

**LINCOLN-KING ADAMS-YOUNG
ACADEMY**

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2025

LINCOLN-KING ADAMS-YOUNG ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln-King Adams-Young Academy
Detroit, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the General and Food Service Funds, and the aggregate remaining fund information of Lincoln-King Adams-Young 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, the General and Food Services Funds, and the aggregate remaining fund information of Lincoln-King Adams-Young 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 Lincoln-King Adams-Young 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.

Substantial Doubt About the Academy's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 13 to the financial statements, the Academy has suffered recurring losses in prior years. The general fund is reporting a negative fund balance of \$945,389 and a negative unrestricted net position of \$945,389 in the governmental activities. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 Lincoln-King Adams-Young 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the General Fund budgetary comparison schedule 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln-King Adams-Young Academy's basic financial statements. The food service fund budgetary schedule is presented for purposes of additional analysis and is 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 food service fund budgetary schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
Lincoln-King Adams-Young Academy
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of Lincoln-King Adams-Young Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Lincoln-King Adams-Young Academy's internal control over financial reporting and compliance.

The image shows a handwritten signature in dark ink. The letters 'UHY' are large and stylized, followed by 'LLP' in a smaller, more standard script. The signature is written on a light-colored background.

Farmington Hills, Michigan
October 31, 2025

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

This section of Lincoln-King Adams-Young Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2025. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lincoln-King Adams-Young Academy financially as a whole. The Academy-Wide statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide detail on whether there are more or fewer financial resources that can be spent in the near future to finance programs. The fund financial statements look at the Academy's operations in more detail than the Academy-wide statements by providing information about the Academy's funds. The components of the annual report are as follows:

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

Basic Financial Statements

Academy-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information

Budgetary Information for Major Fund

Other Supplementary Information

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Reporting the Academy as a Whole – Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position – the difference between assets and liabilities, as reported in the statement of net position – which is one way to measure the Academy's financial health or financial position.

Over time, increases or decreases in the Academy's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as quality of the education provided and the safety of the schools, to assess overall health of the Academy.

The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services and food services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Fund – Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds – not the Academy as a whole. Some funds are required to be established by State law and by bond covenants.

The governmental funds of the Academy use the following accounting approach:

All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2025 and 2024:

	Governmental Activities	
	2025	2024
ASSETS		
Current and other assets	\$ 4,596,796	\$ 9,532,186
Capital assets	1,201,980	1,100,065
Total assets	5,798,776	10,632,251
LIABILITIES		
Current liabilities	5,542,185	9,513,667
NET POSITION		
Net investment in capital assets	1,201,980	1,100,065
Restricted	-	1,254
Unrestricted (deficit)	(945,389)	17,265
Total net position	\$ 256,591	\$ 1,118,584

The above analysis focuses on the net position (see above table). The change in net position (see table below) of the Academy's governmental activities is discussed below. The Academy's net position was \$256,591 at June 30, 2025. Capital assets totaling \$1,201,980 represent the original cost less depreciation of the Academy's capital assets.

The \$(945,389) in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The Academy as a Whole (Continued)

The results of the year's operations for the Academy as a whole are reported in the statement of activities (see table below), which shows the changes in net position for fiscal years 2025 and 2024.

	Governmental Activities	
	2025	2024
Revenues:		
Program Revenues -		
Charges for services	\$ 197,057	\$ 126,514
Operating grants and contributions	2,060,271	3,836,896
General Revenues -		
State foundation allowance	18,625,033	15,193,600
Other	749,498	411,698
Total revenues	21,631,859	19,568,708
Functions/program expenses:		
Instruction	8,806,663	8,299,996
Support services	12,051,502	11,856,716
Food service	1,146,278	1,031,519
Community service	173,779	85,003
Depreciation (unallocated)	315,630	383,692
Total functions/program expenses	22,493,852	21,656,926
Decrease in net position	(861,993)	(2,088,218)
Beginning net position	1,118,584	3,206,802
Ending net position	\$ 256,591	\$ 1,118,584

As reported in the statement of activities, the cost of all of our governmental activities this year was \$22,493,852. Certain activities were partially funded from those who benefited from the programs or by other governments that subsidized certain programs with grants of \$2,060,271. We paid for the remaining "public benefit" portion of our governmental activities with \$18,625,033 in state foundation allowance and \$749,498 in other revenues, i.e., interest, donations, etc.

