

**Michigan International Prep School**

**Financial Statements**

**June 30, 2024**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

## Table of Contents

| Section   | Page  |
|---|-------|
| 1 <b>Members of the Board of Directors</b>  | 1 - 1 |
| 2 <b>Independent Auditors' Report</b>   | 2 - 1 |
| 3 <b>Management's Discussion and Analysis</b>   | 3 - 1 |
| 4 <b>Basic Financial Statements</b>   |       |
| Academy-wide Financial Statements   |       |
| Statement of Net Position   | 4 - 1 |
| Statement of Activities   | 4 - 2 |
| Fund Financial Statements   |       |
| Governmental Funds  |       |
| Balance Sheet   | 4 - 3 |
| Reconciliation of the Balance Sheet of<br>Governmental Funds to the Statement of Net Position   | 4 - 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balances  | 4 - 5 |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the Statement of Activities  | 4 - 6 |
| Notes to the Financial Statements   | 4 - 7 |
| 5 <b>Required Supplementary Information</b>   |       |
| Budgetary Comparison Schedule - General Fund  | 5 - 1 |
| 6 <b>Other Reports</b>  |       |
| Report on Internal Control Over Financial Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial Statements Performed in Accordance<br>With <i>Government Auditing Standards</i> | 6 - 1 |
| Schedule of Findings and Responses  | 6 - 3 |
| Schedule of Prior Audit Findings  | 6 - 4 |

**Michigan International Prep School**  
**Members of the Board of Directors**  
**June 30, 2024**

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|                   |                |
|-------------------|----------------|
| Carol Mitchell    | President      |
| Kevin Trobaugh    | Vice President |
| Tom Clancy        | Secretary      |
| Mike Vanderlinden | Treasurer      |
| Dr. Heather Wills | Trustee        |



## Independent Auditors' Report

Management and the Board of Directors  
Michigan International Prep School  
Davison, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Michigan International Prep School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Michigan International Prep School's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Michigan International Prep School, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan International Prep School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan International Prep School'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.

## **Auditors' 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 auditors' 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 Michigan International Prep School'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 Michigan International Prep School's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified 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 28, 2024 on our consideration of Michigan International Prep School'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 Michigan International Prep School'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 Michigan International Prep School's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Flint, MI

October 28, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

Michigan International Prep School, a fully cyber K-12 school located in Michigan. This Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Michigan International Prep School administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2024.

### FINANCIAL HIGHLIGHTS OF THE ACADEMY

|   | <b>Current Fiscal Year</b> | <b>Prior Fiscal Year</b> |
|---|----------------------------|--------------------------|
| State Aid Funding Per Pupil                                       | \$9,608                    | \$9,150                  |
| Enrollment  | 1,410                      | 1,282                    |
| General Fund Balance Increase/(Decrease)                          | \$1,135,114                | 243,950                  |
| General Fund Balance as percent of Unrestricted State Aid Revenue | 35%                        | 36%                      |

### OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

#### FUND FINANCIAL STATEMENTS:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, the Academy’s major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

The academy has one kind of fund:

Governmental fund – Most of the Academy’s basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy’s programs. Because this information does not encompass the additional long-term focus of the



academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

**ACADEMY WIDE FINANCIAL STATEMENTS:**

The Academy-wide financial statements are maintained using the “full accrual” basis. They report all of the Academy’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Position of the Academy-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Academy’s budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

