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# Dr. Joseph F. Pollack Academic Center of Excellence

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**Financial Report  
with Supplementary Information  
June 30, 2024**

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## **Independent Auditor's Report**

To the Board of Directors  
Dr. Joseph F. Pollack Academic Center  
of Excellence

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and the major funds of Dr. Joseph F. Pollack Academic Center of Excellence (the "Academy") as of and for the year ended June 30, 2024 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Academy as of June 30, 2024 and the respective changes in its 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 (GAAS) 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 12 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 GAAS 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.

To the Board of Directors  
Dr. Joseph F. Pollack Academic Center  
of Excellence

In performing an audit in accordance with GAAS 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 the major 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, which 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 the Academy's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
Dr. Joseph F. Pollack Academic Center  
of Excellence

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Academy's internal control over financial reporting and compliance.

*Plante & Moreau, PLLC*

September 30, 2024

This section of Dr. Joseph F. Pollack Academic Center of Excellence's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2024. 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 financial statements. These statements are organized so the reader can understand Dr. Joseph F. Pollack Academic Center of Excellence financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's most significant funds, the General Fund and Debt Service Fund. This report is composed of the following elements:

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

##### **Basic Financial Statements**

Academy-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

##### **Required Supplementary Information**

Budgetary Information for General Fund

##### **Other Supplementary Information**

#### ***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 a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, 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 revenue 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 plus deferred outflows of resources and liabilities, as reported in the statement of net position - as 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 revenue 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 the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

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

## Dr. Joseph F. Pollack Academic Center of Excellence

### Management's Discussion and Analysis (Continued)

#### ***Reporting the Academy's 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. However, the Academy establishes other funds to help it control and manage money for particular purposes (the Debt Service Fund is an example).

#### **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 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 governmental funds in a reconciliation.

#### ***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, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in thousands)	
<b>Assets</b>		
Current and other assets	\$ 3,768.7	\$ 3,758.6
Capital assets	5,617.0	5,328.2
Total assets	9,385.7	9,086.8
<b>Deferred Outflows of Resources</b>	26.6	28.3
<b>Liabilities</b>		
Current liabilities	849.0	704.2
Noncurrent liabilities	6,935.0	7,210.0
Total liabilities	7,784.0	7,914.2
<b>Net Position</b>		
Net investment in capital assets	(1,291.4)	(1,853.5)
Restricted	244.1	213.7
Unrestricted	2,675.6	2,840.7
Total net position	<u>\$ 1,628.3</u>	<u>\$ 1,200.9</u>

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was \$1,628,307 at June 30, 2024. Net investment in capital assets totaling \$(1,291,394) compares the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. The debt will be repaid from General Fund revenue and Debt Service Fund cash as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use that net position for day-to-day operations. The remaining amount of net position, totaling \$2,675,564, was unrestricted.

## Dr. Joseph F. Pollack Academic Center of Excellence

### Management's Discussion and Analysis (Continued)

The \$2,675,564 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2024 and 2023:

	Governmental Activities	
	2024	2023
	(in thousands)	
<b>Revenue</b>		
Program revenue - Operating grants	\$ 2,914.1	\$ 3,086.1
General revenue:		
State aid not restricted to specific purposes	5,828.9	5,234.3
Other	77.6	110.1
Total revenue	8,820.6	8,430.5
<b>Expenses</b>		
Instruction	3,938.3	3,957.0
Support services	3,620.9	3,835.4
Athletics	9.4	5.8
Community services	60.1	71.4
Debt service	411.9	421.5
Depreciation expense (unallocated)	352.6	347.1
Total expenses	8,393.2	8,638.2
<b>Change in Net Position</b>	427.4	(207.7)
<b>Net Position - Beginning of year</b>	1,200.9	1,408.6
<b>Net Position - End of year</b>	<b>\$ 1,628.3</b>	<b>\$ 1,200.9</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,393,223. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions totaling \$2,914,068. We paid for the remaining public benefit portion of our governmental activities with \$5,906,547 in state foundation allowance and other revenue (i.e., interest and general entitlements).