The Academy experienced a decrease in net position of \$861,993, which was due to operating expenses.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The Academy as a Whole (Continued)

As discussed above, the net cost shows the financial burden placed on the State and the Academy's taxpayers by each function. Since unrestricted State aid constitutes the vast majority of the Academy's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

The Academy's Governmental Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being held accountable for the resources the State and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund deficit of \$(945,389) which is a \$4,872,126 improvement from last year's balance.

General Fund Deficit

Financial Condition and Future Outlook

At the close of the current fiscal year, the Academy's governmental funds reported combined fund balances of \$(945,389). Of this amount, \$(945,389) was reported as "unrestricted net position," indicating a deficit in the General Fund. This negative balance means that no funds were available for discretionary purposes and the Academy is operating with a deficit fund balance.

Causes of the Deficit

The deficit of \$(945,389) in the General Fund can be primarily attributed to unforeseen decreases in state and federal grant dollars and increased costs for personnel and building repairs during the fiscal year.

Deficit Elimination Plan

In response to this deficit condition, the Academy's Board of Directors has adopted and certified a comprehensive Deficit Elimination Plan (DEP) on June 26, 2025. This plan is designed to eliminate the General Fund deficit within a five-year period, as required by state law.

Key components and planned actions of the DEP are as follows:

- **Fiscal Year 2026:**
 - An increase in Local Revenues will come primarily from increased funding from its management company to support after school services the Academy provides to its Dawn to Dusk program.
 - Consult with a Wayne RESA Food Service Consultant to reduce Food Service expenses in the future.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

General Fund Deficit (Continued)

- **Fiscal Year 2027:**
 - An increase in Local Revenues will come primarily from increased funding from its management company to support after school services the Academy provides to its Dawn to Dusk program.
 - Food Services costs will come into alignment with Revenue.
 - Modest growth in student headcount and in the State Foundation Allowance per pupil funding forecasted.
- **Subsequent Years:**
 - Additional increases in Local Revenues will come from increased funding from the management company, and we will reduce expenditures across various departments to achieve fund balance targets.
 - Modest growth in student headcount and in State Foundation Allowance per pupil funding forecasted.

Monitoring and Compliance

The Academy is required to submit monthly budgetary control reports to the Department of Treasury and post them on its budget transparency page. Failure to meet the established fund balance targets or implement the approved plan may result in the state withholding future aid payments. The management is committed to adhering to this plan to restore fiscal stability and ensure ongoing compliance with all financial regulations.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget at its attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2025. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

The final budget amendment increased local sources by \$364,113, increased private sourced contributions by \$48,172, increased state sources by \$1,090,612 due to increased student headcount, and increased federal sources by \$5,708,920 due to the late arrival of the ESSER award coming in September 2024.

The final budget amendment decreased instruction by \$1,363,402, increased supporting services by \$2,005,314 and total expenditures by \$3,467,326.

LINCOLN-KING ADAMS-YOUNG ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

General Fund Budgetary Highlights (Continued)

Expenditures exceeded budgeted amounts as follows:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic Programs	\$ 6,597,441	\$ 6,686,454	\$ (89,013)
Supporting services			
Pupil	1,441,030	1,450,627	(9,597)
Instructional	721,380	725,232	(3,852)
School administration	823,246	851,557	(28,311)
Operations and maintenance	4,703,781	4,831,822	(128,041)
Pupil transportation and services	95,388	96,401	(1,013)
Central services	650,093	654,257	(4,164)
Other services	418,723	444,868	(26,145)

Capital Assets

As of June 30, 2025, the Academy had \$1,201,980 invested in capital assets representing an increase of \$101,915 from 2024. The decrease is due capital asset deletions and the annual depreciation on assets. Additional information on the Academy's capital assets can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The June 2025-2026 budget adopted in June was based on an estimated student enrollment expected in September 2025. Approximately 79 percent of the total general fund revenue is from the foundation allowance. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Lincoln-King Adams-Young Academy
STATEMENT OF NET POSITION
June 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 205,076
Accounts receivable	248,879
Due from other governmental units	3,837,598
Due from related party	247,500
Prepaid items	57,743
Capital assets - net of accumulated depreciation	<u>1,201,980</u>
Total assets	<u>5,798,776</u>
LIABILITIES	
Accounts payable	3,439,603
Accrued expenditures	88,820
Accrued salaries payable	1,086,675
Due to other governmental units	130,000
Unearned revenue	390,970
Notes payable - current	<u>406,117</u>
Total liabilities	<u>5,542,185</u>
NET POSITION	
Investment in capital assets	1,201,980
Unrestricted	<u>(95,389)</u>
Total net position	<u><u>\$ 256,591</u></u>