**Figure A-1 Organization of Michigan International Prep School Annual Financial Report**

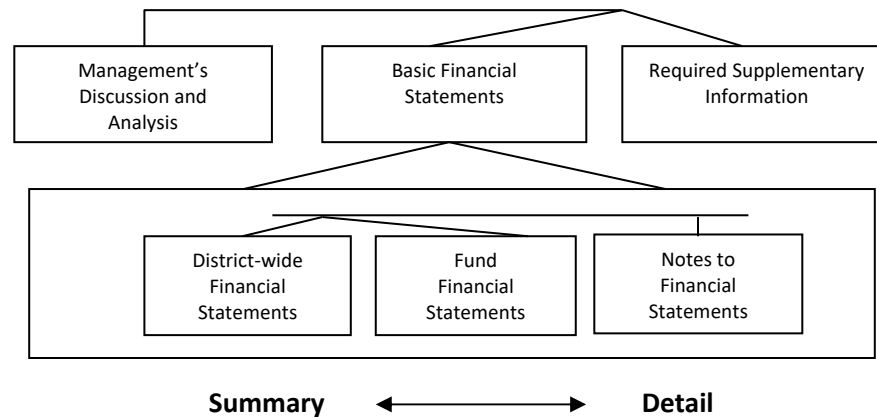


Figure A-2 summarizes the major features of the Academy’s financial statements, including the portion of the Academy’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Figure A – 2 Major Features of the Academy-Wide and Fund Financial Statements**

|   | <b>Academy-wide statements</b>   | <b>Fund Financial Statements</b>  |
|---|--|---|
| <b>Scope</b>                                  | Entire academy (except fiduciary funds)  | All activities of the academy that are not fiduciary  |
| <b>Required financial statements</b>          | * Statement of net position<br>* Statement of activities                           | * Balance sheet<br>* Statement of revenues, expenditures and changes in fund balances   |
| <b>Accounting basis and measurement focus</b> | Accrual accounting and economic resources focus                                    | Modified accrual accounting and current financial resources focus   |
| <b>Type of asset/liability information</b>    | All assets and liabilities, both financial and capital, short-term and long-term   | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                     |
| <b>Type of inflow/outflow information</b>     | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable |

## FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

|   | <b>Current Fiscal<br/>Year</b> | <b>Prior Fiscal<br/>Year</b> |
|---|--------------------------------|------------------------------|
| Ending General Fund Balance                                   | \$5,377,611                    | \$4,242,497                  |
| Total General Fund Revenue                                    | \$15,058,254                   | \$13,368,737                 |
| State Aid Foundation Allowance as percent of Academy Revenues | 85%                            | 87%                          |
| Total Cost of Instructional Programs                          | \$8,566,736                    | \$8,039,025                  |
| Instructional Expenditures as percent of Total Expenditures   | 61%                            | 61%                          |
| Total Cost of Support/Operational Services                    | \$5,356,404                    | \$5,085,762                  |
| Support/Operational Services as percent of Total Expenditures | 39%                            | 39%                          |

## ACADEMY GOVERNMENTAL ACTIVITIES

### Summary of Net Position:

The following summarizes the net position at fiscal year ended June 30, 2024 and 2023:

|   | <b>2024</b>         | <b>2023</b>         |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Current Assets  | \$ 5,913,544        | \$ 4,671,949        |
| Capital Assets  | 2,859,244           | 3,147,633           |
| Less: Accumulated Depreciation                            | 2,405,991           | 2,630,657           |
| Capital Assets, Net Book Value                            | 2,455,991           | 2,630,657           |
| Total Assets and Deferred Outflows                        | <u>\$ 8,369,535</u> | <u>\$ 7,302,606</u> |
| <b>Liabilities</b>  |                     |                     |
| Current Liabilities                                       | \$ 655,618          | \$ 429,152          |
| Long-term Liabilities                                     | 534,731             | 1,128,097           |
| Total Liabilities and Deferred Inflows                    | <u>\$ 1,190,349</u> | <u>\$ 1,557,249</u> |
| <b>Net Position</b>                                       |                     |                     |
| Invested in Capital Assets, Net of Related Debt (Deficit) | \$ 1,801,575        | \$ 1,502,560        |
| Unrestricted  | 5,377,611           | 4,242,497           |
| Total Net Position  | <u>\$ 7,179,186</u> | <u>\$ 5,745,057</u> |

