

**JALEN ROSE LEADERSHIP ACADEMY**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2025**

# JALEN ROSE LEADERSHIP ACADEMY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jalen Rose Leadership Academy  
Detroit, 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 Jalen Rose Leadership Academy (the Academy) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the 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 the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

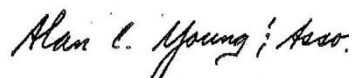
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 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 13, 2025 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Academy's internal control over financial reporting and compliance.



Detroit, Michigan  
October 13, 2025

# JALEN ROSE LEADERSHIP ACADEMY

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## Management's Discussion and Analysis (MD&A) June 30, 2025

Jalen Rose Leadership Academy (the Academy) is a Public School Academy located in Detroit, Michigan. The Academy began its first academic year in September 2011 with an inaugural class (9<sup>th</sup> grade) of 120 students. An additional freshman class was added each subsequent year. As management of the Academy, we offer the readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### FINANCIAL HIGHLIGHTS

- The school's enrollment goal remains consistent with previous years. The enrollment on the Fall Count Day in the 2024-2025 school year was 418 students.
- The General Fund had \$7,395,944 in revenue, which primarily consisted of State funding (68%), followed by Local Sources (26%), and Federal Sources (6%).

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) academy-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Academy-wide Financial Statements** - The academy-wide financial statements are designed to provide readers with a broad overview of the Academy's finances.

The statement of net position presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The academy-wide financial statements outline functions of the Academy that are principally supported by State Aid and intergovernmental revenues (Federal grants) and operations and management.

The academy-wide financial statements can be found on pages 1 and 2 of this report.

# JALEN ROSE LEADERSHIP ACADEMY

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

### OVERVIEW OF FINANCIAL STATEMENTS (Continued)

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary and fiduciary funds. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on page 3 and 5 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 to 15 of this report.

### FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$10,376,880 as of June 30, 2025.

The Academy's financial position is the product of financial transactions for the year, including the net results of activities, the acquisition of capital assets, and the depreciation of capital assets.

### Net Position as of June 30, 2025 and 2024

The following shows a summary of the Academy's Statement of Net Position as of June 30, 2025 and 2024:

	2025	2024
<b>Assets</b>		
Current Assets	\$ 9,046,655	\$ 8,282,473
Noncurrent Assets	2,490,301	2,593,687
<b>Total Assets</b>	<u>11,536,956</u>	<u>10,876,160</u>
<b>Liabilities</b>		
Current Liabilities	1,160,076	1,344,224
<b>Total Liabilities</b>	<u>1,160,076</u>	<u>1,344,224</u>
<b>Net Position</b>		
Net Investment in Capital Assets	2,490,301	2,593,687
Restricted	298,052	274,673
Unrestricted	7,588,527	6,663,576
<b>Total Net Position</b>	<u>\$ 10,376,880</u>	<u>\$ 9,531,936</u>

# JALEN ROSE LEADERSHIP ACADEMY

## Management's Discussion and Analysis (MD&A) (Continued) June 30, 2025

### FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (Continued)

#### Change in Net Position for the years ending June 30, 2025 and 2024

	2025	2024
<b>Revenue</b>		
State Aid Formula Grants	\$ 4,157,499	\$ 4,174,197
Other Revenue	1,954,918	1,654,776
Operating Grants and Contributions	1,283,527	1,198,813
<b>Total Revenue</b>	<b>7,395,944</b>	<b>7,027,786</b>
<b>Expenditures</b>		
Basic Instruction	1,942,768	1,874,485
Added Needs	544,897	414,271
Support Services		
Pupil Support Services	580,080	510,991
Instructional Staff Services	365,058	451,491
General/Executive Administration Services	206,225	161,328
School Administration Services	623,183	458,021
Business Services	700,880	733,218
Operations and Maintenance	664,526	531,352
Facilities Acquisition, Construction and Improvement	53,668	-
Pupil Transportation Services	50,624	122,707
Support Services - Central and Other	419,712	513,761
Community Activities	15,701	6,539
Interest	-	23,038
Depreciation	383,678	282,979
Food Services	-	43,046
<b>Total Expenditures</b>	<b>6,551,000</b>	<b>6,127,227</b>
<b>Change in Net Position</b>	<b>\$ 844,944</b>	<b>\$ 900,559</b>

### Financial Analysis of the Academy's Funds

The performance of the Academy as a whole is reflected in the governmental funds. As the Academy completed its year, its governmental funds reported an unassigned General Fund balance of \$1,723,278.