Lincoln-King Adams-Young Academy
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
Governmental activities -				
Instruction	\$ 8,806,663	\$ -	1,134,521	\$ (7,672,142)
Supporting services	12,051,502	197,057	-	(11,854,445)
Food services	1,146,278	-	925,750	(220,528)
Community activity	173,779	-	-	(173,779)
Depreciation (unallocated)	315,630	-	-	(315,630)
Total governmental activities	<u>\$ 22,493,852</u>	<u>\$ 197,057</u>	<u>\$ 2,060,271</u>	<u>\$ (20,236,524)</u>
GENERAL REVENUES				
State aid - unrestricted				18,625,033
Other income				<u>749,498</u>
Total general revenues				<u>19,374,531</u>
Change in net position				(861,993)
NET POSITION - beginning of year				<u>1,118,584</u>
NET POSITION - end of year				<u>\$ 256,591</u>

Lincoln-King Adams-Young Academy
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Non-major Food Service Fund	Total
ASSETS			
Cash	\$ 205,076	\$ -	\$ 205,076
Accounts receivable	248,879	-	248,879
Due from other governmental units	3,808,882	28,716	3,837,598
Due from other funds	-	11,280	11,280
Due from related party	247,500	-	247,500
Prepaid items	57,743	-	57,743
Total assets	<u>\$ 4,568,080</u>	<u>\$ 39,996</u>	<u>\$ 4,608,076</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	3,400,567	39,036	\$ 3,439,603
Due to other governmental units	130,000	-	130,000
Due to other funds	11,280	-	11,280
Accrued expenditures	88,820	-	88,820
Accrued salaries payable	1,085,715	960	1,086,675
Unearned revenue	390,970	-	390,970
Note payable - current	406,117	-	406,117
Total liabilities	5,513,469	39,996	5,553,465
FUND BALANCE (DEFICIT)			
Non-spendable - prepaid items	57,743	-	57,743
Unassigned (deficit)	(1,003,132)	-	(1,003,132)
Total fund balances (deficit)	<u>(945,389)</u>	<u>-</u>	<u>(945,389)</u>
Total liabilities and fund balances	<u>\$ 4,568,080</u>	<u>\$ 39,996</u>	<u>\$ 4,608,076</u>

Lincoln-King Adams-Young Academy
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2025

TOTAL FUND BALANCES (DEFICIT) FOR GOVERNMENTAL FUNDS \$ (945,389)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	2,915,682
Deduct - accumulated depreciation	<u>(1,713,702)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>256,591</u>
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Lincoln-King Adams-Young Academy
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
For the Year Ended June 30, 2025

	General Fund	Food Service Fund	Total
REVENUES			
Local sources	\$ 946,555	\$ -	\$ 946,555
State sources	18,625,033	44,944	18,669,977
Federal sources	6,970,555	880,806	7,851,361
Total revenues	26,542,143	925,750	27,467,893
EXPENDITURES			
Current -			
Instruction services -			
Basic programs	\$ 6,686,454	\$ -	\$ 6,686,454
Added needs	2,120,209	-	2,120,209
Total instruction services	8,806,663	-	8,806,663
Supporting services -			-
Pupil	1,450,627	-	1,450,627
Instructional	725,232	-	725,232
General administration	3,257,688	-	3,257,688
School administration	851,557	-	851,557
Business services	156,595	-	156,595
Operation and maintenance	4,831,822	-	4,831,822
Pupil transportation and services	96,401	-	96,401
Central services	654,257	-	654,257
Other services	444,868	-	444,868
Total supporting services	12,469,047	-	12,469,047
Food services	-	1,146,278	1,146,278
Community activity	173,779	-	173,779
Total expenditures	21,449,489	1,146,278	22,595,767
Revenues over (under) expenditures	5,092,654	(220,528)	4,872,126
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	219,274	219,274
Transfer to other funds	(219,274)	-	(219,274)
Total financing sources (uses)	(219,274)	219,274	-
Net change in fund balance	4,873,380	(1,254)	4,872,126
FUND BALANCE (DEFICIT) - beginning of year	(5,818,769)	1,254	(5,817,515)
FUND BALANCE (DEFICIT) - end of year	<u>\$ (945,389)</u>	<u>\$ -</u>	<u>\$ (945,389)</u>

Lincoln-King Adams-Young Academy

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2025

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,872,126
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Capital Outlay	417,545
Depreciation expense	(315,630)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather deferred to subsequent fiscal years.

