Balance - Total governmental funds</b>	<b>\$ 31,002</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation and amortization expense	(211,762)
Payments on debt obligations are an expenditure in the governmental funds, but not in the Statement of Activities	204,815
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 24,055</u></u>

See accompanying notes to the financial statements



**Inkster Preparatory Academy  
Notes to Financial Statements  
June 30, 2023**

---

**NOTE 1 – NATURE OF OPERATIONS**

**Reporting Entity**

Inkster Preparatory Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in July 2016.

In August 2016, the Academy entered into a five-year contract with Central Michigan University's Board of Regents to charter a public school academy. This contract was extended an additional five years until June of 2026. 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 University's Board of Regents 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 Central Michigan University's Board of Regents three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023, were approximately \$69,721.

In August 2016, the Academy entered into a five-year agreement with Accel Schools Michigan, LLC ("ACCEL"). This agreement was extended for five years until June of 2026. Under the terms of the agreement, ACCEL provides a variety of services, including human resources, educational programs, and consulting. ACCEL receives all revenues as its service fee, from which it shall pay all operating costs of the Academy. ACCEL is then entitled to retain as compensation for the services provided any residual income in the event of a yearly surplus. In the event of a yearly deficit, ACCEL shall contribute an amount to the Academy to ensure that the fund balance remains positive. Fees paid under this contract amounted to approximately \$227,068 for the year ended June 30, 2023. As of June 30, 2023 \$1,428,359 was due to ACCEL from the Academy.

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

The accounting policies of Inkster Preparatory Academy (the "Academy") conform to generally accepted accounting principles applicable to governmental entities. The following is a summary of the significant accounting policies:

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

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

**Inkster Preparatory Academy  
Notes to Financial Statements  
June 30, 2023**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-Wide Financial Statements (Continued)**

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

Net position should be 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.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Fund Classification**

The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*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.

*School Service Fund* - The School Service Fund is used to account for the food service operations. The fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the fund will be covered by an operating transfer from the general fund. The fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

**Cash and Cash Equivalents**

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits with original maturities of three months or less from the date of acquisition.

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

**Due from Other Governmental Units**

Receivables consist primarily of state school aid due from the State of Michigan and the federal government.

**Prepaid Expense**

A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure is reported in the year in which services are consumed.

**Capital and Right to Use Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy defines capital assets as assets with an initial individual cost in excess of \$3,000. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus any ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

**Accrued Liabilities and Lease Obligations**

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

**Unearned Revenue**

Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned.

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

**Leases**

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

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

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

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

Lease assets are reported with other capital and rights to assets, and lease liabilities are reported with lease obligations on the Statement of Net Position.

**Net Position**

Net position represents the difference between assets, deferred outflows and liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

**Fund Balance**

Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

**Inkster Preparatory Academy  
Notes to Financial Statements  
June 30, 2023**

---

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

**Estimates**

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

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

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2023 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 22 of these financial statements.

**NOTE 4 - DEPOSITS**

State statutes 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.

*Custodial Credit Risk*– 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 carrying value and bank balance of the Academy’s deposits was \$895,722. At year end, \$535,410 of the Academy’s deposits was not insured by FDIC.

**NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units consist of the following:

State of Michigan	\$ 476,058
Federal	324,915
	<u>\$ 800,973</u>

Management of the Academy evaluates its receivables for collectability annually. At June 30, 2023, management believes all receivables are collectible, and no allowance is necessary.

**Inkster Preparatory Academy**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 6 – CAPITAL AND RIGHTS TO USE ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 38,963	\$ -	\$ -	\$ 38,963
Right to use assets being amortized				
Intangible right to use, building	<u>1,058,811</u>	<u>-</u>	<u>-</u>	<u>1,058,811</u>
Total capital and right to use assets	1,097,774	-	-	1,097,774
Accumulated depreciation/amortization:				
Equipment	38,963	-	-	38,963
Intangible right to use, building	<u>211,762</u>	<u>211,762</u>	<u>-</u>	<u>423,524</u>
Total accumulated depreciation/ amortization	<u>211,762</u>	<u>211,762</u>	<u>-</u>	<u>423,524</u>
Net capital assets being depreciated	<u>\$ 886,012</u>	<u>\$ (211,762)</u>	<u>\$ -</u>	<u>\$ 674,250</u>

Depreciation and amortization expenses were not charged to activities as the Academy considers its assets to impact multiple activities, and allocation is impractical.