## Results of Operations:

For the fiscal year ended June 30, 2024 and 2023, the Academy wide results of operations were:

|  | 2024                |            | 2023              |            |
|--|---------------------|------------|-------------------|------------|
|  | Amount              | % of Total | Amount            | % of Total |
| <b>General Revenue:</b>                |                     |            |                   |            |
| State of Michigan Aid - All Sources    | \$ 12,903,330       | 85.67%     | \$ 12,394,985     | 93.12%     |
| Other                                  | 45,999              | 0.31%      | 4,174             | 0.03%      |
| Total General Revenue                  | 12,949,329          | 85.97%     | 12,399,159        | 93.15%     |
| <b>Program Revenue:</b>                |                     |            |                   |            |
| Charges for Services                   |                     | 0.00%      |                   | 0.00%      |
| Operating Grants - Federal and State   | 2,112,906           | 14.03%     | 911,249           | 6.85%      |
| Total Program Revenue                  | 2,112,906           | 14.03%     | 911,249           | 6.85%      |
| Total Revenue                          | 15,062,235          | 100.00%    | 13,310,408        | 100.00%    |
| <b>Expenses:</b>                       |                     |            |                   |            |
| Instruction and Instructional Services | 7,916,098           | 58.09%     | 6,727,723         | 51.34%     |
| Support Services                       | 5,690,203           | 41.75%     | 6,265,370         | 47.82%     |
| Community Services                     | 3,817               | 0.03%      | 79,474            | 0.05%      |
| Interest on Long-term Debt             | 17,988              | 0.13%      | 30,422            | 0.23%      |
| Total Expenses                         | 13,628,106          | 100.00%    | 13,102,989        | 99.44%     |
| Change in Net Position                 | <u>\$ 1,434,129</u> |            | <u>\$ 207,419</u> |            |

During the fiscal year ended June 30, 2024, the Academy's net position increased by \$1,226,710 as compared to a net decrease of \$790,448 in the prior fiscal year. The Academy continues to be conservative in its budgeting and spending given the uncertainty of cyber school funding in Michigan.

### State of Michigan Aid and Other Factors affecting Revenue

The State of Michigan aid is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Michigan Internation Prep School foundation allowance was \$9,608.
- Student Enrollment: The Academy's student enrollment for the final blended count of 2023-24 was 1410 students. To calculate total state aid to be provided by the foundation allowance, a system (Section 25) where the funding follows the student was used. This means adjustments were made to the current year fall count when students enrolled or unenrolled until the current year winter count to calculate the adjusted fall count. A blend of 90% of the adjusted current year fall count and 10% of the prior year spring count is multiplied by the Academy's foundation allowance.

- Total Section 25 adjustment was 30.81 FTE or \$296,022.

Subsequent to year end June 30, 2024, preliminary student enrollments for 2024-25 indicate that the 2024 fall student enrollment will be slightly higher than the 2023-24 levels.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Uniform Budget Act of the State of Michigan requires that the local Board of Directors approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Academy revised the annual operating budget two times. These budget amendments fall into several categories:

Changes were made in the second and fourth quarters to account change in student enrollment, federal funding, and changes in assumptions (e.g. staffing changes, instructional, transportation, food services and community services) since the original budget was adopted.

The Academy’s revenues from General Fund operations exceeded expenses by \$1,135,114 for the fiscal year ended June 30, 2024.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The Academy’s net investment in capital assets decreased by \$174,666 during the fiscal year. This can be summarized as follows:

|   | <u>Beginning<br/>Balance 6/30/23</u> | <u>Additions</u>         | <u>Disposals</u>           | <u>Ending<br/>Balance 6/30/24</u> |
|---|--------------------------------------|--------------------------|----------------------------|-----------------------------------|
| Depreciable Capital Assets              |                                      | \$ -                     | \$ -                       | \$ -                              |
| Non-Depreciable Capital Assets (Land)   | 50,000                               |                          |                            | 50,000                            |
| Depreciable Capital Assets              | 3,147,633                            | 392,953                  | (681,342)                  | 2,859,244                         |
| Less: Accumulated Depreciation          | <u>(566,976)</u>                     | <u>(246,799)</u>         | <u>360,522</u>             | <u>(453,253)</u>                  |
| <b>Net Investment in Capital Assets</b> | <b><u>\$ 2,630,657</u></b>           | <b><u>\$ 146,154</u></b> | <b><u>\$ (320,820)</u></b> | <b><u>\$ 2,455,991</u></b>        |

#### Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy’s financial statements.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

### Debt, Principal Payments

A summary of long-term debt service activities is as follows.

|                             | <u>Balance<br/>6/30/2023</u> | <u>New<br/>Financings</u> | <u>Principal<br/>Payments</u> | <u>Balance<br/>6/30/2024</u> |
|-----------------------------|------------------------------|---------------------------|-------------------------------|------------------------------|
| Lease Liability             | 1,128,097                    |                           | 473,681                       | 654,416                      |
| Total Long-term Obligations | <u>\$ 1,128,097</u>          | <u>\$ -</u>               | <u>\$ 473,681</u>             | <u>\$ 654,416</u>            |

### ECONOMIC FACTORS BEARING ON THE ACADEMY'S FUTURE

The Preliminary Budget for the 2024-25 Fiscal Year was adopted by the Board of Directors in June 2024. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2024-25 budget preparation process include:

- State Aid Foundation is estimated staying stable given political discussions in the State regarding funding cyber students. Conservative enrollment projections of 1,475 students in grades K-12.
- Continued improvement of academic achievement through changes in academic programs.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. In spite of the current economic uncertainties we remain cautiously confident that the State will find the resources to sufficiently fund current appropriations.

### CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 7034 E. Court Street, Davison, Michigan.

## BASIC FINANCIAL STATEMENTS

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**Michigan International Prep School**  
**Statement of Net Position**  
**June 30, 2024**

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Cash   | \$ 2,802,416                       |
| Due from other governmental units                | 2,993,822                          |
| Prepaid items                                    | 117,306                            |
| Capital assets not being depreciated             | 50,000                             |
| Capital assets - net of accumulated depreciation | <u>2,405,991</u>                   |
| <br>Total assets                                 | <br><u>8,369,535</u>               |
| <b>Liabilities</b>                               |                                    |
| Accounts payable                                 | 6,349                              |
| Accrued expenditures                             | 292,507                            |
| Unearned revenue                                 | 237,077                            |
| Long-term liabilities                            |                                    |
| Due within one year                              | 119,685                            |
| Due in more than one year                        | <u>534,731</u>                     |
| <br>Total liabilities                            | <br><u>1,190,349</u>               |
| <b>Net Position</b>                              |                                    |
| Net investment in capital assets                 | 1,801,575                          |
| Unrestricted                                     | <u>5,377,611</u>                   |
| <br>Total net position                           | <br><u>\$ 7,179,186</u>            |

See Accompanying Notes to the Financial Statements



**Michigan International Prep School**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

|   | <u>Expenses</u>      | <u>Program Revenues</u><br>Operating<br>Grants and<br>Contributions | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</u> |
|---|----------------------|---|--|
| <b>Functions/Programs</b>                     |                      |   |  |
| Governmental activities                       |                      |   |  |
| Instruction                                   | \$ 7,916,098         | \$ 1,661,108  | \$ (6,254,990)   |
| Supporting services                           | 5,690,203            | 450,686   | (5,239,517)  |
| Community services                            | 3,817                | 1,112   | (2,705)  |
| Interest and fiscal charges on long-term debt | <u>17,988</u>        | <u>-</u>  | <u>(17,988)</u>  |
| Total governmental activities                 | <u>\$ 13,628,106</u> | <u>\$ 2,112,906</u>   | (11,515,200)   |
| General revenues                              |                      |   |  |
|   |                      |   | 12,903,330   |
|   |                      |   | 3,981  |
|   |                      |   | <u>42,018</u>  |
| Total general revenues                        |                      |   | <u>12,949,329</u>  |
| Change in net position                        |                      |   | 1,434,129  |
| Net position - beginning                      |                      |   | <u>5,745,057</u>   |
| Net position - ending                         |                      |   | <u>\$ 7,179,186</u>  |