The Academy experienced an increase in net position of \$427,392. The increase in net position is due primarily to the increase in state aid, which resulted from a higher student headcount in fiscal year 2023-2024. Management also focused efforts to reduce operating costs during the school year.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy's operating revenue sources, the board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

#### ***The Academy's 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 accountable for the resources taxpayers 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 balance of \$3,017,114, which is a decrease of \$138,162 from last year.

In the General Fund, our principal operating fund, the change is mainly due to an increase in capital outlay.



**Dr. Joseph F. Pollack Academic Center of Excellence**

**Management's Discussion and Analysis (Continued)**

The fund balance of our Debt Service Fund increased by \$27,035.

**General Fund Budgetary Highlights**

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenue 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 2024. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information to these financial statements.

There were significant revisions made to the 2023-2024 General Fund original budget. The main cause for the budget revision is the improvement in enrollment over the prior year, which still did not reach budgeted enrollment levels.

Budgeted expenditures were decreased by approximately \$326,000 to adjust for the enrollment shortfall. Salaries and related fringe benefits were reduced in recognition of the adjustments needed due to the student enrollment. The amount of transfers to other funds established in the amended budget was approximately \$711,000 and represents support provided by the General Fund to the Debt Service Fund.

There were no significant variances between the final budget and actual amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2024, the Academy had \$5,616,969 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of \$288,799 from last year.

	2024	2023
Land	\$ 326,600	\$ 326,600
Construction in progress	387,926	-
Buildings and improvements	4,397,125	4,588,940
Furniture and equipment	364,676	271,988
Land improvements	140,642	140,642
Total capital assets - Net of accumulated depreciation	<u>\$ 5,616,969</u>	<u>\$ 5,328,170</u>

This year's additions included furniture, equipment, and building/land improvements. We present more detailed information about our capital assets in the notes to the financial statements.

**Debt**

At the end of this year, the Academy had \$6,935,000 in bonds outstanding versus \$7,210,000 in the previous year, a decrease of 3.8 percent. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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

Our board and administration consider many factors when setting the Academy's 2024-2025 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2024-2025 budget was adopted in June 2024 based on an estimate of students who will enroll in September 2024. Approximately 66.1 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2024-2025 school year, we anticipate that the fall student count will be slightly short of the estimates used in creating the 2024-2025 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

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 appropriation to the Academy. The State periodically holds a Revenue Estimating Conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation, including a foundation allowance increase of \$375 per pupil for charter schools.

This financial report is intended to provide users of the report with a general overview of the Academy's finances and to demonstrate 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 Academy's business office.

## Dr. Joseph F. Pollack Academic Center of Excellence

### Statement of Net Position

June 30, 2024

	Governmental Activities
<b>Assets</b>	
Cash (Note 4)	\$ 1,817,267
Receivables - Due from other governments	1,562,169
Prepaid costs	47,768
Restricted assets (Notes 2 and 4)	341,550
Capital assets - Net (Note 7)	<u>5,616,969</u>
Total assets	9,385,723
<b>Deferred Outflows of Resources</b> - Deferred charges on bond refunding (Note 8)	26,637
<b>Liabilities</b>	
Accounts payable	74,214
Accrued liabilities and other:	
Accrued payroll-related liabilities	338,777
Accrued interest payable	97,413
Other current liabilities	30,371
Unearned revenue (Note 5)	308,278
Long-term liabilities:	
Due within one year (Note 8)	285,000
Due in more than one year (Note 8)	<u>6,650,000</u>
Total liabilities	<u>7,784,053</u>
<b>Net Position</b>	
Net investment in capital assets	(1,291,394)
Restricted - Debt service	244,137
Unrestricted	<u>2,675,564</u>
Total net position	<u><u>\$ 1,628,307</u></u>

