



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

December 19, 2023

To the Members of the Board of Directors
Hogan Preparatory Academy, Inc.

In planning and performing our audit of the financial statements of Hogan Preparatory Academy, Inc. (a nonprofit corporation) ("School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the School's system of 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control that we considered to be material weakness.

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 School'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 comments concerning internal control and other significant matters are presented as follows:

- I. Deficiency Considered to be Material Weakness
- II. Information Required by Professional Standards

This communication is intended solely for the information and use of the Board of Education, management, the Missouri Department of Elementary and Secondary Education, and other audit agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly Yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. DEFICIENCY CONSIDERED TO BE MATERIAL WEAKNESS

Finding: 2023-001

Criteria: The School is responsible for the design, implementation and monitoring of internal control over financial reporting which includes the accurate preparation of financial statements.

Condition: During the year ended June 30, 2023 the School continued its significant construction project financed by an ongoing credit agreement. When financial statements prepared by management were first presented for audit, we noted that depreciation expense, fixed assets and notes payable were understated. After working with management to confirm the cost of construction incurred in the fiscal year 2023 and the timing of related payments, the financial statements were corrected.

Cause: Current procedures either do not require the review of internally prepared financial statements or the review, if performed, was ineffective.

Effect: Errors or irregularities in the preparation of financial statements could occur and go undetected.

Recommendation: We recommend the School implement internal controls over financial reporting including the preparation and review of the financial statements. Implementation of effective internal controls will allow for the accurate preparation of financial statements.

Management's Response: *As has been noted in the past two audits and in the condition above, the school has been engaged in a multi-year facilities project. Given the challenges both school and auditor have faced with transactions related to this project in the past, and given the school's transition in management and governance July 1, 2023, the school requested the auditor's input this year before finalizing fixed assets, notes payable, and depreciation expense. While the school acknowledges the impact this request had on auditing the statement of assets, liabilities, and net assets, the statement of revenue, expenses, and net assets, and the statement of functional expenses, the supporting documentation(i.e. fixed asset schedule and debt summary) the school provided to accompany the original statements did show the same gross fixed assets and total debt as is indicated in the audited statements. The school would also note the financial statements provided to substantiate the ASBR(i.e. statement of assets, liabilities, and fund balances, statement of revenues, expenditures, and changes in fund balances, schedule of revenues collected by source, and the schedule of expenditures of federal awards) were stated correctly. All this being said, management will ensure all future facility transactions that impact fixed assets, note payable, and depreciation cost are fully integrated into future financial statements prior to submission for audit.*

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by the school during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the School applying the modified cash basis of accounting, no estimates are made during the preparation of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have attached, as Exhibit I, the adjusting journal entries we proposed during the audit. These entries have been posted to the books and records of the School.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2023.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (CONCLUDED)

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other matters

We were engaged to report on the supplementary information included in the financial statements but are not RSI (required supplementary information). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors, School management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hogan Preparatory Academy, Inc.
Adjusting Journal Entries
June 30, 2023

Exhibit I

Account	Debit	Credit
1		
Property and Equipment	9,227,601	
Notes Payable		9,227,601
To record increase in notes payable due to construction activity		
2		
Depreciation Expense	289,770	
Property and Equipment		289,770
To record increase in depreciation expenses for assets placed in service during the fiscal year previously included in construction in process		