See Accompanying Notes to the Financial Statements

**Michigan International Prep School**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2024**

|                                     | General<br>Fund |
|-------------------------------------|-----------------|
| <b>Assets</b>                       |                 |
| Cash                                | \$ 2,802,416    |
| Due from other governmental units   | 2,993,822       |
| Prepaid items                       | 117,306         |
| Total assets                        | \$ 5,913,544    |
| <b>Liabilities</b>                  |                 |
| Accounts payable                    | \$ 6,349        |
| Accrued expenditures                | 292,507         |
| Unearned revenue                    | 237,077         |
| Total liabilities                   | 535,933         |
| <b>Fund Balances</b>                |                 |
| Non-spendable                       |                 |
| Prepaid items                       | 117,306         |
| Unassigned                          | 5,260,305       |
| Total fund balances                 | 5,377,611       |
| Total liabilities and fund balances | \$ 5,913,544    |

See Accompanying Notes to the Financial Statements

**Michigan International Prep School**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2024**

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|   |                     |
|---|---------------------|
| <b>Total fund balances for governmental funds</b>   | \$ 5,377,611        |
| Total net position for governmental activities in the statement of net position is different because:   |                     |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |                     |
| Capital assets not being depreciated  | 50,000              |
| Capital assets - net of accumulated depreciation  | 2,405,991           |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. |                     |
| Other loans payable and liabilities   | <u>(654,416)</u>    |
| <b>Net position of governmental activities</b>  | <u>\$ 7,179,186</u> |

**Michigan International Prep School**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2024**

|                                 | General<br>Fund |
|---------------------------------|-----------------|
| <b>Revenues</b>                 |                 |
| Local sources                   | \$ 42,018       |
| State sources                   | 14,359,495      |
| Federal sources                 | 655,629         |
| Interdistrict sources           | 1,112           |
| Total revenues                  | 15,058,254      |
| <b>Expenditures</b>             |                 |
| Current                         |                 |
| Education                       |                 |
| Instruction                     | 7,660,726       |
| Supporting services             | 5,683,736       |
| Community services              | 3,817           |
| Capital outlay                  | 407,993         |
| Debt service                    |                 |
| Principal                       | 148,880         |
| Interest and other expenditures | 17,988          |
| Total expenditures              | 13,923,140      |
| Net change in fund balances     | 1,135,114       |
| Fund balances - beginning       | 4,242,497       |
| Fund balances - ending          | \$ 5,377,611    |

See Accompanying Notes to the Financial Statements

**Michigan International Prep School**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2024**

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**Net change in fund balances - Total governmental funds** \$ 1,135,114

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

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

|   |           |
|---|-----------|
| Depreciation and amortization expense   | (246,799) |
| Capital outlay                          | 392,953   |
| Sale of capital assets (net book value) | 3,981     |

Leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

|                              |                |
|------------------------------|----------------|
| Repayments of long-term debt | <u>148,880</u> |
|------------------------------|----------------|

**Change in net position of governmental activities** \$ 1,434,129

**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Michigan International Prep School (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

**Reporting Entity**

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

The Academy has entered into a contract with the Ovid-Elsie Area Schools Board of Education to charter a public school academy through June 30, 2029. 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. Ovid-Elsie 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 Ovid-Elsie three percent of the state aid foundation as administrative fees. The total administrative fees for the year to Ovid-Elsie was approximately \$ 437,360.

