

**JALEN ROSE LEADERSHIP  
ACADEMY**

**FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**

# JALEN ROSE LEADERSHIP ACADEMY

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## **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

### **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Jalen Rose Leadership Academy (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated October 21, 2022 which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 21, 2022.

The accompanying schedule of expenditures of federal awards and reconciliation of the financial statements' federal revenue with the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the reconciliation of the basic financial statements' federal revenue with the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Alan C. Young & Assoc.*

Detroit, Michigan  
October 21, 2022



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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 Education 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 the 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 remaining fund information of Jalen Rose Leadership Academy (the Academy) as of and for the year ended June 30, 2022, 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 21, 2022.

### 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy'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 significant deficiencies or material weaknesses. However, significant deficiencies or material weaknesses may exist that have not been identified.

**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  
(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 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported as item #2022-001.

Academy's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the Academy's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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.

*Alan C. Young, Assoc.*

Detroit, Michigan  
October 21, 2022



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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

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

We have audited Jalen Rose Leadership Academy's, (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2022. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
over Compliance Required by the Uniform Guidance  
(Continued)**

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
over Compliance Required by the Uniform Guidance  
(Continued)**

**Report on Internal Control over Compliance**

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

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

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

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

*Alan C. Young, Assoc.*

Detroit, Michigan  
October 21, 2022



# JALEN ROSE LEADERSHIP ACADEMY

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Assistance Listing Number	Approved Awards Amount	Accrued Revenue at July 1, 2021	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2022	Passed through to Subrecipients
<b>Passed through Michigan Department of Education (MDE) :</b>								
Title I Grants to Local Education Agencies	221530 - 2122	84.010A	\$ 243,245	\$ -	\$ 196,312	\$ 236,340	\$ 40,028	\$ -
Title I Grants to Local Education Agencies	221530 - 2021	84.010A	248,607	34,675	85,716	51,041	-	-
Total Title I Part A			491,852	34,675	282,028	287,381	40,028	-
Title II Part A Supporting Effective Instruction State Grant	220520 - 2122	84.367A	31,912	-	16,987	30,155	13,168	-
Title II Part A Supporting Effective Instruction State Grant	220520 - 2021	84.367A	40,627	1,671	3,342	1,671	-	-
Total Title II Part A			72,539	1,671	20,329	31,826	13,168	-
Title IV Student Support and Academic Enrichment Program	220750 - 2122	84.424A	15,721	-	15,721	15,721	-	-
Total Noncluster Programs			580,112	36,346	318,078	334,928	53,196	-
<b>Education Stabilization Fund Program - U.S. Department of Education</b>								
<b>Passed through Michigan Department of Education</b>								
COVID-19 Governors Emergency Education Relief Fund (GEER)	211202 - 2122	84.425C	13,000	-	13,000	13,000	-	-
Total GEER			13,000	-	13,000	13,000	-	-
COVID-19 ESSER Education Equity	203720-1920	84.425D	35,639	5,457	14,083	8,626	-	-
COVID-19 ESSER - Formula	203710-1920	84.425D	178,194	-	24,194	24,194	-	-
COVID-19 ESSER Formula Funds II	213712 - 20-21	84.425D	725,955	-	596,788	725,955	129,167	-
Total ESSER			939,788	5,457	635,065	758,775	129,167	-
Total Education Stabilization Fund Program			952,788	5,457	648,065	771,775	129,167	-
<b>DEPARTMENT OF AGRICULTURE</b>								
<b>Passed through the Michigan Department of Education</b>								
<b>Child Nutrition Cluster</b>								
Emergency Operations-SNP Meals	211965 - 2021	10.555	43,223	-	43,223	43,223	-	-
Total Child Nutrition Cluster			43,223	-	43,223	43,223	-	-
<b>Total Passed through the Michigan Department of Education</b>			1,576,123	41,803	1,009,366	1,149,926	182,363	-
<b>Passed through Wayne County RESA</b>								
IDEA Flowthrough for Special Education Programs and Services	220450 (21-03)	84.027A	163,175	-	122,381	122,381	-	-
Total Passed through Wayne County RESA			163,175	-	122,381	122,381	-	-
<b>Total Federal Award</b>			\$ 1,739,298	\$ 41,803	\$ 1,131,747	\$ 1,272,307	\$ 182,363	\$ -

See notes to Schedule of Expenditures of Federal Awards.