### Comments on Budget Comparisons

- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenues being \$24,165 less than budget or approximately 0.3%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$15,879 less than budget or approximately 0.2%.



# **JALEN ROSE LEADERSHIP ACADEMY**

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## **Management's Discussion and Analysis (MD&A) (Continued)** **June 30, 2025**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2025 the Academy had \$2,490,301 invested in capital assets net of depreciation, including building, building improvements, furniture, computers, and other equipment. Total depreciation for the year was \$383,678.

#### **Economic Factors and Next Year's Budgets and Rates**

The Academy considers many factors when setting the Academy's 2025-2026 fiscal year budgets. One of the most important factors affecting the budget is our student enrollment. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2025-26 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2025 based on an enrollment estimate of 420 students in the Fall of 2025-26.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data and aggressive recruiting efforts, an estimated fall count of 420 students is expected.

Once the final student count and related per pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. Amended budgets will also reflect actual recurring and one-time federal grant allocations awarded to the Academy. 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 revenue to fund its appropriations to public schools and public school academies.

### **CONTACTING THE ACADEMY'S MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, Jalen Rose Leadership Academy, 15000 Trojan Drive, Detroit, Michigan 48235.

# JALEN ROSE LEADERSHIP ACADEMY

## Statement of Net Position June 30, 2025

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 7,160,268
Investments (Note 3)	757,348
Due From Other Governmental Units (Note 4)	943,825
Accounts Receivable	10,630
Inventory	53,981
Prepaid Expenses	120,603
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>2,490,301</u>
<b>Total Assets</b>	<u>11,536,956</u>
<b>LIABILITIES</b>	
Accounts Payable	219,230
Accrued Expenditures	235,382
Unearned Revenue (Note 1)	<u>705,464</u>
<b>Total Liabilities</b>	<u>1,160,076</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,490,301
Restricted (Note 1)	298,052
Unrestricted	<u>7,588,527</u>
<b>Total Net Position</b>	<u><u>\$ 10,376,880</u></u>

*The accompanying notes are an integral part of these financial statements*

# JALEN ROSE LEADERSHIP ACADEMY

## Statement of Activities Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
<b>Governmental Activities</b>				
Basic Instruction	\$ 1,942,768	\$ -	\$ 717,394	\$ (1,225,374)
Added Needs	544,897	-	201,211	(343,686)
Supporting Services				
Pupil Support Services	580,080	-	-	(580,080)
Instructional Staff Services	365,058	-	134,803	(230,255)
General / Executive Administration Services	206,225	-	-	(206,225)
School Administration Services	623,183	-	230,119	(393,064)
Business Services	700,880	-	-	(700,880)
Operations and Maintenance	664,526	-	-	(664,526)
Pupil Transportation Services	50,624	-	-	(50,624)
Facilities Acquisition, Construction and Improveme	53,668	-	-	(53,668)
Support Services - Central and Other	419,712	-	-	(419,712)
Community Activities	15,701	-	-	(15,701)
Depreciation (Unallocated)	383,678	-	-	(383,678)
<b>Total Governmental Activities</b>	<b>\$ 6,551,000</b>	<b>\$ -</b>	<b>\$ 1,283,527</b>	<b>(5,267,473)</b>
		<u>General Revenues</u>		
		State Aid - Formula Grants		4,157,499
		Other Revenue		1,954,918
		<b>Total General Revenues</b>		<b>6,112,417</b>
		Change in Net Position		844,944
		<b>Net Position - July 1, 2024</b>		<b>9,531,936</b>
		<b>Net Position - June 30, 2025</b>		<b>\$ 10,376,880</b>