The Academy is governed by an appointed Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

**Academy-wide Financial Statements**

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

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**Fund Financial Statements**

Major individual governmental funds are reported as separate columns in the 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental funds:

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

**Assets, Liabilities and Net Position or Equity**

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the Academy follows the consumption method, and they therefore are capitalized as prepaid items in both Academy-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

|                         |               |
|-------------------------|---------------|
| Buildings and additions | 20 - 50 years |
| Site improvements       | 10 - 20 years |
| Equipment and furniture | 5 - 10 years  |

Long-term Obligations - In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

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Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable

information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

**Upcoming Accounting and Reporting Changes**

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

The Academy is evaluating the impact that the above pronouncements will have on its financial reporting.



**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

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. An Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

**Excess of Expenditures over Appropriations**

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| Function                      | Final<br>Budget | Amount of<br>Expenditures | Budget<br>Variances |
|-------------------------------|-----------------|---------------------------|---------------------|
| General Fund                  |                 |                           |                     |
| Added needs                   | \$ 1,850,101    | \$ 2,238,909              | \$ 388,808          |
| Business                      | 150,826         | 154,115                   | 3,289               |
| Pupil transportation services | -               | 1,109                     | 1,109               |
| Community services            | 2,699           | 3,817                     | 1,118               |
| Capital outlay                | 130,000         | 407,993                   | 277,993             |

**Note 3 - Deposits**

The Academy's deposits were reported in the basic financial statements in the following categories:

|      |                                    |
|------|------------------------------------|
|      | <u>Governmental<br/>Activities</u> |
| Cash | <u>\$ 2,802,416</u>                |

The breakdown between deposits for the Academy is as follows:

|  |                     |
|--|---------------------|
| Deposits (checking, savings accounts,<br>money markets, certificates of deposit) | <u>\$ 2,802,416</u> |
|--|---------------------|

**Interest rate risk** - The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

**Credit risk** - State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is

**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk - The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, \$2,553,160 of the Academy's bank balance of \$2,803,160 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

|  | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance  |
|--|----------------------|-------------------|-------------------|--------------------|
| <b>Governmental activities</b>               |                      |                   |                   |                    |
| Capital assets not being depreciated         |                      |                   |                   |                    |
| Land   | \$ 50,000            | \$ -              | \$ -              | \$ 50,000          |
| Capital assets being depreciated             |                      |                   |                   |                    |
| Buildings and additions                      | 1,417,459            | 207,556           | -                 | 1,625,015          |
| Site improvements                            | 99,120               | -                 | -                 | 99,120             |
| Equipment and furniture                      | 62,794               | 185,397           | -                 | 248,191            |
| Right to use asset - buildings and additions | <u>1,568,260</u>     | <u>-</u>          | <u>681,342</u>    | <u>886,918</u>     |
| Total capital assets being depreciated       | <u>3,147,633</u>     | <u>392,953</u>    | <u>681,342</u>    | <u>2,859,244</u>   |
| Less accumulated depreciation for            |                      |                   |                   |                    |
| Buildings and additions                      | 50,593               | 36,306            | -                 | 86,899             |
| Site improvements                            | 25,904               | 7,529             | -                 | 33,433             |
| Equipment and furniture                      | 32,523               | 39,539            | -                 | 72,062             |
| Right to use asset - buildings and additions | <u>457,956</u>       | <u>163,425</u>    | <u>360,522</u>    | <u>260,859</u>     |
| Total accumulated depreciation               | <u>566,976</u>       | <u>246,799</u>    | <u>360,522</u>    | <u>453,253</u>     |
| Net capital assets being depreciated         | <u>2,580,657</u>     | <u>146,154</u>    | <u>320,820</u>    | <u>2,405,991</u>   |
| Net capital assets                           | <u>\$2,630,657</u>   | <u>\$ 146,154</u> | <u>\$ 320,820</u> | <u>\$2,455,991</u> |

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the Academy as follows:

**Governmental activities**

Instruction \$ 246,799

**Note 5 - Lease Liability**

During the 2022 fiscal year, the Academy entered into various lease agreements as lessee for the use of building space. An initial lease liability was recorded in the amount of \$1,509,931 during the 2022 fiscal year. As of June 30, 2024, the value of the lease liability was \$654,416.