## Dr. Joseph F. Pollack Academic Center of Excellence

### Statement of Activities

Year Ended June 30, 2024

	Expenses	Program Revenue		Governmental
		Charges for	Operating	Activities
		Services	Grants and	Net (Expense)
			Contributions	Revenue and
				Changes in
				Net Position
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 3,938,242	\$ -	\$ 1,515,315	\$ (2,422,927)
Support services	3,620,919	-	1,340,471	(2,280,448)
Athletics	9,435	-	-	(9,435)
Community services	60,112	-	58,282	(1,830)
Interest	401,930	-	-	(401,930)
Other debt costs	9,944	-	-	(9,944)
Depreciation expense (unallocated) (Note 7)	352,641	-	-	(352,641)
Total primary government	<b>\$ 8,393,223</b>	<b>\$ -</b>	<b>\$ 2,914,068</b>	(5,479,155)
General revenue:				
State aid not restricted to specific purposes				5,828,932
Other				77,615
Total general revenue				5,906,547
<b>Change in Net Position</b>				427,392
<b>Net Position - Beginning of year</b>				1,200,915
<b>Net Position - End of year</b>				<b>\$ 1,628,307</b>

**Dr. Joseph F. Pollack Academic Center of Excellence****Governmental Funds  
Balance Sheet****June 30, 2024**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash (Note 4)	\$ 1,817,267	\$ -	\$ 1,817,267
Receivables - Due from other governments	1,562,169	-	1,562,169
Prepaid costs	47,768	-	47,768
Restricted assets (Notes 2 and 4)	-	341,550	341,550
Total assets	<u><u>\$ 3,427,204</u></u>	<u><u>\$ 341,550</u></u>	<u><u>\$ 3,768,754</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 74,214	\$ -	\$ 74,214
Accrued liabilities and other:			
Accrued payroll-related liabilities	338,777	-	338,777
Other current liabilities	30,371	-	30,371
Unearned revenue (Note 5)	308,278	-	308,278
Total liabilities	751,640	-	751,640
<b>Fund Balances</b>			
Nonspendable - Prepaid expenses	47,768	-	47,768
Restricted - Debt service	-	341,550	341,550
Unassigned	2,627,796	-	2,627,796
Total fund balances	<u>2,675,564</u>	<u>341,550</u>	<u>3,017,114</u>
Total liabilities and fund balances	<u><u>\$ 3,427,204</u></u>	<u><u>\$ 341,550</u></u>	<u><u>\$ 3,768,754</u></u>

## Dr. Joseph F. Pollack Academic Center of Excellence

### Governmental Funds

### Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2024

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 3,017,114</b>
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 are not reported in the funds:	
Cost of capital assets	10,208,590
Accumulated depreciation	<u>(4,591,621)</u>
Net capital assets used in governmental activities	5,616,969
Deferred outflows related to bond refundings are not reported in the funds	26,637
Bonds payable and other obligations are not due and payable in the current period and are not reported in the funds	(6,935,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	<u>(97,413)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,628,307</u></b>

**Dr. Joseph F. Pollack Academic Center of Excellence****Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances****Year Ended June 30, 2024**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenue</b>			
Local sources	\$ 106,287	\$ 19	\$ 106,306
State sources	6,792,594	-	6,792,594
Federal sources	1,849,712	-	1,849,712
Interdistrict sources	72,003	-	72,003
Total revenue	8,820,596	19	8,820,615
<b>Expenditures</b>			
Current:			
Instruction	3,937,183	-	3,937,183
Support services	3,614,601	-	3,614,601
Athletics	9,435	-	9,435
Community services	60,112	-	60,112
Debt service:			
Principal (Note 8)	-	275,000	275,000
Interest	285	403,400	403,685
Other debt costs	4,161	5,783	9,944
Capital outlay	648,817	-	648,817
Total expenditures	8,274,594	684,183	8,958,777
<b>Excess of Revenue Over (Under) Expenditures</b>	546,002	(684,164)	(138,162)
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 6)	-	711,199	711,199
Transfers out (Note 6)	(711,199)	-	(711,199)
Total other financing (uses) sources	(711,199)	711,199	-
<b>Net Change in Fund Balances</b>	(165,197)	27,035	(138,162)
<b>Fund Balances - Beginning of year</b>	2,840,761	314,515	3,155,276
<b>Fund Balances - End of year</b>	<b>\$ 2,675,564</b>	<b>\$ 341,550</b>	<b>\$ 3,017,114</b>

## **Dr. Joseph F. Pollack Academic Center of Excellence**

### **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities**

**Year Ended June 30, 2024**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (138,162)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capitalized capital outlay	641,440
Depreciation expense	<u>(352,641)</u>