# JALEN ROSE LEADERSHIP ACADEMY

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## Reconciliation of Basic financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Revenue from Federal Sources - as reported on Financial Statements (Includes all Funds)	\$ 1,304,116
E-Rate Revenue not included in Schedule of Expenditures of Federal Awards	<u>(31,809)</u>
Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,272,307</u></u>

*See notes to Schedule of Expenditures of Federal Awards.*

# **JALEN ROSE LEADERSHIP ACADEMY**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022**

### **1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jalen Rose Leadership Academy (the Academy). The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Academy and therefore it is not intended to and does not present the financial position or changes in net position of the Academy for year ended June 30, 2022. Expenditures reported on the schedule are reported on the accrual basis of accounting. In addition, expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **2) GRANT AUDITOR REPORT**

Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

### **3) INDIRECT COST RATE**

The Academy has elected not to use 10 percent de minimis indirect cost rate allowed rate allowed under the Uniform Guidance.

### **4) SUBSEQUENT EVENTS**

All subsequent events related to the major programs were evaluated through October 21, 2022, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the report.

# JALEN ROSE LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost  
Year Ended June 30, 2022

## SECTION I – SUMMARY OF AUDITOR’S RESULTS

### Financial Statements

Type of Auditor’s Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness (es) Identified?        Yes   X   No
- Significant Deficiencies Identified?        Yes   X   None Reported
- Non-Compliance Material to Financial Statements noted?   X   Yes        No

### Federal Awards

Internal Control over Major Programs:

- Material Weakness (es) Identified?        Yes   X   No
- Significant Deficiencies Identified?        Yes   X   None Reported

Type of Auditor’s Report issued on Compliance for Major Programs: Unmodified

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

### Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund Program

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

Auditee Qualified as Low Risk Auditee?        Yes   X   No

# JALEN ROSE LEADERSHIP ACADEMY

## Schedule of Findings and Questioned Cost (Continued) Year Ended June 30, 2022

### SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
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**2022-001**      **Finding Type – Noncompliance with Laws and Regulations**

**Condition and Description** – For the year ended June 30, 2022, the Academy’s expenses exceeded the final budgeted level for the categories shown in the following table. Additionally, total expenditures exceeded the final budgeted level by \$106,734. Expenditures in excess of budgeted amounts are a violation of State law.

	Original Budget	Final Budget	Actual	Over Final Budget
<b>Expenditures:</b>				
<u>Supporting Services:</u>				
Instructional Staff	\$ 450,857	\$ 357,756	\$ 375,294	\$ 17,538
General / Executive Administration	162,699	172,996	182,933	9,937
Business Services	452,500	456,589	520,682	64,093
Operations and Maintenance	408,675	363,714	372,689	8,975
Central Support	168,939	229,280	317,574	88,294
Other Support Services	105,938	136,850	160,725	23,875

**Identification of a Repeat Finding** – This is not a repeat finding from the immediate previous audit.

**Recommendation** – We recommend the Academy monitor variances between actual and budgeted figures for expenditures.

**View of Responsible Officials and Corrective Action Plan** – The board reviews monthly financials and can facilitate conversations as it relates to specific expense items. Monthly, the School Leader reviews a detail of all monthly expenses being presented. Also, as recommended by the Michigan School Business Officials, JRLA will review and adjust budget updates to ensure that actual revenues will exceed revenue budgets, actual expenditures will not exceed functional level budgets and that the school does not budget for a negative general fund balance.

# **JALEN ROSE LEADERSHIP ACADEMY**

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Schedule of Findings and Questioned Cost (Continued)  
Year Ended June 30, 2022

## **SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

No Federal Program Audit Findings noted.