Change in unavailable grants:	<u>(5,836,034)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (861,993)</u>
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Lincoln-King Adams-Young Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 – NATURE OF OPERATIONS

The accounting policies of Lincoln-King Adams-Young Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The following is a summary of the Academy’s significant accounting policies:

Reporting Entity

The Academy was formed as a public-school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on January 3, 2001, and began operation in July 2021.

On July 1, 2021, the Academy entered into a five-year contract with Grand Valley State University’s Board of Trustees to charter a public- school academy through June 30, 2026. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University’s Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. This criterion includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy’s reporting entity, and which organizations are legally separate component units of the Academy. Based on these criteria, the Academy had no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide Financial Statements

The Academy-wide statement of net position presents governmental activities using the *economic resources measurement focus* and *accrual basis of accounting*. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. Governmental activities are normally supported by intergovernmental revenues.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 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. Unrestricted state aid, and other items not properly included among program revenues are reported instead as *general revenues*.

The effect of inter-fund activity has been eliminated in the statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The Academy reports the following major governmental fund:

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

Additionally, the Academy reports the following fund-type:

Special Revenue (Food Service) Fund – The Food Service Fund is used to account for specific revenues that are restricted to expenditures for food service operations.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

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

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is necessary.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings and equipment, are reported in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Capital assets are expensed in the fund financial statements at the time of purchase within the activity code that will utilize the asset. If the asset is not identified with an activity, it is reported within the capital outlay activities.

Capital assets are depreciated using the straight-line method over the estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture and other equipment	5 - 15 years

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance in the following categories:

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

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

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

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Directors.

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

For the year ended June 30, 2025, the Academy implemented GASB Statement No. 101, *Compensated Absences*.

Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

As of June 30, 2025, the Academy has adopted GASB Statement No. 101. No adjustment was required, as the Academy does not have employees as they are employees of the management company.

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the Academy's financial statements when adopted. The Academy is currently evaluating the implications of the pronouncements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement is effective for the Academy's fiscal year ending June 30, 2026. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-of-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Pronouncements (Continued)

Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General and the Food Services Funds and all special revenue funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan law. State law permits the Academy to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner; the Academy amended the budget to reflect changes in funding from federal and state sources.

Expenditures Over Appropriations

The General Fund and the Food Service Fund had expenditures in excess of amounts appropriated as follows:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic Programs	\$ 6,597,441	\$ 6,686,454	\$ (89,013)
Supporting services			
Pupil	1,441,030	1,450,627	(9,597)
Instructional	721,380	725,232	(3,852)
School administration	823,246	851,557	(28,311)
Operations and maintenance	4,703,781	4,831,822	(128,041)
Pupil transportation and services	95,388	96,401	(1,013)
Central services	650,093	654,257	(4,164)
Other services	418,723	444,868	(26,145)
Food Service Fund			
Expenditures	1,129,878	1,146,278	(16,400)

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations with Michigan offices. The Academy has designated one bank for the deposit of its funds.

Custodial Credit Risk– Custodial credit risk is the risk that in the event of a bank failure, the Academy’s deposits may not be returned to it. The carrying value of \$205,076 and bank balance of the Academy’s deposits was \$560,852. As of June 30, 2025, \$310,852 was not insured by the FDIC.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 590,564	\$ 340,097	\$ -	\$ 930,661
Furniture and equipment	1,907,573	77,448	-	1,985,021
	<u>2,498,137</u>	<u>417,545</u>	<u>-</u>	<u>2,915,682</u>
Accumulated depreciation -				
Building and improvements	208,371	87,093	-	295,464
Furniture and equipment	1,189,701	228,537	-	1,418,238
	<u>1,398,072</u>	<u>315,630</u>	<u>-</u>	<u>1,713,702</u>
Net capital assets , being depreciated	<u>\$ 1,100,065</u>	<u>\$ 101,915</u>	<u>\$ -</u>	<u>\$ 1,201,980</u>

Depreciation expense of \$315,630 was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances are as follows

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Food service fund	General fund	<u>\$ 11,280</u>

This balance resulted from transfer noted below net with reimbursement of costs.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers to/from Other Funds

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Food service fund	General fund	<u>\$ 219,274</u>

The transfer was made to assist in covering operational costs.