Total	288,799
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Repayments of bond principal and other obligations are expenditures in the governmental funds but not in the statement of activities (where they reduce long-term debt); amortization of discounts and outflows related to bond refundings are not expenses in the governmental funds

273,318
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Interest expense is recognized in the academy-wide statements as it accrues

<u>3,437</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 427,392</u></u></b>
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June 30, 2024

### Note 1 - Nature of Business

Dr. Joseph F. Pollack Academic Center of Excellence (the "Academy") is a charter school/academy in the state of Michigan that provides educational services to students.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The Academy follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Academy:

#### ***Reporting Entity***

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

On June 21, 1999, the Academy entered into a contract with Eastern Michigan University to charter a public school academy, which has been extended 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 Eastern Michigan University 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 Academy pays the Eastern Michigan University board of trustees up to 3 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2024 paid to the Eastern Michigan University board of trustees were \$173,809.

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives, the academy-wide perspective and the fund-based perspective. The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The academy-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule of reconciling these amounts to the modified accrual-based presentation found in the fund-based statements. For the most part, the effect of interfund activity has been removed from these statements. All of the academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 revenue are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Basis of Accounting***

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

**Note 2 - Significant Accounting Policies (Continued)**

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

***Fund Accounting***

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used. The various funds are aggregated into broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Academy reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to record transfers from the General Fund and interest revenue and the payments of interest, principal, and other expenditures on long-term debt.

**Interfund Activity**

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the academy-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the academy-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Specific Balances and Transactions***

**Cash**

Cash includes cash on hand and demand deposits.

**Receivables and Payables**

In general, outstanding balances between funds are reported as due to/from other funds.

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

**June 30, 2024****Note 2 - Significant Accounting Policies (Continued)****Prepaid Cost**

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

**Restricted Assets**

Restricted assets represent amounts over which third parties have imposed restrictions that cannot be changed by the board. The balance for the restricted asset account related to the Debt Service Fund is \$341,550 at June 30, 2024.

**Capital Assets**

Capital assets, which include land, buildings and additions, and furniture and equipment, are reported in the applicable governmental activities column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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. The Academy does not have infrastructure-type assets.

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

	Depreciable Life - Years
Land improvements	20
Buildings and improvements	10-40
Furniture and equipment	3-10

**Long-term Obligations**

In the academy-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond discounts are deferred and amortized over the life of the bond using the effective interest method.

In the fund financial statements, the face amount of the debt issued is reported as other financing uses. Discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position and/or balance sheet 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Academy reports deferred outflows related to deferred charges on bond refundings.

**Net Position**

Net position of the Academy is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Note 2 - Significant Accounting Policies (Continued)**

**Net Position Flow Assumption**

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the academy-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The Academy will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Academy has, by resolution, authorized the board of directors to assign fund balance. The board of directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Grants and Contributions**

The Academy receives federal, state, and local grants. Revenue from grants and contributions is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue.

June 30, 2024

**Note 2 - Significant Accounting Policies (Continued)****Compensated Absences**

It is the policy of the Academy's management company to permit staff to accumulate paid time off benefits, which are then charged to the Academy. Paid time off is allotted in a lump sum at the beginning of the school year. Paid time off is reported in the academy-wide financial statements. A liability for these amounts is reported in governmental funds only for staff terminations as of year end. Generally, the funds that report each staff's compensation are used to liquidate the obligations.

**Upcoming Accounting Pronouncements**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which 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 revenue, 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. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2026.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including September 30, 2024, which is the date the financial statements were available to be issued.

**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 Fund except that capital outlay expenditures are allocated among all expenditure categories. All annual appropriations lapse at fiscal year end. 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 amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Amendments were made during the year to account for personnel realignments and the acquisition of new furniture and equipment.

**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Academy did not have significant expenditure budget variances.

**Note 4 - 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 no 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. As of June 30, 2024, the Academy does not have any investments.

The Academy has designated two banks for the deposit of its funds.

The Academy's deposits consist solely of checking and savings accounts at local banks and money market funds in accordance with the Academy's investment policy. The Academy's cash is subject to custodial credit risk, which is examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

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 Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the Academy's deposits. At year end, the Academy had bank deposits totaling \$1,456,570 (checking and savings accounts) that were uninsured and uncollateralized.