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

There were no prior year financial statement audit findings.

**SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

There was no single audit required for the year ended June 30, 2021.

**JALEN ROSE LEADERSHIP ACADEMY**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**



# JALEN ROSE LEADERSHIP ACADEMY

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Jalen Rose Leadership Academy (the Academy) as of and for the year ended June 30, 2022, 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, the major fund, and the remaining fund information of the Academy, as of June 30, 2022, 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.

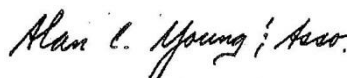
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 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 21, 2022 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 21, 2022

# JALEN ROSE LEADERSHIP ACADEMY

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## Management's Discussion and Analysis (MD&A) June 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

### FINANCIAL HIGHLIGHTS

- Enrollment was met with the maximum number of 419 students based on the Fall Count Day in the 2021-2022 school year.
- The General Fund had \$7,722,988 in revenue, which primarily consisted of State funding (52%), followed by Local Sources (32%), and Federal Sources (16%).

### 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, 2022

## 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 \$6,767,746 as of June 30, 2022.

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, 2022 and 2021

The following shows a summary of the Academy's Statement of Net Position as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current Assets	\$ 6,653,034	\$ 4,793,688
Noncurrent Assets	1,602,448	1,758,102
<b>Total Assets</b>	<u>8,255,482</u>	<u>6,551,790</u>
<b>Liabilities</b>		
Current Liabilities	463,547	481,285
Noncurrent Liabilities	1,024,189	1,103,538
<b>Total Liabilities</b>	<u>1,487,736</u>	<u>1,584,823</u>
<b>Net Position</b>		
Net Investment in Capital Assets	578,259	654,564
Restricted	624,305	706,252
Unrestricted	5,565,182	3,606,151
<b>Total Net Position</b>	<u>\$ 6,767,746</u>	<u>\$ 4,966,967</u>

# JALEN ROSE LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)  
June 30, 2022

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

### Change in Net Position for the years ending June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>		
State Aid Formula Grants	\$ 3,616,887	\$ 3,347,548
Other Revenue	2,483,814	2,071,743
Operating Grants and Contributions	1,661,780	1,119,201
<b>Total Revenue</b>	<u>7,762,481</u>	<u>6,538,492</u>
<b>Expenditures</b>		
Basic Instruction	2,075,247	1,386,441
Added Needs	302,201	313,484
Support Services		
Pupil Support Services	840,384	688,915
Instructional Staff Services	375,294	303,340
General/Executive Administration Services	182,933	132,266
School Administration Services	479,035	348,707
Business Services	520,682	448,705
Operations and Maintenance	372,689	357,015
Pupil Transportation Services	59,860	4,431
Central Services	317,574	198,500
Support Services - Other	160,725	62,522
Community Activities	7,063	3,700
Interest	56,035	61,506
Depreciation	204,746	187,956
Food Services	7,234	2,705
<b>Total Expenditures</b>	<u>5,961,702</u>	<u>4,500,193</u>
<b>Change in Net Position</b>	<u>\$ 1,800,779</u>	<u>\$ 2,038,299</u>

### 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 \$2,730,257.

### 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 \$1,946,665 more than budget or approximately 34%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$106,734 more than budget or approximately 1.8%.

# **JALEN ROSE LEADERSHIP ACADEMY**

## **Management's Discussion and Analysis (MD&A) (Continued)**

**June 30, 2022**

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

#### **Capital Assets**

By the end of 2022 the Academy had \$1,602,448 invested in capital assets net of depreciation, including building, building improvements, furniture, computers, and other equipment. Total depreciation for the year was \$204,746.

#### **Long-Term Debt**

At June 30, 2022, the Academy had \$1,024,189 in long-term debt. The debt was taken in order to purchase the building the Academy is housed in. The debt is scheduled to be paid through 2032.

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

The Academy considers many factors when setting the Academy's 2022-2023 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 2022-23 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 2022 based on an enrollment estimate of 421 students in the Fall of 2022-23.