NOTE 7 – LEASES

The Academy has entered into a lease agreement for a facility to house the Academy. The lease term is from July 1, 2021, through June 30, 2026. The lease includes variable payments based on 15% of the per-pupil student enrollment amount. The amounts paid under the lease was \$2,197,005 for the year ended June 30, 2025.

The Academy is not a party to any leasing arrangements that meet the criteria for recognizing lease assets or liabilities under GASB Statement No. 87, Leases based on variable payment structure.

NOTE 8 – NOTES PAYABLE

On September 27, 2024, the Academy entered into a debt agreement with a Credit Union that matures on August 27, 2025. The Academy borrowed \$2,186,000 at an interest rate of 5.73 percent. The borrowing was utilized for working capital. The note is secured by a collateral assignment of payments due the Academy from the State of Michigan Department of Education pursuant to a certain Interceptor Agreement. Interest paid for the year ended June 30, 2025, was \$60,890 and was allocated to Supporting services – business services.

The activity for notes payable for the year ended June 30, 2025, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Alliance Catholic Credit Union Note	<u>-</u>	<u>2,186,000</u>	<u>1,779,883</u>	<u>406,117</u>
Total	<u>\$ -</u>	<u>\$ 2,186,000</u>	<u>\$ 1,779,883</u>	<u>\$ 406,117</u>

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

NOTE 10 – CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

NOTE 11 - ADMINISTRATION/OPERATIONAL CONTRACT(S) AND RELATED PARTY TRANSACTIONS

The Academy pays Grand Valley State University three percent of State Aid as administrative fees. The total administrative fees were \$448,697 for the year ended June 30, 2025. Of that amount, \$75,785 was payable at June 30, 2025.

The Academy entered into an agreement with Three Pillars: Anew d/b/a Cornerstone Education Group ("Cornerstone") to provide a variety of services including financial management, educational programs, education consulting, and teacher training. For the year ended June 30, 2025, the total for these services was \$2,769,447 for financial and administrative management services and \$9,149,484 for educational services.

The Academy entered into an agreement with Cornerstone, in which Cornerstone will cover payroll and vendor expenditures related to the newly formed Dawn to Dusk program for instruction and supporting services costs during the year ended June 30, 2025. For the year ended June 30, 2025, the total support covered for the Academy was \$1,150,000.

NOTE 12 – BUDGETS ADOPTED WITH NEGATIVE FUND BALANCE

Per Michigan Compiled Law (MCL 380.1220(1)) a public-school academy shall not adopt or operate under a deficit budget and shall not incur an operating deficit in a fund during a school fiscal year.

The Academy adopted both an original budget and a final budget for the General Fund with a deficit fund balance of \$4,973,624 and \$1,160,403 respectively.

Lincoln-King Adams-Young Academy
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 – GOING CONCERN

Per Michigan Compiled Law (MCL 380.1220(1)) a public-school academy shall not adopt or operate under a deficit budget and shall not incur an operating deficit in a fund during a school fiscal year. Based on the Academy having a fund deficit in the General Fund of \$945,389 as of June 30, 2025. There is doubt as to whether the Academy will generate sufficient cash flow to be able to finance its operations.

A deficit elimination plan has been filed with, and approved by, the Michigan Department of Education. Per the details of this plan, the Academy expects to return to a positive fund balance by the end of FY 2028-29 and maintain a positive fund balance thereafter. It will achieve this through controlling costs and by increasing its Local Revenues. The increase in Local Revenues will come primarily from increased funding from its management company to support after school services the academy provides in its Dawn to Dusk program. The management company has become a certified Latchkey services provider allowing it to receive government funding for after school and day care services. The management company will be allocating a portion of the Latchkey revenue annually to the academy to support the after-school programs. This increase in revenue combined with the ongoing State and Federal revenues will allow the academy to achieve and maintain a positive fund balance as indicated in the deficit elimination plan.