**NOTE 7 - LEASE OBLIGATIONS**

The Academy executed an agreement in July 2022 to lease a building. The lease is a five-year term. The lease liability is based upon an annual lease payment is equal to 15% of the monthly state and local funding received by the Academy or the highest amount paid during the past five years, but in any event, no less than the amount equal to 15% of the funding based on the enrollment of 200 full-time equivalent students. The lease obligation is measured at a discount rate of 3% and based on the five highest amounts paid over a five-year period.

As a result of the lease, the Academy recorded a right to use asset with a net book value of \$635,287 as of June 30, 2023. The right to use asset activity is reflected in the Capital and Rights to Use Asset section of this note. The following is a summary of lease obligations for the Academy during the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One year</u>
Lease obligation - building	<u>\$ 857,401</u>	<u>\$ -</u>	<u>\$ 204,815</u>	<u>\$ 652,586</u>	<u>\$ 217,464</u>

**Inkster Preparatory Academy**  
**Notes to Financial Statements**  
**June 30, 2023**

---

**NOTE 7 - LEASE OBLIGATIONS (continued)**

Following are the maturities of lease obligations for principal and interest for the next three years and in total:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 211,044	\$ 22,921	\$233,965
2025	217,464	16,691	234,155
2026	<u>224,078</u>	<u>10,272</u>	<u>234,350</u>
	<u>\$ 652,586</u>	<u>\$ 49,884</u>	<u>\$702,470</u>

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The Academy leases a building under a 5-year non-cancelable operating lease with PanSophic Learning, a subsidiary of ACCEL. Expenditures of approximately \$383,419 were incurred and paid under the lease with this Organization during the year ended June 30, 2023. There were no amounts outstanding that were due to the Organization as of the year ended June 30, 2023.

**NOTE 9 - RISK MANAGEMENT**

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

**NOTE 10 - CONTINGENCIES**

The Academy receives significant funding from federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**NOTE 11 – SINGLE AUDIT REQUIREMENT**

Current Federal guidelines require entities with Federal Expenditures exceeding \$750,000 to have a “Single Audit” of a federally funded program. The Academy expended approximately \$578,454 of federal funds during the year ended June 30, 2023. A Single Audit is not required.

**NOTE 12– SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 23, 2023, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

## **Required Supplemental Information**

---



**Inkster Preparatory Academy  
Budgetary Comparison Schedule  
General Fund  
For the Year June 30, 2023**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 29,521	\$ 72,904	\$ 251,292	\$ 178,388
State sources	2,740,264	3,008,245	2,727,273	(280,972)
Federal sources	538,632	666,565	374,363	(292,202)
	<u>3,308,417</u>	<u>3,747,713</u>	<u>3,352,928</u>	<u>(394,785)</u>
Total revenue				
<b>Expenditures</b>				
Current				
Instruction:				
Basic programs	1,063,579	1,134,979	932,356	(202,623)
Added needs	371,022	506,731	401,928	(104,803)
	<u>1,434,601</u>	<u>1,641,710</u>	<u>1,334,284</u>	<u>(307,426)</u>
Support services:				
Pupil services	90,510	153,760	138,536	(15,224)
Instructional services	113,917	80,273	101,365	21,092
General administration	179,509	408,317	314,476	(93,841)
School administration	325,486	320,554	328,987	8,433
Business support services	391	12,691	6,583	(6,108)
Operation and maintenance	578,168	654,557	728,889	74,332
Pupil transportation and services	152,573	179,345	187,073	7,728
Central services	426,184	263,534	168,566	(94,968)
	<u>3,301,339</u>	<u>3,714,741</u>	<u>3,308,759</u>	<u>(405,982)</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>(2,078)</u>	<u>(15,972)</u>	<u>(13,167)</u>	<u>(2,805)</u>
<b>Excess (Deficiency) of Revenue Over (Under)</b>				
<b>Expenditures</b>	5,001	17,000	31,002	8,392
<b>Fund Balance - July 1, 2022</b>	<u>79,311</u>	<u>79,311</u>	<u>79,311</u>	<u>-</u>
<b>Fund Balance - June 30, 2023</b>	<u>\$ 84,312</u>	<u>\$ 96,311</u>	<u>\$ 110,313</u>	<u>\$ 8,392</u>

## **Other Reporting Information**

---



**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  
Inkster Preparatory Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the School Service Fund of Inkster Preparatory Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Inkster Preparatory Academy's basic financial statements, and have issued our report thereon dated October 23, 2023.

**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 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, PLLC*

The Clairmount Group, PLC  
Detroit, Michigan  
October 23, 2023