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 414 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, 2022

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 5,564,663
Restricted Cash (Note 1)	20,888
Due From Other Governmental Units (Note 4)	958,897
Accounts Receivable	43,661
Inventory	53,479
Prepaid Expenses	11,446
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>1,602,448</u>
<b>Total Assets</b>	<u>8,255,482</u>
<b>LIABILITIES</b>	
Accounts Payable	85,473
Accrued Expenditures	251,656
Unearned Revenue (Note 1)	126,418
Long-Term Debt, Current Portion (Note 8)	84,487
Long-Term Debt, Net of Current Portion (Note 8)	<u>939,702</u>
<b>Total Liabilities</b>	<u>1,487,736</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	578,259
Restricted (Note 1)	624,305
Unrestricted	<u>5,565,182</u>
<b>Total Net Position</b>	<u><u>\$ 6,767,746</u></u>

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

# JALEN ROSE LEADERSHIP ACADEMY

## Statement of Activities Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities Net (Expenses) Revenues and Changes in Net Position
<b>Governmental Activities</b>				
Basic Instructions	\$ 2,075,247	\$ -	\$ 1,041,732	\$ (1,033,515)
Added Needs	302,201	-	151,699	(150,502)
Supporting Services				
Pupil Support Services	840,384	-	-	(840,384)
Instructional Staff Services	375,294	-	188,390	(186,904)
General / Executive Administration Services	182,933	-	-	(182,933)
School Administration Services	479,035	-	240,466	(238,569)
Business Services	520,682	-	-	(520,682)
Operations and Maintenance	372,689	-	-	(372,689)
Pupil Transportation Services	59,860	-	-	(59,860)
Central Support	317,574	-	-	(317,574)
Support Services - Other	160,725	-	-	(160,725)
Community Activities	7,063	-	-	(7,063)
Interest Expense	56,035	-	-	(56,035)
Depreciation (Unallocated)	204,746	-	-	(204,746)
Food Services	7,234	-	39,493	32,259
<b>Total Governmental Activities</b>	<b>5,961,702</b>	<b>-</b>	<b>1,661,780</b>	<b>(4,299,922)</b>
			<u>General Revenues</u>	
			State Aid - Formula Grants	3,616,887
			Other Revenue	2,483,814
			<b>Total General Revenues</b>	<b>6,100,701</b>
			Change in Net Position	1,800,779
			<b>Net Position - July 1, 2021</b>	<b>4,966,967</b>
			<b>Net Position - June 30, 2022</b>	<b>\$ 6,767,746</b>

The accompanying notes are an integral part of these financial statements

# JALEN ROSE LEADERSHIP ACADEMY

**Governmental Funds  
Balance Sheet  
June 30, 2022**

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>School Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents (Note 3)	\$ 5,564,663	\$ -	\$ 5,564,663
Restricted Cash (Note 1)	20,888	-	20,888
Due From Other Governmental Units (Note 4)	908,617	50,280	958,897
Accounts Receivable	43,661	-	43,661
Inventory	53,479	-	53,479
Prepaid Expense	11,446	-	11,446
<b>Total Assets</b>	<u>\$ 6,602,754</u>	<u>\$ 50,280</u>	<u>\$ 6,653,034</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 85,473	\$ -	\$ 85,473
Accrued Expenditures	244,422	7,234	251,656
Unearned Revenue (Note 1)	126,418	-	126,418
<b>Total Liabilities</b>	<u>456,313</u>	<u>7,234</u>	<u>463,547</u>
<b>Fund Balances (Note 1)</b>			
Nonspendable	64,925	-	64,925
Restricted (Note 1)	581,259	43,046	624,305
Assigned (Note 1)	2,770,000	-	2,770,000
Unassigned	2,730,257	-	2,730,257
<b>Total Fund Balance</b>	<u>6,146,441</u>	<u>43,046</u>	<u>6,189,487</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,602,754</u>	<u>\$ 50,280</u>	<u>\$ 6,653,034</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 Balance Sheet to the Statement of Net Position June 30, 2022