The accompanying notes are an integral part of these financial statements

# JALEN ROSE LEADERSHIP ACADEMY

## Governmental Funds Balance Sheet June 30, 2025

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 7,160,268
Investments (Note 3)	757,348
Due From Other Governmental Units (Note 4)	943,825
Accounts Receivable	10,630
Inventory	53,981
Prepaid Expense	120,603
<b>Total Assets</b>	<b>\$ 9,046,655</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 219,230
Accrued Expenditures	235,382
Unearned Revenue (Note 1)	705,464
<b>Total Liabilities</b>	<b>1,160,076</b>
<b>Fund Balances (Note 1)</b>	
Nonspendable	174,584
Restricted (Note 1)	298,052
Assigned (Note 1)	5,690,665
Unassigned	1,723,278
<b>Total Fund Balance</b>	<b>7,886,579</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,046,655</b>

*The accompanying notes are an integral part of these financial statements*

# JALEN ROSE LEADERSHIP ACADEMY

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## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

**Total Fund Balances - Governmental Funds** \$ 7,886,579

Amounts reported for governmental activities in the statement of  
net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore, not reported as assets in governmental  
funds

Cost of Capital Assets	4,575,666	
Accumulated Depreciation	<u>(2,085,365)</u>	<u>2,490,301</u>

**Total Net Position - Governmental Activities** \$ 10,376,880

*The accompanying notes are an integral part of these financial statements*

# JALEN ROSE LEADERSHIP ACADEMY

## Statement of Revenue, Expenditures and Changes in Fund Balance Year Ended June 30, 2025

	<b>General Fund</b>
<b>REVENUE</b>	
Federal Sources	\$ 449,900
State Sources	4,991,126
Local Sources	1,954,918
<b>Total Revenue</b>	<u>7,395,944</u>
<b>EXPENDITURES</b>	
Basic Instruction	2,196,209
Added Needs	544,897
Supporting Services:	
Pupil Support	580,080
Instructional Staff	365,058
General / Executive Administration	206,225
School Administration	623,183
Business Services	700,880
Operations and Maintenance	664,526
Facilities Acquisition, Construction and Improvement	80,519
Pupil Transportation	50,624
Support Services - Central and Other	419,712
Community Activities	15,701
<b>Total Expenditures</b>	<u>6,447,614</u>
<b>Excess of Revenue Over Expenditures</b>	948,330
<b>Fund Balance - July 1, 2024</b>	<u>6,938,249</u>
<b>Fund Balance - June 30, 2025</b>	<u><u>\$ 7,886,579</u></u>

*The accompanying notes are an integral part of these financial statements*

# JALEN ROSE LEADERSHIP ACADEMY

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## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2025

**Net Change in Fund Balances - Total Governmental Funds** **\$ 948,330**

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures  
in the statement of activities. These costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	(383,678)	
Capitalized capital outlay expense	<u>280,292</u>	<u>(103,386)</u>

**Change in Net Position - Governmental Activities** **\$ 844,944**

*The accompanying notes are an integral part of these financial statements*

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jalen Rose Leadership Academy (the Academy) conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

### Reporting Entity

Jalen Rose Leadership Academy is a nonprofit corporation and a public school academy corporation organized under the Michigan Nonprofit Corporation Act, as amended, Act No. 162 of the Public Acts of 1982, being Sections 450.2101 to 450.3192 of the Michigan Compiled Laws. Notwithstanding any provision of the Michigan Nonprofit Corporation Act, as amended, the Academy shall not take any action inconsistent with the provisions of Part 6A of the Code or other Applicable Law.

The Academy entered into a contract with the Central Michigan University (CMU) Board of Trustees to Charter a Public School Academy. This agreement has been renewed and is effective through June 2027. 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 CMU Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract, all applicable laws and other related activities for which compensation is permissible. By agreement between CMU and the Academy, CMU may charge additional fees beyond the administrative fees for services rendered. The Academy pays the CMU Board of Trustees 3 percent of the Academy's State School Aid Payments as an administrative fee. The total administrative fee for the year ended June 30, 2025 to CMU was approximately \$119,000.

### Academy-Wide and Fund Financial Statements

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Depreciation on the capital assets is unallocated in the Statement of Activities.



## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Academy-Wide and Fund Financial Statements (Continued)

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary and fiduciary funds. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

**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 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.

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 available only when cash is received by the Academy.

