

# **Inkster Preparatory Academy**

(A Michigan Public School Academy)  
**Financial Statements**  
**Year Ended June 30, 2025**



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

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## 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, 2025, 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, 2025, 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 20, 2025, 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 20, 2025

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

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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, 2025. 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, which is included in a separate column as a non-major fund. 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 Services. 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)**

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**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:

**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 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 difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the reconciliation of governmental funds.

**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, 2025:

**Table 1**

<b><u>Assets</u></b>	<b><u>2025</u></b>	<b><u>2024</u></b>
Current and other assets	\$ 1,292,937	\$ 1,526,755
<b>Total Assets</b>	<b>\$ 1,292,937</b>	<b>\$ 1,526,755</b>
<b><u>Liabilities</u></b>		
Current Liabilities	1,201,436	1,387,332
<b>Total Liabilities</b>	<b>1,201,436</b>	<b>1,387,332</b>
<b><u>Net Position</u></b>		
Unrestricted	91,501	139,423
<b>Total Net position</b>	<b>91,501</b>	<b>139,423</b>
<b>Total Liabilities and Net position</b>	<b>\$ 1,292,937</b>	<b>\$ 1,526,755</b>

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 \$91,501 on June 30, 2025. 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.

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

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 ending June 30, 2025.

As reported in the Statement of Activities, the cost of our governmental activities this year was \$3,807,388. 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 \$1,258,729. We paid for the remaining "public benefit" portion of our governmental activities with \$2,500,737 in state foundation allowance and with other revenues.

**Table 2**

<u>Revenues</u>	<u>2025</u>	<u>2024</u>
<b>Program Revenues:</b>		
Operating grants and contributions	\$ 1,258,729	\$ 1,277,880
<b>General Revenues:</b>		
State foundation allowance	2,466,335	2,610,022
Other	<u>34,402</u>	<u>8,800</u>
<b>Total Revenues</b>	<u>3,759,466</u>	<u>3,896,702</u>
<b>Function/Program Expenses:</b>		
Instruction	1,381,421	1,580,876
Support services	2,182,015	2,003,014
Food services	241,196	282,623
Community activities	<u>2,756</u>	<u>1,079</u>
<b>Total Expenses</b>	<u>3,807,388</u>	<u>3,867,592</u>
<b>Prior period adjustment - Correction of an Error</b>	<u>-</u>	<u>17,299</u>
<b>Change in Net Position</b>	<u>\$ (47,923)</u>	<u>\$ 46,409</u>

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.

### The General Fund

The General Fund had revenues of \$3,564,475 and total expenditures of \$3,612,397. The fund balance was \$91,501. 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.

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

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### **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 2024-2025 General Fund original budgets. Budgeted revenues and expenditures were increased to reflect the increase in student enrollment.

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

The Academy's administration considered many factors when setting the Academy's 2026 fiscal year's budget. The State foundation allowance for the 2026 fiscal year is \$10,050. The 2026 budget was adopted in June 2025, based on the estimated number of students that will be enrolled in September 2025. Approximately 66% of the total general fund revenue is from the foundation allowance. 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, 2025**

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<b>Assets</b>	
Cash and cash equivalents	\$ 677,733
Due from governmental units	613,350
Prepaid expenses	<u>1,854</u>
Total current assets	<u><u>\$ 1,292,937</u></u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable	\$ 767,628
Accrued salaries and benefits	74,394
Unearned revenue	<u>359,414</u>
Total liabilities	<u>1,201,436</u>
<b>Net Position</b>	
Unassigned	<u>91,501</u>
Total net position	<u>91,501</u>
Total liabilities and net position	<u><u>\$ 1,292,937</u></u>

See accompanying notes to the Financial Statements.

**Inkster Preparatory Academy**  
**Statement of Activities**  
**Year Ended June 30, 2025**

<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	\$ 1,381,421	\$ 1,031,887	\$ (349,534)
Support services	2,182,015	31,851	(2,150,164)
Community activities	2,756	-	(2,756)
Food service	241,196	194,991	(46,205)
Total Governmental Activities	<u>\$ 3,807,388</u>	<u>\$ 1,258,729</u>	<u>\$ (2,548,659)</u>
General Revenues:			
State aid not restricted to specific purposes			2,466,335
Other Income			34,402
Total general revenues			<u>2,500,737</u>
Change in net position			(47,922)
Net Position - Beginning of year			<u>139,423</u>
Net Position - End of year			<u>\$ 91,501</u>

See accompanying notes to the Financial Statements.