**Note 5 - Unavailable/Unearned Revenue**

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2024, the Academy had no unavailable revenue.

At June 30, 2024, unearned revenue was as follows:

	Governmental Funds
	Liability - Unearned
Grant and categorical aid payment received prior to meeting all eligibility requirements	\$ 308,278

**Note 6 - Interfund Transfers**

Interfund transfers reported in the fund financial statements are composed of transfers to the Debt Service Fund from the General Fund of \$711,199. Transfers to the Debt Service Fund provided funding for debt service.

**June 30, 2024**

**Note 7 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2023	Additions	Balance June 30, 2024
Capital assets not being depreciated:			
Land	\$ 326,600	\$ -	\$ 326,600
Construction in progress	-	387,926	387,926
Subtotal	326,600	387,926	714,526
Capital assets being depreciated:			
Buildings and improvements	7,077,574	-	7,077,574
Furniture and equipment	1,712,275	253,514	1,965,789
Land improvements	450,701	-	450,701
Subtotal	9,240,550	253,514	9,494,064
Accumulated depreciation:			
Buildings and improvements	2,488,634	191,815	2,680,449
Furniture and equipment	1,440,287	160,826	1,601,113
Land improvements	310,059	-	310,059
Subtotal	4,238,980	352,641	4,591,621
Net capital assets being depreciated	5,001,570	(99,127)	4,902,443
Net governmental activities capital assets	\$ 5,328,170	\$ 288,799	\$ 5,616,969

Depreciation expense was not charged to activities, as the Academy's assets benefit multiple activities and allocation is not practical.

**Construction Commitments**

The Academy has active construction projects at year end. These projects are included within the General Fund. At year end, the Academy's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
HVAC project	\$ 387,926	\$ 189,249
Fire panel replacement	23,792	23,792
Total	\$ 411,718	\$ 213,041

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt - General obligation	\$ 7,210,000	\$ -	\$ (275,000)	\$ 6,935,000	\$ 285,000

The current year expense for general obligation deferred charges on bond refunding is \$1,682 with a balance of \$26,637 at June 30, 2024.



**June 30, 2024****Note 8 - Long-term Debt (Continued)*****General Obligation Bonds and Contracts***

The Academy issued limited obligation bonds to provide for the acquisition and construction of major capital facilities. Limited obligations have been issued for governmental activities. Bonds are direct obligations and pledge the full faith and credit of the Academy. In the Academy's 2023-2024 fiscal year, 20 percent of the monthly state aid payment was deposited directly into the Debt Service Fund to finance the debt service payments. The bonds are secured by a mortgage on the property.

Per the bond agreement, the Academy must meet the stated minimum cash-on-hand requirement, the repair and replacement fund requirement, and the debt service coverage ratio. In the event of noncompliance, the Academy must seek out a management consultant.

***Debt Service Requirements to Maturity***

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending June 30	Governmental Activities		
	Other Debt		Total
	Principal	Interest	
2025	\$ 285,000	\$ 389,650	\$ 674,650
2026	295,000	375,400	670,400
2027	310,000	360,650	670,650
2028	325,000	345,150	670,150
2029	345,000	328,900	673,900
2030-2034	2,035,000	1,324,800	3,359,800
2035-2039	2,700,000	667,000	3,367,000
2040	640,000	36,800	676,800
Total	<u>\$ 6,935,000</u>	<u>\$ 3,828,350</u>	<u>\$ 10,763,350</u>

***Governmental Activities***

Bonds consist of the following:

\$2,095,000 serial bonds due in annual installments of \$285,000 to \$325,000 from April 1, 2024 through April 1, 2028; interest at 5.00 percent	\$ 1,215,000
\$5,720,000 serial bonds due in annual installments of \$345,000 to \$640,000 from April 1, 2029 through April 1, 2040; interest at 5.75 percent	<u>5,720,000</u>
Total bonded debt	<u>\$ 6,935,000</u>

**Note 9 - Employee Leasing Company**

The Academy entered into an independent contractor agreement for human resource and payroll processing services with Human Resources Expert 624, Inc. (d/b/a Employees Only, Inc.) through June 30, 2024. The Academy subcontracts all employees from Employees Only, Inc. (EOI) and reimburses EOI for all payroll and benefit costs. The Academy incurred administrative fees of \$61,575 for the year ended June 30, 2024 related to this agreement.