**Michigan International Prep School**  
**Notes to the Financial Statements**  
**June 30, 2024**

Each lease has an interest rate of 2.5%. The value of the right-to-use asset as of the end of the current fiscal year was \$886,918 and had accumulated amortization of \$260,859.

Annual requirements to amortize lease liabilities and related interest are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  |
|-----------------------------|-------------------|------------------|
| 2025                        | \$ 119,685        | \$ 14,715        |
| 2026                        | 125,144           | 11,656           |
| 2027                        | 130,742           | 8,458            |
| 2028                        | 136,481           | 5,119            |
| 2029                        | <u>142,364</u>    | <u>1,635</u>     |
| Total                       | <u>\$ 654,416</u> | <u>\$ 41,583</u> |

**Note 6 - Long-Term Debt**

Long-term obligations include leases. Long-term obligation activity is summarized as follows:

|                   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Amount Due<br/>Within One<br/>Year</u> |
|-------------------|------------------------------|------------------|-------------------|---------------------------|---|
| Other liabilities |                              |                  |                   |                           |   |
| Leases            | <u>\$ 1,128,097</u>          | <u>\$ -</u>      | <u>\$ 473,681</u> | <u>\$ 654,416</u>         | <u>\$ 119,685</u>                         |

During the current year, the Academy ended a lease ahead of the agreement. There was no penalty, and no additional amounts were due. As a result of the lease cancellation, the Academy recognized a noncash reduction of \$320,820.

**Note 7 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for general liability, property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

**Note 8 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2024.

**Note 9 - Management Service Agreement**

The Academy has a management agreement with Reimagine Education, LLC. Under the terms of this agreement, Reimagine provides a variety of services including management, curriculums, education programs and teacher training. The agreement states that the Academy is obligated to pay Reimagine twelve percent of its applicable revenues from state. The agreement also states that the Academy and Reimagine may mutually agree on adjustments to the fee based on factors such as student enrollments. The total charged for these services amounted to approximately \$1,508,523 for the year ended June 30, 2024. Additionally, Reimagine provides staffing for teachers, administrators, and other individuals who provide educational programs at the Academy. The Academy is responsible for reimbursing Reimagine for all costs incurred for providing staffing. The total cost of these purchased services amounted to \$7,748,667.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Michigan International Prep School**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2024**