**Total Fund Balances - Governmental Funds** \$ 6,189,487

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	2,729,578	
Accumulated depreciation	<u>(1,127,130)</u>	1,602,448

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	<u>(1,024,189)</u>
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**Total Net Position - Governmental Activities** \$ 6,767,746

*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, 2022

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>General Fund</u>	<u>School Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Federal Sources	\$ 1,260,893	\$ 43,223	\$ 1,304,116
State Sources	4,037,018	(3,730)	4,033,288
Local Sources	2,425,077	-	2,425,077
<b>Total Revenue</b>	<u>7,722,988</u>	<u>39,493</u>	<u>7,762,481</u>
<b>EXPENDITURES</b>			
Basic Instruction	2,124,339	-	2,124,339
Added Needs	302,201	-	302,201
Supporting Services:			
Pupil Support	840,384	-	840,384
Instructional Staff	375,294	-	375,294
General / Executive Administration	182,933	-	182,933
School Administration	479,035	-	479,035
Business Services	520,682	-	520,682
Operations and Maintenance	372,689	-	372,689
Pupil Transportation	59,860	-	59,860
Central Support	317,574	-	317,574
Other Support Services	160,725	-	160,725
Community Activities	7,063	-	7,063
Principal Payments on Building Loan	79,349	-	79,349
Interest Payments on Building Loan	56,035	-	56,035
Food Service	-	7,234	7,234
<b>Total Expenditures</b>	<u>5,878,163</u>	<u>7,234</u>	<u>5,885,397</u>
<b>Excess of Revenue Over Expenditures</b>	1,844,825	32,259	1,877,084
<b>Fund Balance - July 1, 2021</b>	<u>4,301,616</u>	<u>10,787</u>	<u>4,312,403</u>
<b>Fund Balance - June 30, 2022</b>	<u>\$ 6,146,441</u>	<u>\$ 43,046</u>	<u>\$ 6,189,487</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, 2022

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,877,084

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	(204,746)	
Capitalized capital outlay expense	<u>49,092</u>	(155,654)

Repayment of loan principal is an expenditure governmental funds, but not in the statement of activities (where it reduces the long-term debt).

79,349

**Change in Net Position - Governmental Activities**

\$ 1,800,779

*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.

On July 1, 2016, the Academy renewed and entered a three-year 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 2024. 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 paid in the year ended June 30, 2022 to CMU was approximately \$108,000.

### 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.



# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)

June 30, 2022

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

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

**School Service Fund** – The School Service Fund is used to account for the food service operation. Its revenues are derived primarily from a federal grant and student charges.

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 relinquishes its authority legally and financially to operate the specified School Meals Program(s) to the Keys Grace Academy. Keys Grace Academy will be 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.

### Assets, Liabilities, and Net Position

**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 entered into a custody and control agreement between Lakeside Bank, the Academy, and IFF, an Illinois not for profit corporation. The Academy’s deposit account at the bank is held as a lien and security interest against the loan obtained from IFF. The amount in this deposit account has been classified as restricted cash. At June 30, 2022, the Academy had \$20,888 in restricted cash.

**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. The Academy does not have infrastructure-type assets.

# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)

June 30, 2022

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

### Assets, Liabilities, and Net Position (Continued)

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

School Equipment	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, 2022.

**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, 2022, the Academy had \$126,418 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.

- 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.

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

#### Assets, Liabilities, and Net Position (Continued)

- 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, 2022, the Academy had \$624,305 in restricted fund balance (\$20,888 restricted cash related to loan payable, \$310,371 for contributions restricted for scholarships, \$250,000 restricted for athletics and \$43,046 restricted for food service) and \$2,770,000 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.

**Adoption of New Accounting Pronouncement** – In June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy had no leases required to be recognized at June 30, 2022.

# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 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, 2022, 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 approximately \$107,000 more than budgeted expenses.