NOTE 14 – SUBSEQUENT EVENTS

The Academy has performed a review of the events subsequent to the statement of financial position through October 31, 2025, the date the financials were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Lincoln-King Adams-Young Academy
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2025

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
Local sources	\$ -	\$ 364,113	\$ 436,361	\$ 72,248
Private sources	301,238	349,410	510,194	160,784
State sources	17,478,350	18,568,962	18,625,033	56,071
Federal sources	1,466,210	7,175,130	6,970,555	(204,575)
Total revenues	19,245,798	26,457,615	26,542,143	84,528
EXPENDITURES				
Instruction -				
Basic programs	5,470,791	6,597,441	6,686,454	(89,013)
Added needs	1,945,500	2,182,252	2,120,209	62,043
Total instruction	7,416,291	8,779,693	8,806,663	(26,970)
Supporting services-				
Pupil	1,370,140	1,441,030	1,450,627	(9,597)
Instructional	885,300	721,380	725,232	(3,852)
General administration	1,982,721	3,561,925	3,257,688	304,237
School administration	801,900	823,246	851,557	(28,311)
Business support	191,200	165,910	156,595	9,315
Operations and maintenance	3,996,301	4,703,781	4,831,822	(128,041)
Pupil transportation and services	87,000	95,388	96,401	(1,013)
Central services	828,400	650,093	654,257	(4,164)
Other services	433,200	418,723	444,868	(26,145)
Total supporting services	10,576,162	12,581,476	12,469,047	112,429
Community service	85,600	184,210	173,779	10,431
Total expenditures	18,078,053	21,545,379	21,449,489	95,890
Revenues over (under) expenditures	1,167,745	4,912,236	5,092,654	(11,362)
OTHER FINANCING USES				
Transfer to other funds	(322,600)	(253,870)	(219,274)	34,596
Net change in fund balance	845,145	4,658,366	4,873,380	23,234
FUND BALANCE (DEFICIT) - beginning of year	<u>(5,818,769)</u>	<u>(5,818,769)</u>	<u>(5,818,769)</u>	<u>-</u>
FUND BALANCE (DEFICIT)- end of year	<u>\$ (4,973,624)</u>	<u>\$ (1,160,403)</u>	<u>\$ (945,389)</u>	<u>\$ 215,014</u>

OTHER SUPPLEMENTARY INFORMATION

Lincoln-King Adams-Young Academy
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
For the year ended June 30, 2025

	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
State sources	\$ -	\$ -	\$ 44,944	\$ 44,944
Federal sources	658,000	874,754	880,806	6,052
Total revenues	658,000	874,754	925,750	50,996
EXPENDITURES				
Food service	980,600	1,129,878	1,146,278	(16,400)
Revenues under expenditures	(322,600)	(255,124)	(220,528)	34,596
OTHER FINANCING SOURCES				
Transfer from other funds	322,600	253,870	219,274	(34,596)
Net change in fund balance	-	(1,254)	(1,254)	-
FUND BALANCE -beginning of year	1,254	1,254	1,254	-
FUND BALANCE -end of year	<u>\$ 1,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Federal Awards Supplemental Information



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Lincoln-King Adams-Young Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Lincoln-King Adams-Young 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 31, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 through 2025-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as items 2025-001 through 2025-005.

The Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln-King Adams-Young Academy's response to the 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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, sans-serif font to the right.

Farmington Hills, Michigan
October 31, 2025

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS
Year ended June 30, 2025

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? X Yes No
- Significant deficiency(ies) identified
not considered to be material weaknesses? Yes X None noted

Noncompliance material to the
financial statements noted?

 X Yes None noted

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

**Reference
Number**

Findings

2025-001

Finding Type – Material weakness in internal controls over financial reporting - Material adjusting entries (repeat findings, 2024-001, 2023-001 and 2023-002)

Repeat Finding - Yes

Criteria – Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles. Statement on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in the Audit,” specifies that if material audit adjustments are required to be proposed, the entity has a material weakness in internal control over financial reporting.

Condition – During our audit, we noted balances did not agree to supporting schedules and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy’s general ledger to the appropriate balances.

Cause – The Academy’s internal controls did not detect all misstatements necessary to properly report year-end balances and certain accounts were not reconciled to subsidiary records.

Effect – As a result of this condition significant entries were proposed, including a prior period adjustment to the Academy’s fund balance and net position.

Recommendation – Management has already taken action by reviewing and approving the proposed audit adjustments. In addition to eliminate/reduce future material audit adjustments, the Academy administration should evaluate the process in current use to review the work generated from the year-end closing process prior to formally closing the “books” for the annual financial statement audit.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Findings

2025-002

Finding Type – Material weakness in internal control – Bank reconciliations (repeat finding 2024-002)

Repeat Finding - Yes

Criteria – Management is required to create proper internal controls over cash, that requires a monthly bank reconciliation to be performed on all cash accounts within an entity to determine that the ending bank balance is reconciled to the general ledger balance on a timely basis and all reconciling items are properly accounted for and recorded.