**Inkster Preparatory Academy**  
**Balance Sheet – Governmental Fund**  
**June 30, 2025**

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	General Fund	Non Major School Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 677,733	\$ -	\$ 677,733
Due from other governmental units	613,350	-	613,350
Prepaid expenses	1,854	-	1,854
<b>Total assets</b>	<u>\$ 1,292,937</u>	<u>\$ -</u>	<u>\$ 1,292,937</u>
<b>Liabilities</b>			
Accounts payable	\$ 767,628	\$ -	\$ 767,628
Accrued salaries and benefits	74,394	-	74,394
Unearned revenue	359,414	-	359,414
<b>Total liabilities</b>	<u>1,201,436</u>	<u>-</u>	<u>1,201,436</u>
<b>Fund Balance</b>			
Nonspendable	1,854	-	1,854
Unassigned	89,647	-	89,647
Total fund balance	<u>91,501</u>	<u>-</u>	<u>91,501</u>
Total liabilities and fund balance	<u>\$ 1,292,937</u>	<u>\$ -</u>	<u>\$ 1,292,937</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, 2025**

	General Fund	Non Major School Service Fund	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 158,354	\$ -	\$ 158,354
State sources	2,910,097	6,132	2,916,229
Federal sources	496,024	188,859	684,883
<b>Total revenues</b>	<b>3,564,475</b>	<b>194,991</b>	<b>3,759,466</b>
<b>Expenditures</b>			
Current			
Instruction services			
Basic programs	895,877	-	895,877
Added needs	485,544	-	485,544
<b>Total instruction services</b>	<b>1,381,421</b>	<b>-</b>	<b>1,381,421</b>
Support services			
Pupil	219,830	-	219,830
Instructional	210,146	-	210,146
General administration	350,613	-	350,613
School administration	306,751	-	306,751
Business services	10,687	-	10,687
Operation and maintenance	785,169	-	785,169
Pupil transportation and services	215,821	-	215,821
Central services	82,998	-	82,998
<b>Total support services</b>	<b>2,182,015</b>	<b>-</b>	<b>2,182,015</b>
Community Activities	2,756	-	2,756
Food service	-	241,196	241,196
<b>Total expenditures</b>	<b>3,566,192</b>	<b>241,196</b>	<b>3,807,388</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	-	46,205	46,205
Operating transfers out	(46,205)	-	(46,205)
<b>Total financing sources(uses)</b>	<b>(46,205)</b>	<b>46,205</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(47,922)</b>	<b>-</b>	<b>(47,922)</b>
<b>Fund Balances - Beginning of year</b>	<b>139,423</b>	<b>-</b>	<b>139,423</b>
<b>Fund Balances - End of year</b>	<b>\$ 91,501</b>	<b>\$ -</b>	<b>\$ 91,501</b>

See accompanying notes to the Financial Statements.

**Inkster Preparatory Academy  
Notes to Financial Statements  
June 30, 2025**

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**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 July 2021, the Academy entered into a five-year contract with Central Michigan University's Board of Regents to charter a public school academy 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, 2025, were approximately \$65,036.

In April 2021, the Academy entered into a five-year agreement with Accel Schools Michigan, LLC ("ACCEL"). 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 \$203,643 for the year ended June 30, 2025. As of June 30, 2025 \$723,840 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, 2025**

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**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 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 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.

**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.

**Accounts Payable and Accrued Liabilities**

All payables and accrued liabilities 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. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

**Unearned Revenue**

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

**Net Position**

Net position represents the difference between assets plus deferred outflows less 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. Nonspendable fund balance is the portion of a fund balance that cannot be spent because it is not in a spendable form or is legally required to remain intact. Restricted fund balance represents those resources within fund balance for which constraints exist that cannot be changed or redirected by management. 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.

**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.

**Inkster Preparatory Academy**  
**Notes to Financial Statements**  
**June 30, 2025**

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**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, 2025 the budget was amended in a legally permissible manner. A comparison of amounts appropriated against actual results can be found on page 17 of these financial statements.