**General Fund** – The Academy's major fund is the General Fund. This fund is used to account for all operational activities of the Academy. The General Fund includes the current operating expenditures of the Academy. Revenues are derived primarily from the State of Michigan.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**School Service Fund** – The Academy has an alternate agreement with “Keys Grace Academy”, the School Food Authority (SFA), upon approval from MDE’s Office of Health and Nutrition Services. JRLA relinquished its authority legally and financially to operate the specified School Meals Program(s) to the Keys Grace Academy. Keys Grace Academy is responsible for ensuring that food service operation is in conformance with all Federal and state regulations that are applicable to the National School Lunch Program, School Breakfast Program, and Special Milk Program. Accordingly, the Academy does not present a school service fund.

**Assets, Liabilities, Deferred Inflow/Outflow of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables** – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts has been recorded.

**Inventory and Prepaid Costs** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed. Certain payment to vendors reflect cost applicable to future fiscal years and are recorded as prepaid costs in both academy-wide and fund financial statements.

**Restricted Cash** – The Academy had no restricted cash at June 30, 2025.

**Capital Assets** – Capital assets, which include building, school equipment and leasehold improvements, are reported in the applicable governmental column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Assets, Liabilities, Deferred Inflow/Outflow of Resources and Net Position/Fund Balance (Continued)****Capital Assets (Continued)**

The Academy's assets are depreciated using the straight-line method over the following useful lives:

School Equipment	3-5 years
Building Improvements	25 years
Building	25 years

**Deferred Outflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy had no deferred outflows of resources at year-end.

**Deferred Inflows of Resources** – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had no deferred inflows of resources at June 30, 2025.

**Unearned Revenue** – Unearned revenue is reported in connection to funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2025, the Academy had \$705,464 in unearned revenue that includes revenue relating to unspent section 31(a) (at-risk) funding and other grant revenue.

**Fund Balance** – GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Assets, Liabilities, Deferred Inflow/Outflow of Resources and Net Position/Fund Balance (Continued)**

- a. Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. Committed Fund Balance – Amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. Assigned Fund Balance – Amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. Unassigned Fund Balance – Amounts that are available for any purpose; these amounts are reported only in the general fund.

At June 30, 2025, the Academy had \$298,055 in restricted fund balance for contributions restricted for scholarships and \$5,690,665 in assigned fund balance for site improvements.

**Net Position** – Net position of the Academy is classified in three components. Net Investment in capital assets – net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any expendable restricted net position during the year. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

**Use of Estimates** – The preparation of the 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 of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results may differ from those estimates.

# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2025

## 2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Budgetary Information** – 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 amounts budgeted is 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. Expenses exceeded the budget line items for certain categories, as shown below. In total, actual expenses were \$15,879 less than budgeted expenses.

	<b>Final Budget</b>	<b>Actual</b>
Basic Instruction	\$ 2,184,041	\$ 2,196,209
Added Needs	544,538	544,897
Supporting Services:		
Pupil Support	579,127	580,080
Instructional Staff	332,164	365,058
School Administration	572,287	623,183
Community Activities	12,293	15,701

**Grants** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy's opinion, no disallowed claims are expected and would not have a material effect on the financial statements as of and for the year ended June 30, 2025.

## 3) DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government 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's deposits are in accordance with statutory authority.

The Academy has designated one bank for deposit of its funds.

In April 2025, Jalen Rose Leadership Academy opened an investment account under the (MILAF) Michigan Liquid Asset Fund. The Michigan Liquid Asset Fund Plus Max Class is a cash management program with the purpose of allowing Michigan public agencies to pool their funds to seek the highest possible investment yield, while maintaining the liquidity and preserving capital. The MILAF+ portfolio is managed to maintain a constant net asset value per share of \$1. The MILAF+ portfolio invests in obligations of the US Government and its agencies, high-quality debt obligations of US companies and obligations of financial institutions. The MILAF+ portfolio is rated AAAM by S&P Global. As an initial investment, \$750,000 was reallocated from general fund to the investment account.

**3) DEPOSITS AND INVESTMENTS (Continued)**

**Fair Value Measurements:** The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that is observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Academy's investment in the MILAF+ portfolio is classified as a level 2 investment.

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

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Academy's deposit for custodial credit risk. At June 30, 2025, the Academy had a deposit balance of \$7,096,600, of which \$6,846,600 was uninsured.