	<b>Final Budget</b>	<b>Actual</b>
Instructional Staff	\$ 357,756	\$ 375,294
General / Executive Administration	172,996	182,933
Business Services	456,589	520,682
Operations and Maintenance	363,714	372,689
Central Support	229,820	317,574
Other Support Services	136,850	160,725

**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, 2022.

## 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 two banks for deposit of its funds.

The investment policy adopted by the Board has authorized investments as listed in the State statutory authority as listed above.

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

### 3) DEPOSITS AND INVESTMENTS (Continued)

#### 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, 2022, the Academy had a deposit balance of \$5,609,939, of which \$5,339,051 was uninsured.

#### 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, 2022.

#### 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, 2022 for the Academy include \$776,534 in State Aid receivable, and \$182,363 in Federal grants receivable.

# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 5) CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Building</b>	\$ 1,655,511	\$ -	\$ 1,655,511
Less: Accumulated Depreciation	<u>(292,472)</u>	<u>(66,220)</u>	<u>(358,692)</u>
	<u>1,363,039</u>	<u>(66,220)</u>	<u>1,296,819</u>
<b>Building Improvements</b>	265,259	-	265,259
Less: Accumulated Depreciation	<u>(73,053)</u>	<u>(14,351)</u>	<u>(87,404)</u>
	<u>192,206</u>	<u>(14,351)</u>	<u>177,855</u>
<b>School Equipment</b>	759,716	49,092	808,808
Less: Accumulated Depreciation	<u>(556,859)</u>	<u>(124,175)</u>	<u>(681,034)</u>
	<u>202,857</u>	<u>(75,083)</u>	<u>127,774</u>
<b>Net Governmental Capital Assets</b>	<u>\$ 1,758,102</u>	<u>\$ (155,654)</u>	<u>\$ 1,602,448</u>

Depreciation is unallocated in the Statement of Activities.

## 6) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with Promise Schools effective July 1, 2019 and going through June 30, 2024. Under the direction of the Academy's Board, American Promise Schools 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 may be terminated under various circumstances as defined in the management agreement. The management contract provides that the Academy shall pay American Promise Schools an annual fee of 10.5% of the State school aid the Academy receives from the State of Michigan less the administrative fees paid to Central Michigan University.

Compensation for the year ended June 30, 2022 was \$410,879.

The Academy and Promise Schools agreed to cease the management relationship effective June 30, 2022. Effective July 1, 2022, the Academy entered into a management agreement with Entrepreneurial Ventures in Education (EVE). The agreement with EVE runs through June 30, 2024.

# JALEN ROSE LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)  
June 30, 2022

## 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) LONG-TERM DEBT

On January 25, 2017, The Academy signed a loan agreement with IFF, an Illinois Not-for-profit corporation. According to the agreement, the Academy received \$1,400,000 to purchase the school building that it has been leasing in the past. The loan has an initial interest rate of 5.375% per annum until January 31, 2022, after which it will be recalculated twice until February 1, 2032, the maturity date. The monthly installments of \$11,347, including interest, began on March 1, 2017. The loan is secured by the mortgage on the building, and a security lien on the deposit account held by the Academy at Lakeside Bank. The deposit account had a balance of \$20,888 at June 30, 2022.

Principal maturities of the long-term liability are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 84,487
2024	88,866
2025	93,413
2026	98,192
2027	103,203
2028-2032	556,028
	<u>\$ 1,024,189</u>

## 9) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 21, 2022, the date the financial statements were available to be issued. No items were noted requiring disclosure in this report, other than the change in management companies discussed in note 6.