|                                      | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Over<br/>(Under)<br/>Budget</u> |
|--------------------------------------|-------------------------|---------------------|---------------------|------------------------------------|
|                                      | <u>Original</u>         | <u>Final</u>        |                     |                                    |
| <b>Revenues</b>                      |                         |                     |                     |                                    |
| Local sources                        | \$ 1,500                | \$ 750              | \$ 42,018           | \$ 41,268                          |
| State sources                        | 11,950,239              | 14,674,731          | 14,359,495          | (315,236)                          |
| Federal sources                      | 745,083                 | 540,836             | 655,629             | 114,793                            |
| Interdistrict sources                | -                       | -                   | 1,112               | 1,112                              |
|                                      | <u>12,696,822</u>       | <u>15,216,317</u>   | <u>15,058,254</u>   | <u>(158,063)</u>                   |
| <b>Expenditures</b>                  |                         |                     |                     |                                    |
| Instruction                          |                         |                     |                     |                                    |
| Basic programs                       | 4,383,184               | 6,128,188           | 5,377,868           | (750,320)                          |
| Added needs                          | 2,309,257               | 1,850,101           | 2,238,909           | 388,808                            |
| Adult and continuing education       | -                       | 58,599              | 43,949              | (14,650)                           |
| Supporting services                  |                         |                     |                     |                                    |
| Pupil                                | 292,583                 | 855,079             | 835,176             | (19,903)                           |
| Instructional staff                  | 448,014                 | 76,921              | 70,844              | (6,077)                            |
| General administration               | 2,417,594               | 2,363,704           | 2,194,485           | (169,219)                          |
| School administration                | 151,069                 | 1,836,805           | 1,663,214           | (173,591)                          |
| Business                             | 68,782                  | 150,826             | 154,115             | 3,289                              |
| Operations and maintenance           | 461,011                 | 459,655             | 376,280             | (83,375)                           |
| Pupil transportation services        | -                       | -                   | 1,109               | 1,109                              |
| Central                              | 1,353,226               | 488,530             | 388,513             | (100,017)                          |
| Community services                   | 4,000                   | 2,699               | 3,817               | 1,118                              |
| Capital outlay                       | 93,000                  | 130,000             | 407,993             | 277,993                            |
| Debt service                         |                         |                     |                     |                                    |
| Principal                            | 88,075                  | 200,000             | 148,880             | (51,120)                           |
| Interest and fiscal charges          | -                       | 20,000              | 17,988              | (2,012)                            |
|                                      | <u>12,069,795</u>       | <u>14,621,107</u>   | <u>13,923,140</u>   | <u>(697,967)</u>                   |
| Excess of revenues over expenditures | 627,027                 | 595,210             | 1,135,114           | 539,904                            |
| Fund balance - beginning             | <u>4,242,497</u>        | <u>4,242,497</u>    | <u>4,242,497</u>    | <u>-</u>                           |
| Fund balance - ending                | <u>\$ 4,869,524</u>     | <u>\$ 4,837,707</u> | <u>\$ 5,377,611</u> | <u>\$ 539,904</u>                  |

See Accompanying Notes to the Financial Statements

## OTHER REPORTS

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## **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***

### **Independent Auditors' Report**

Management and the Board of Directors  
Michigan International Prep School  
Davison, Michigan

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 and the major fund of Michigan International Prep School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Michigan International Prep School's basic financial statements, and have issued our report thereon dated October 28, 2024.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Michigan International Prep School's internal control over financial reporting (internal control) as a basis for designing 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 Michigan International Prep School's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan International Prep School'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. However, given these limitations, during our audit we did not identify any deficiencies in internal controls that might be material weaknesses or significant deficiencies. Material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan International Prep School'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 financial statements. 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 instance of noncompliance or other matters that is 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.

*Yeo & Yeo, P.C.*

Flint, Michigan  
October 28, 2024



**Michigan International Prep School  
Schedule of Findings and Responses  
June 30, 2024**

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***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2024.

**Michigan International Prep School**  
**Schedule of Prior Audit Findings**  
**June 30, 2024**

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**Finding 2023-001, 2022-001 – Material Weakness and Material Noncompliance – Expenditures in Excess of Budget**

- Criteria:** Michigan Department of Education Uniform Budgeting and Accounting Act requires expenditures to be within the appropriations approved by the Board of Directors.
- Condition:** The Academy incurred material budget overages in the General Fund during the year.
- Status:** The findings noted above have been resolved, as of the fiscal year end.

October 28, 2024

Management and the Board of Directors  
Michigan International Prep School  
Davison, Michigan

We have audited the financial statements of the governmental activities and the major fund information of Michigan International Prep School as of and for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 9, 2024. Professional standards also require that we communicate to you the following information related to our audit.

We discussed these matters with various personnel in the Academy during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

## **Significant Audit Matters**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in the footnotes of the financial statements. The Academy has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

We noted no transactions entered into by the Academy during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Academy's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Right of use assets and lease and subscription liabilities. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing interest and discount rates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition
- Use of a management company
- Budgetary compliance

### **Accounting Standards and Regulatory Updates**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Reports**

Other information that is required to be reported to you is included in the: 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 *Government Auditing Standards*. Please read all information included in that report to ensure you are aware of relevant information.

### **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the information and use of management, the Board of Directors, and others within the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Flint, Michigan