**3) DEPOSITS AND INVESTMENTS (Continued)**Interest Rate Risk

Interest rate risk is the risk that value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Academy's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby, avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with Academy's cash requirements. The Academy does not have investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices, the Academy held no such investment at June 30, 2025.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and Academy's policy prohibit investment in foreign currency.

**4) DUE TO/FROM OTHER GOVERNMENTAL UNITS**

Receivables as of June 30, 2025 for the Academy include \$902,164 in State Aid receivable, and \$41,661 in Federal grants receivable.

# JALEN ROSE LEADERSHIP ACADEMY

## Notes to Financial Statements (Continued) June 30, 2025

### 5) CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities was as follows:

	Balance July 1, 2024	Additions	Balance June 30, 2025
<b>Building</b>	\$ 1,655,511	\$ -	\$ 1,655,511
Less: Accumulated Depreciation	(491,132)	(66,220)	(557,352)
	<u>1,164,379</u>	<u>(66,220)</u>	<u>1,098,159</u>
<b>Building Improvements</b>	1,241,087	26,851	1,267,938
Less: Accumulated Depreciation	(173,144)	(83,954)	(257,098)
	<u>1,067,943</u>	<u>(57,103)</u>	<u>1,010,840</u>
<b>Leasehold Improvements</b>	125,000	-	125,000
Less: Accumulated Depreciation	(71,708)	(5,000)	(76,708)
	<u>53,292</u>	<u>(5,000)</u>	<u>48,292</u>
<b>School Equipment</b>	1,273,776	253,441	1,527,217
Less: Accumulated Depreciation	(965,703)	(228,504)	(1,194,207)
	<u>308,073</u>	<u>24,937</u>	<u>333,010</u>
<b>Net Governmental Capital Assets</b>	<u>\$ 2,593,687</u>	<u>\$ (103,386)</u>	<u>\$ 2,490,301</u>

Depreciation is unallocated in the Statement of Activities.

### 6) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with Entrepreneurial Ventures in Education (EVE), effective July 1, 2022 through June 30, 2024, with an extension made through June 30, 2027. Under the direction of the Academy's Board, EVE shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services, and overseeing other contractors. The management contract provides that the Academy shall pay EVE an annual fee of 12% of all revenue that flows to the school (except for individual donations, obtained without the substantial assistance of EVE, that are made to the Academy, student fundraising activities, or donations obtained through the efforts of Operation Graduation, Inc. or Board members). However, effective June 30, 2025, the Academy and EVE agreed to cease the management relationship. Effective July 1, 2025, the Academy acts as a self-managed charter school.

Compensation for the year ended June 30, 2025 was approximately \$612,000.



# JALEN ROSE LEADERSHIP ACADEMY

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Notes to Financial Statements (Continued)  
June 30, 2025

## 7) DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

**Plan Description** – The Academy currently does not participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan.

**Post-employment Benefits** – Currently, the Academy does not offer any post-employment benefits.

## 8) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 13, 2025, the date the financial statements were available to be issued. The Academy and Entrepreneurial Ventures in Education (EVE) agreed to cease the management relationship effective June 30, 2025. Effective July 1, 2025, the Academy acts as a self-managed charter school.

In June 2025, Henry Ford Health gifted their former Kingswood Hospital to Operation Graduation, the non-profit organization directly supporting Jalen Rose Leadership Academy. The building will be converted into a new high school building. The former high school will be converted into a middle school and serve grades 6-8.



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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  
Jalen Rose Leadership Academy  
Detroit, 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 major fund and the remaining fund information of Jalen Rose Leadership Academy (the Academy) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 13, 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, 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 material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

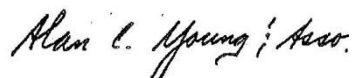
Independent Auditors Report on Internal Control over  
Financial Reporting And on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*  
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 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 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Detroit, Michigan  
October 13, 2025