As of August 12, 2024, the Academy entered into a new independent contractor agreement with Teachers First, Inc. through June 30, 2026.



**June 30, 2024**

**Note 10 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. Employee-related claims are covered by insurance policies held by the employee leasing company. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

The Academy is subject to various legal proceedings and claims that arise in the ordinary course of its business. The Academy believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

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## Required Supplementary Information

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**Dr. Joseph F. Pollack Academic Center of Excellence**

Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund

**Year Ended June 30, 2024**

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
<b>Revenue</b>				
Local sources	\$ 133,691	\$ 122,018	\$ 106,287	\$ (15,731)
State sources	7,478,117	6,819,580	6,792,594	(26,986)
Federal sources	1,840,267	1,926,194	1,849,712	(76,482)
Interdistrict sources	73,024	72,003	72,003	-
Total revenue	9,525,099	8,939,795	8,820,596	(119,199)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	3,101,028	2,641,874	2,631,466	(10,408)
Added needs	1,348,059	1,329,186	1,306,776	(22,410)
Total instruction	4,449,087	3,971,060	3,938,242	(32,818)
Support services:				
Pupil	571,331	637,290	629,028	(8,262)
Instructional staff	501,984	850,492	811,829	(38,663)
General administration	311,838	251,300	265,825	14,525
School administration	742,548	534,964	545,948	10,984
Business	270,785	267,731	267,631	(100)
Operations and maintenance	1,170,465	1,163,551	1,053,407	(110,144)
Pupil transportation services	183,658	159,716	158,317	(1,399)
Central	396,924	504,150	487,891	(16,259)
Other	80,000	55,367	42,483	(12,884)
Total support services	4,229,533	4,424,561	4,262,359	(162,202)
Athletics	5,519	8,135	9,435	1,300
Community services	119,302	60,189	60,112	(77)
Debt service	7,455	4,446	4,446	-
Capital outlay	-	16,112	-	(16,112)
Total expenditures	8,810,896	8,484,503	8,274,594	(209,909)
<b>Excess of Revenue Over Expenditures</b>	714,203	455,292	546,002	90,710
<b>Other Financing Uses - Transfers out</b>	(714,203)	(714,200)	(711,199)	3,001
<b>Net Change in Fund Balance</b>	-	(258,908)	(165,197)	93,711
<b>Fund Balance - Beginning of year</b>	2,840,761	2,840,761	2,840,761	-
<b>Fund Balance - End of year</b>	<u>\$ 2,840,761</u>	<u>\$ 2,581,853</u>	<u>\$ 2,675,564</u>	<u>\$ 93,711</u>

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## Other Supplementary Information

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**Dr. Joseph F. Pollack Academic Center of Excellence****Other Supplementary Information  
Schedule of Bonded Indebtedness****June 30, 2024**

Years Ending June 30	Series 2020, Refunding Series 2010 Principal	Series 2020, Refunding Series 2010 Principal	Total
2025	\$ 285,000	\$ -	\$ 285,000
2026	295,000	-	295,000
2027	310,000	-	310,000
2028	325,000	-	325,000
2029	-	345,000	345,000
2030	-	360,000	360,000
2031	-	385,000	385,000
2032	-	405,000	405,000
2033	-	430,000	430,000
2034	-	455,000	455,000
2035	-	480,000	480,000
2036	-	510,000	510,000
2037	-	540,000	540,000
2038	-	570,000	570,000
2039	-	600,000	600,000
2040	-	640,000	640,000
Total remaining payments	<b>\$ 1,215,000</b>	<b>\$ 5,720,000</b>	<b>\$ 6,935,000</b>
Principal payments due	April 1	April 1	
Interest payments due	April 1 and October 1	April 1 and October 1	
Interest rate	5.00	5.75	
Original issue	<b>\$ 2,095,000</b>	<b>\$ 5,720,000</b>	<b>\$ 7,815,000</b>