Condition – The Academy did not prepare timely bank reconciliations for the months of July, August, October and November 2024. The July and August 2024 bank reconciliations were not completed until October 2024 and the October and November 2024 bank reconciliations were not completed until January 2025.

Context – Four out of twelve months of bank reconciliations were not reconciled on a timely basis.

Cause/Effect – There was personnel turnover during the beginning of the year in roles that assisted in reconciling the bank statements.

Recommendation – Although there is a formal policy regarding the month-end cash reconciliations and approval process, the process was not followed. We recommend that management review its policies and institute controls to assure that they are followed in the future.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Findings

2025-003

Finding Type – Material weakness, material noncompliance – Deficit Fund Balance/Going Concern – Violation of Uniform Budgeting & Accounting Act.

Repeat Finding - No

Criteria – The Michigan Department of Education MCL 380.1220 (1) does not allow for Academy's receiving funds under the act to operate under a deficit.

Condition – The Academy's General fund has an unassigned deficit fund balance as of June 30, 2025, in the amount of \$945,389.

Cause – The Academy has experienced expenditures in excess of revenues for each year since 2022.

Effect – The Academy's General fund has an unassigned deficit fund balance as of June 30, 2025, in the amount of \$945,389.

Recommendation – The Academy should continue to review budgeting policies and procedures to ensure compliance with the approved deficit elimination plan and submit needed revisions as they arise.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Finding

2025-004

Finding Type – Material weakness in internal controls over financial reporting

Repeat Finding - No

Criteria – Per 2 CFR § 200502(a), The determination of when a federal award is expended must be based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the nonfederal entity to comply with federal statutes, regulation, and terms and conditions of federal awards, such as: expenditure/expenses transactions, associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian tribes, cooperative agreements , and direct appropriations; the disbursement of funds to subrecipients: the use of loan proceeds under loan and loan guarantee programs: the receipt of property: the receipt of surplus property: the receipt or use of program income: the distribution of use of food commodities: the disbursement of amounts entitling the nonfederal entity to an interest subsidy: and the period when insurance is in force.

Condition –The initial schedule of federal expenditures (SEFA) did not report expenditures in accordance with the above regulations.

Cause – The Academy's internal controls were not adequate to create a complete and accurate SFEA, resulting in revisions to the SEFA.

Effect –The initial major program determination required updating after the revisions noted above were made to the SEFA.

Recommendation – We recommend that management review its procedures and controls in place to ensure that the expenditures reported on the SEFA are complete and accurate.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

**Reference
Number**

Findings

2025-005

Finding Type – Noncompliance, material to the financial statements
– Deficit Elimination Plan – Violation of General Appropriations Resolution

Repeat Finding - No

Criteria – The Michigan Department of Education MCL 380.1220 requires after the board has approved the Academy's deficit elimination plan it shall post the plan on the Academy's website

Condition – The Academy' did not post a copy of its 2024-2025 deficit elimination plan to the website.

Context – The Academy is in non-compliance with the Michigan Department of Education, due to failure to post the 2024-2025 deficit elimination plan on the Academy's website.

Cause – The Academy failed to post a copy of its 2024-2025 deficit elimination plan to the website

Effect – The Academy is not in compliance with the General Appropriations Resolution

Recommendation – Once the Board has approved the Academy's deficit elimination plan, management should immediately post the deficit elimination plan to the Academy's website.

View of Responsible Officials and Corrective Action Plan – Management agrees with the finding. See corrective action plan.

LINCOLN-KING ADAMS-YOUNG ACADEMY
SCHEDULE OF FINDINGS (CONTINUED)
Year ended June 30, 2025

SECTION IV – PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

The responses below for findings identified in the 2024 audit report, identified as 2024-001 through 2024-003, were provided by Mary Ann Johnson, Director of Finance.

Finding 2024-001:

2024-001: Material weakness - The Academy's accounts required significant adjustments to the general ledger to properly reflect the appropriate balance after the books and records were presented for audit.

Status of finding - The Academy has not cleared this finding, which has been repeated in the current year as finding 2025-001.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year and is in the process of creating year-end closing processes.