## **REQUIRED SUPPLEMENTARY INFORMATION**

# JALEN ROSE LEADERSHIP ACADEMY

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Percentage Over (Under) Final Budget
<b>Revenue</b>					
Federal Sources	\$ 365,554	\$ 432,266	\$ 449,900	\$ 17,634	4%
State Sources	4,861,800	5,016,136	4,991,126	(25,010)	0%
Local Sources	843,350	1,971,707	1,954,918	(16,789)	-1%
<b>Total Revenue</b>	<u>6,070,704</u>	<u>7,420,109</u>	<u>7,395,944</u>	<u>(24,165)</u>	<u>-0.3%</u>
<b>Expenditures</b>					
Instruction:					
Basic Instruction	1,862,105	2,184,041	2,196,209	12,168	1%
Added Needs	726,756	544,538	544,897	359	0%
Supporting Services:					
Pupil Support	646,983	579,127	580,080	953	0%
Instructional Staff	367,891	332,164	365,058	32,894	10%
General / Executive Administration	198,139	210,078	206,225	(3,853)	-2%
School Administration	572,993	572,287	623,183	50,896	9%
Business Services	697,264	785,397	700,880	(84,517)	-11%
Operations and Maintenance	564,396	672,886	664,526	(8,360)	-1%
Facilities Acquisition, Construction, and Improvement	-	92,920	80,519	(12,401)	-13%
Pupil Transportation	27,500	55,206	50,624	(4,582)	-8%
Support Services - Central and Other	380,760	422,556	419,712	(2,844)	-1%
Community Activities	7,000	12,293	15,701	3,408	28%
<b>Total Expenditures</b>	<u>6,051,787</u>	<u>6,463,493</u>	<u>6,447,614</u>	<u>(15,879)</u>	<u>-0.2%</u>
<b>Net Change in Fund Balance</b>	<u>\$ 18,917</u>	<u>\$ 956,616</u>	<u>948,330</u>	<u>\$ (8,286)</u>	<u>-1%</u>
<b>Fund Balance - July 1, 2024</b>			<u>6,938,249</u>		
<b>Fund Balance - June 30, 2025</b>			<u>\$ 7,886,579</u>		

**JALEN ROSE LEADERSHIP ACADEMY**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2025**



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October 13, 2025

To the Board of Directors  
Jalen Rose Leadership Academy  
Detroit, Michigan

We have recently completed our audit of the financial statements of Jalen Rose Leadership Academy (the Academy) for the year ended June 30, 2025. In addition to our audit report, we are providing the following required communication, which impacts the Academy.

	<u>Page</u>
Communication Required Under AU-C 260	1
Informational	4

We are grateful for the opportunity to be of service to the Academy. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young & Associates, P.C.  
Detroit, Michigan



# *Alan C. Young & Associates, P.C.*

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## RESULTS OF AUDIT

October 13, 2025

Board of Directors  
Jalen Rose Leadership Academy  
Detroit, Michigan

We have audited the financial statements of the governmental activities and major fund of Jalen Rose Leadership Academy (the Academy) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 8, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we consider the system of internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also perform tests of the Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.



## Results of Audit (Continued)

### Scope of the Audit, Significant Risks and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Academy.

We have identified the following significant risks of material misstatement as part of our audit planning which was communicated in our engagement letter dated May 8, 2025.

- Recording of revenues and unearned revenue for restricted grants.
- Year-end cut-off of payables.
- Override of Controls.

During our audit procedures we did not note any findings or exceptions related to the above items.

### 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 Note 1 to the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Depreciation expense is a significant account estimate for the Academy. The disclosures in the financial statements are neutral, consistent, and clear.

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

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted as a result of our audit.

Results of Audit  
(Continued)

Significant Audit Matters (Continued)

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2025.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

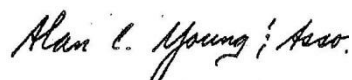
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to the Academy's management discussion & analysis, and the budgetary comparison schedule, which are the required supplementary information (RSI) 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.

*Restriction on Use*

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



Detroit, Michigan  
October 13, 2025

## **State and Federal Funding Outlook**

The fiscal outlook for Michigan’s charter schools continues to evolve due to both state and federal developments. The May 2025 Consensus Revenue Estimating Conference projected modest short-term growth in School Aid Fund revenues; however, long-term projections remain uncertain due to macroeconomic conditions, inflationary pressures, and changes in federal tax and trade policy.