During the year the Academy incurred expenditures in the General Fund which were in excess of amounts budgeted in the following categories:

	<u>Final Budget</u>	<u>Actual</u>	<u>Total</u>
Pupil services	\$ 78,779	\$ 219,830	\$ 141,051
Instructional services	178,141	210,146	32,005
General administration	123,143	350,613	227,470
School administration	294,305	306,751	12,446
Business support services	10,654	10,687	33
Pupil transportation and services	199,728	215,821	16,093

**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 with Michigan offices.

*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 \$677,732. At year end, \$322,958 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	\$ 501,615
Federal	107,705
Other receivables	<u>4,030</u>
	<u>\$ 613,350</u>

Management of the Academy evaluates its receivables for collectability annually. At June 30, 2025, management believes all receivables are collectable, and no allowance is necessary.

**Inkster Preparatory Academy**  
**Notes to Financial Statements**  
**June 30, 2025**

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**NOTE 6 - RELATED PARTY TRANSACTIONS**

On July 1, 2021, the Academy entered into a five-year non-cancelable operating building lease agreement with PanSophic Learning, a subsidiary of ACCEL. Monthly rent is equal to 15% of the monthly state and local funding received by the Academy per student. The fiscal year ended June 30, 2025, the Academy incurred and paid lease expenses totaling approximately \$426,762. As of June 30, 2025, no amounts were outstanding or payable to PanSophic Learning under this lease agreement.

This lease arrangement does not meet the criteria for recognition of lease assets or liabilities under GASB Statement No. 87, Leases, due to the variable payment structure outlined in the lease terms.

**NOTE 7 - 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 8 - 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 9 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 20, 2025, 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 Supplementary Information**

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**Inkster Preparatory Academy  
Budgetary Comparison Schedule  
General Fund  
For the Year June 30, 2025**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 121,265	\$ 186,409	\$ 158,354	\$ (28,055)
State sources	3,277,806	2,986,423	2,910,097	(76,326)
Federal sources	261,214	308,596	496,024	187,428
Total revenue	3,660,285	3,481,428	3,564,475	83,047
<b>Expenditures</b>				
Current				
Instruction:				
Basic programs	889,211	1,045,943	895,877	(150,066)
Added needs	991,579	543,419	485,544	(57,875)
Total instruction	1,880,790	1,589,362	1,381,421	(207,941)
Support services:				
Pupil services	69,476	78,779	219,830	141,051
Instructional services	31,067	178,141	210,146	32,005
General administration	320,628	123,143	350,613	227,470
School administration	310,394	294,305	306,751	12,446
Business support services	48,800	10,654	10,687	33
Operation and maintenance	755,611	851,387	785,169	(66,218)
Pupil transportation and services	189,460	199,728	215,821	16,093
Central services	49,213	111,419	82,998	(28,421)
Other	3,500	-	-	-
Total support services	1,778,149	1,847,556	2,182,015	334,459
Community Activities	-	2,699	2,756	57
<b>Total expenditures</b>	3,658,939	3,439,617	3,566,192	126,575
Other Financing Sources (Uses)				
Operating transfers out	-	(40,000)	(46,205)	6,205
<b>Excess (Deficiency) of Revenue Over (Under)</b>				
<b>Expenditures</b>	1,346	1,811	(47,922)	(37,323)
<b>Fund Balance - beginning of year</b>	111,401	139,423	139,423	-
<b>Fund Balance - end of year</b>	<u>\$ 112,747</u>	<u>\$ 141,234</u>	<u>\$ 91,501</u>	<u>\$ (37,323)</u>

**Inkster Preparatory Academy  
 Budgetary Comparison Schedule  
 Non-Major Fund – School Service  
 For the Year June 30, 2025**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
State sources	\$ 833	\$ 45,679	\$ 6,132	\$ (39,547)
Federal sources	248,762	195,513	188,859	(6,654)
Incoming transfers and other transactions	31,953	8,019	46,205	38,186
Total revenue	281,548	249,211	241,196	(8,015)
<b>Expenditures</b>				
Salaries	12,000	12,000	12,000	-
Materials and supplies	269,548	237,211	229,196	(8,015)
<b>Total expenditures</b>	281,548	249,211	241,196	(8,015)
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>				
	-	-	-	-
<b>Fund Balance - beginning of year</b>	-	-	-	-
<b>Fund Balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Other Reporting Information**

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**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, 2025, 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 20 , 2025.

**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 or detect and correct 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 20, 2025