Planned correction action: see finding 2025-001.

Finding 2024-002:

2024-002: Material weakness - The Academy did not prepare timely bank reconciliations for the months of January through April 2024. The reconciled January through April 2024 bank reconciliations were not completed until June 2024.

Status of finding - The Academy has not cleared this finding, which has been repeated in the current year as finding 2025-002.

Reason for reoccurrence: The Academy continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The Academy has had a changeover in staff in the past year and is in the process of creating year-end closing processes.

Planned correction action: see finding 2025-002.

Finding 2024-003:

2024-003: Material weakness - The Academy did not file the financial audit timely in accordance with State School Aid Act MCL 388.1718.

Status of finding: The Academy has resolved this finding in current year.

October 30, 2025

FEDERAL AUDIT CLEARINGHOUSE

RE: Lincoln-King Adams-Young Academy

CORRECTIVE ACTION PLAN

FISCAL YEAR ENDED: JUNE 30, 2025

RE: CORRECTIVE ACTION PLAN (CAP)

FINANCIAL STATEMENT AUDIT FINDINGS

Finding Number: 2025-001

Condition – During our audit, we noted balances did not agree to supporting schedules and we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the Academy's general ledger to the appropriate balances.

Planned Corrective Action: Although the Academy has a month-end review process and month-end checklist in place to help catch material misstatements, the review process will be improved in the following ways:

- Additional subledger schedules will be maintained and reconciled monthly for all Balance Sheet accounts.

Anticipated Completion Date: July 1, 2025

Point of Contact: Mary Ann Johnson

Finding Number: 2025-002

Condition – The Academy did not prepare timely bank reconciliations for the months of July, August, October, and November 2024. The July and August 2024 bank reconciliations were not completed until October 2024 and the October and November 2024 bank reconciliations were not completed until January 2025.

Planned Corrective Action: The delays in completing the reconciliations were due to a carryover effect of the prior year Finance Team transitions, combined with the department's resources being stretched by the Michigan Department of Education launching 5 unplanned ESSER audits. These audits impacted all four school districts supported by the Finance Team. We engaged outside resources to catch up on the bank reconciliations and have since maintained timely completion of all reconciliations.

FEDERAL AUDIT CLEARINGHOUSE**PAGE 2****RE: CORRECTIVE ACTION PLAN (CAP)** (Continued)**FINANCIAL STATEMENT AUDIT FINDINGS** (Continued)**Anticipated Completion Date:** January 31, 2025**Point of Contact:** Mary Ann Johnson**Finding Number: 2025-003****Condition** – The Academy's General Fund has an unassigned deficit fund balance as of June 30, 2025, in the amount of \$945,389.**Planned Corrective Action:** Based on the Deficit Elimination plan that was submitted at the end of June 2025, Management anticipates the negative General Fund balance will be eliminated by June 30, 2029, and a 5% General Fund balance will be achieved by June 30, 2030.**Anticipated Completion Date:** June 30, 2029**Point of Contact:** Mary Ann Johnson**Finding Number: 2025-004****Condition** – The initial schedule of federal expenditures (SEFA) did not report expenditures in accordance with 2 CFR § 200.502(a).**Planned Corrective Action:** Planned improvements to our accounting system that would have automated SEFA accounting and reporting were delayed, due to resources being required for handling 5 unplanned ESSER audits launched by the Michigan Department of Education across all four school districts. These improvements will be completed in FY25/26.**Anticipated Completion Date:** January 1, 2026**Point of Contact:** Mary Ann Johnson



FEDERAL AUDIT CLEARINGHOUSE

PAGE 3

RE: CORRECTIVE ACTION PLAN (CAP) (Continued)

FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Finding Number: 2025-005

Condition – The Academy did not post a copy of its 2024-2025 Deficit Elimination Plan to the district's website.

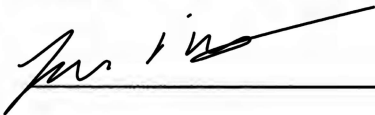
Planned Corrective Action: Once the Academy realized the Deficit Elimination Plan was not posted on the website, our Director of Compliance, corrected the problem immediately. We will continue to work with the Compliance Team to ensure this is not a problem in the future.

Anticipated Completion Date: October 1, 2025

Point of Contact: Mary Ann Johnson

Sincerely,

Joseph Valentic, Chief Financial Officer



Mary Ann Johnson, Director of Finance