The enactment of the federal “*One Big Beautiful Bill Act*” (OBBB) on July 4, 2025, is expected to significantly reduce Michigan’s state income tax revenue beginning in fiscal year 2026, which may limit future funding available to the School Aid Fund.

At the federal level, the U.S. Department of Education is undergoing structural changes under executive order, with certain programs being reassigned to other agencies. Proposed FY 2026 budget legislation eliminates or consolidates several programs historically relied upon by charter schools, including Titles I-C, III, and IV-A. Boards should anticipate potential delays or modifications to future federal grant allocations, particularly for programs subject to Uniform Guidance (2 CFR Part 200) compliance and reporting requirements.

## **Michigan School Aid and Enrollment Factors**

The 2024–2025 School Aid Bill maintained the target foundation allowance at approximately \$9,608 per pupil. Certain charter academies received a separate categorical increase of 3.9%, resulting in a per-pupil funding level near \$9,983. Not all academies realized the full intended benefit due to the reallocation of some categorical funding toward MPSERS retirement-related obligations.

Student enrollment continues to influence overall funding stability. Michigan’s total K–12 enrollment remains approximately 50,000 students below pre-pandemic levels, and recovery is expected to be gradual. Since state aid is distributed on a per-pupil basis, recruiting and retaining students will remain a primary financial driver for academies.

The At-Risk categorical program now exceeds \$1 billion statewide, with expanded flexibility for class size reduction and teacher retention initiatives. However, mental health and safety funding under Section 31a declined sharply—from \$328 million to \$26.5 million, highlighting the need for schools to carefully plan around categorical volatility.

## **Financial Stability and Fund Balance Management**

Maintaining a sufficient fund balance continues to be a critical component of financial health and stability. The Michigan Department of Education (MDE) reports a statewide average fund balance of approximately 24.7% of operating expenditures, representing about 11 weeks of operations.

We recommend that charter academies continue to target a fund balance level that provides a buffer against delayed funding or unforeseen expenditures. A healthy fund balance contributes to stronger credit ratings, operational flexibility, and long-term sustainability.

## **Upcoming Accounting and Reporting Changes**

The Governmental Accounting Standards Board (GASB) has issued new pronouncements that will impact future financial reporting:

- GASB Statement No. 103 – Financial Reporting Model Improvements Effective for fiscal years ending June 30, 2026, this standard revises the presentation of governmental fund financial statements. It limits the MD&A to five focus areas, introduces a subtotal for *operating income (loss)*, and clarifies the budget-to-actual comparison presentation.
- GASB Statement No. 104 – Disclosure of Certain Capital Assets This new standard expands disclosure requirements for lease assets, subscription-based IT assets, and intangible right-to-use assets. It enhances transparency and comparability among governments and will also be effective for fiscal years ending June 30, 2026.

Academies should begin preparing for these standards by reviewing their capital asset policies and financial statement disclosure templates.

## **Uniform Guidance Revisions**

Significant changes were made to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), effective for fiscal years beginning on or after October 1, 2024. Key updates include:

- Single Audit Threshold Increase: Raised from \$750,000 to \$1 million.
- Type A Program Determination Threshold: Increased from \$750,000 to \$1 million.
- Equipment Capitalization Threshold: Increased from \$5,000 to \$10,000 per item.

These revisions are expected to apply to academies' fiscal years ending June 30, 2026, and beyond. Management should update procurement, capitalization, and subrecipient monitoring policies accordingly to maintain compliance with federal audit and reporting requirements.

## **Areas of Ongoing Monitoring**

As the educational and fiscal environment continues to shift, charter school boards should remain attentive to the following emerging areas:

- The impact of the *OBBB* on state School Aid Fund revenues and future per-pupil allocations.
- Potential restructuring or reallocation of federal education programs under the U.S. Department of Education.
- The effect of enrollment trends, inflation, and technology costs on operational budgets.
- Timely implementation of Uniform Guidance and GASB updates to ensure compliance and transparency.

## **Conclusion**

While the fiscal environment remains fluid, proactive financial planning and strong governance will help charter schools maintain operational stability. We will continue to monitor federal and state developments, provide timely updates, and assist management in implementing accounting and compliance changes consistent with MDE, U.S. Department of Education, and Uniform Guidance standards.