## **REQUIRED SUPPLEMENTARY INFORMATION**



# JALEN ROSE LEADERSHIP ACADEMY

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Percentage Over (Under) Final Budget
<b>Revenue</b>					
Federal Sources	\$ 503,500	\$ 511,325	\$ 1,260,893	\$ 749,568	147%
State Sources	3,883,053	4,024,533	4,037,018	12,485	0%
Local Sources	1,259,203	1,240,465	2,425,077	1,184,612	95%
<b>Total Revenue</b>	<u>5,645,756</u>	<u>5,776,323</u>	<u>7,722,988</u>	<u>1,946,665</u>	<u>34.0%</u>
<b>Expenditures</b>					
Instruction:					
Basic Instruction	1,994,446	2,125,494	2,124,339	(1,155)	0%
Added Needs	391,698	308,950	302,201	(6,749)	-2%
Supporting Services:					
Pupil Support	863,305	893,754	840,384	(53,370)	-6%
Instructional Staff	450,857	357,756	375,294	17,538	5%
General / Executive Administration	162,699	172,996	182,933	9,937	6%
School Administration	416,374	521,999	479,035	(42,964)	-8%
Business Services	452,500	456,589	520,682	64,093	14%
Operations and Maintenance	408,675	363,714	372,689	8,975	2%
Pupil Transportation	88,000	61,213	59,860	(1,353)	-2%
Central Support	168,939	229,280	317,574	88,294	39%
Community Activities	5,750	7,450	7,063	(387)	-5%
Other Support Services	105,938	136,850	160,725	23,875	17%
Debt Service	136,158	135,384	135,384	-	0%
<b>Total Expenditures</b>	<u>5,645,339</u>	<u>5,771,429</u>	<u>5,878,163</u>	<u>106,734</u>	<u>1.8%</u>
<b>Excess of Revenue over Expenditures</b>	<u>417</u>	<u>4,894</u>	<u>1,844,825</u>	<u>1,839,929</u>	<u>37596%</u>
<b>Net Change in Fund Balance</b>	<u>\$ 417</u>	<u>\$ 4,894</u>	<u>1,844,825</u>	<u>\$ 1,839,929</u>	<u>37596%</u>
<b>Fund Balance - July 1, 2021</b>			<u>4,301,616</u>		
<b>Fund Balance - June 30, 2022</b>			<u>\$ 6,146,441</u>		

**JALEN ROSE LEADERSHIP ACADEMY**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2022**



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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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October 21, 2022

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, 2022. In addition to our audit report, we are providing the following required communication and recommendations, which impact the Academy.

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Communication Required Under AU-C 260	1
Other Comments and Recommendations	5
Informational	7

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



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## RESULTS OF AUDIT

October 21, 2022

Board of Directors  
Jalen Rose Leadership Academy  
Detroit, Michigan

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Jalen Rose Leadership Academy (the Academy) for the year ended June 30, 2022. 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 scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2022. 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, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated July 11, 2022, our responsibility, as described by professional standards, is to express opinions 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.

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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 grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Academy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Academy's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Academy's compliance with those requirements.

## Results of Audit (Continued)

### Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance (Continued)

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.

### Scope and Timing of the Audit

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 July 11, 2022.

- 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. No new accounting policies were adopted and 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 accounting estimate for the Academy.

Results of Audit  
(Continued)

Significant Audit Matters (Continued)

*Qualitative Aspects of Accounting Practices (Continued)*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Note 8 is significant as it discusses the Academy's long-term debt.

*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.

*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 21, 2022.

*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.

Results of Audit  
(Continued)

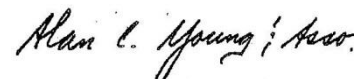
*Other Matters*

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.

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the Academy. The results of that audit are provided to the Board of Directors in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 22, dated October 21, 2022.

*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 21, 2022

## **OTHER COMMENTS AND RECOMMENDATIONS**



# **JALEN ROSE LEADERSHIP ACADEMY**

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Other Comments and Recommendations  
June 30, 2022

## **1) FUND BALANCE IN SCHOOL SERVICE FUND**

During our audit, it was determined that the fund balance in the School Service Fund is in excess of three months' average expenditures when considering State of Michigan rules of accumulated fund balance of non-enterprise funds. The Academy will receive an excess fund balance notification from the Michigan Department of Education and will be asked to develop a plan for spending down the fund balance.

We recommend that the Academy plan for the usage of the excess fund balance to bring the balance within the three month limit.

## **INFORMATIONAL ITEMS**

## Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 is effective for the Academy's year ending June 30, 2023.