

**HOGAN PREPARATORY ACADEMY, INC.  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

**HOGAN PREPARATORY ACADEMY, INC.  
TABLE OF CONTENTS**

**INDEPENDENT AUDITOR'S REPORT** ..... 1-3

**FINANCIAL STATEMENTS:**

Statement of Assets, Liabilities and Net Assets – Modified Cash Basis ..... 4

Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis ..... 5

Statement of Functional Expenses – Modified Cash Basis..... 6

Notes to the Financial Statements ..... 7-11

**SUPPLEMENTARY INFORMATION:**

Statement of Assets, Liabilities and Fund Balances –  
Modified Cash Basis - Governmental Funds ..... 12

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Modified Cash Basis - Governmental Funds ..... 13

Schedule of Revenues Collected by Source – Modified Cash Basis ..... 14

Schedule of Expenditures Paid by Object – Modified Cash Basis ..... 15

**STATE COMPLIANCE SECTION:**

Independent Accountant’s Report on Management’s Assertions About Compliance  
With Specified Requirements of Missouri State Laws and Regulations ..... 16

Schedule of Selected Statistics..... 17-20

Schedule of State Findings..... 21

**FEDERAL COMPLIANCE SECTION:**

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*..... 22-23

Independent Auditor’s Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance ..... 24-26

Schedule of Expenditures of Federal Awards..... 27

Notes to the Schedule of Expenditures of Federal Awards..... 28

Schedule of Findings and Questioned Costs ..... 29-30

Summary of Prior Year Audit Findings..... 31



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying modified cash basis financial statements of Hogan Preparatory Academy, Inc. (a nonprofit corporation) ("School"), which comprise the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis as of June 30, 2023, and the related Statements of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis and Functional Expenses – Modified Cash Basis for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements present fairly, in all material respects, the respective assets, liabilities and net assets of Hogan Preparatory Academy, Inc. as of June 30, 2023, and its revenue, expenses and functional expenses for the year then ended in accordance with the modified cash basis of accounting described in Note B.

#### Basis for Opinion

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 School 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 opinion.

#### Emphasis of Matter-Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible 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.

## **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 opinion. 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 School'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 School's ability to continue as a going concern for a reasonable period of time.

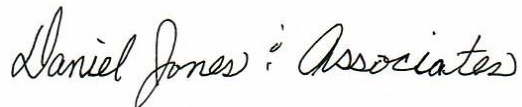
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis – Governmental Funds, the Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds, Schedule of Revenues Collected by Source – Modified Cash Basis, Schedule of Expenditures Paid by Object – Modified Cash Basis and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the School’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 School’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 School’s internal control over financial reporting and compliance.



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

December 19, 2023

## **FINANCIAL STATEMENTS**

**HOGAN PREPARATORY ACADEMY, INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2023**

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**ASSETS**

Cash	\$ 10,707,208
Other assets	17,863
Property and equipment, net	<u>19,828,050</u>
Total Assets	<u><u>\$ 30,553,121</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Payroll withholdings	\$ -
Notes payable	14,563,919
Total Liabilities	<u>14,563,919</u>

**NET ASSETS**

Without Donor Restrictions	<u>15,989,202</u>
Total Liabilities and Net Assets	<u><u>\$ 30,553,121</u></u>

See accompanying notes to the financial statements.

**HOGAN PREPARATORY ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**REVENUES WITHOUT DONOR RESTRICTIONS:**

Government grants and contracts	\$ 16,040,617
Contributions	578,269
Fees and services	26,748
Other revenue	204,657
Earnings on investments	37,669
Total Revenues Without Donor Restrictions	<u>16,887,960</u>

**EXPENSES:**

Program Services:	
Charter School	\$ 6,703,678
Management and General	7,559,505
Total Expenses Without Donor Restrictions	<u>14,263,183</u>
Change in net Assets without restrictions	2,624,777
Net assets without restrictions, beginning of year	<u>13,364,425</u>
Net assets without restrictions, end of year	<u>\$ 15,989,202</u>

See accompanying notes to the financial statements.



**HOGAN PREPARATORY ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	Charter School	Management and General	Fundraising	Total
Salaries	\$ 3,980,131	\$ 2,165,333	\$ -	\$ 6,145,464
Payroll taxes and benefits	1,083,985	520,819	-	1,604,804
Amortization	-	888	-	888
Building and equipment maintenance	-	68,116	-	68,116
Conferences, meetings and travel	66,308	107,338	-	173,646
Contract and professional fees	843,373	2,050,860	-	2,894,233
Depreciation	-	411,152	-	411,152
Student transportation	-	892,397	-	892,397
Office supplies	-	148,179	-	148,179
Other supplies	13,661	2,956	-	16,617
Insurance	-	6,693	-	6,693
Interest	-	4,936	-	4,936
Occupancy	-	690,956	-	690,956
Utilities	-	277,234	-	277,234
Printing and publications	-	1,102	-	1,102
Textbooks and educational materials	716,220	-	-	716,220
Telephone and communications	-	27,213	-	27,213
Rent expense	-	183,333	-	183,333
<b>Total expenses</b>	<b>\$ 6,703,678</b>	<b>\$ 7,559,505</b>	<b>\$ -</b>	<b>\$ 14,263,183</b>

See accompanying notes to the financial statements.

**HOGAN PREPARATORY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE A - MISSION AND NATURE OF BUSINESS**

The Hogan Preparatory Academy, Inc. (the School) is a not-for-profit public benefit corporation organized on June 8, 1998, under Chapter 355, RSMo and governed by Senate Bill No. 781 of the 89<sup>th</sup> General Assembly of the Missouri legislature. The corporation operates a charter school, which is sponsored by the Missouri Public Charter School Commission. The School is exempt from most Missouri laws and statutes governing educational institutions. The aforementioned Senate Bill No. 781 governs it. The School's charter allows for the provision of education for students in grades kindergarten through twelve.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The financial statements are presented on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenses when they result from cash transactions, with a provision for recording capital assets, depreciation and long-term liabilities, such as promissory notes. Accordingly, the accompanying financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents: For the purpose of the statement of cash flows, the School considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The School's Forms 990, Return for Organization Exempt from Income Taxes, for the years ended June 30, 2022, 2021, and 2020 are subject to examination by the IRS, generally three years after they were filed.

Personal Leave: Personal days are considered as expenditures in the year paid. Full-time and Part-time employees accumulate personal days based on length of service and number of months of employment during the fiscal year. A maximum of 40 unused personal hours for 10-month employees and 80 unused personal hours for 12-month employees may be carried over to the next fiscal year. Unused personal days, except as specified above, are forfeited.

Property and Equipment: All property and equipment are valued at historical cost, if acquired, or fair value, if donated. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets.

Equipment 5 years to 15 years  
Buildings and improvements 15 years to 50 years

**HOGAN PREPARATORY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Subsequent Events

In preparing these financial statements, the School has evaluated subsequent events through December 19, 2023 the date which the financial statements were available to be issued.

**NOTE C - CASH AND CASH EQUIVALENTS**

At June 30, 2023, the bank balances of the School deposits totaled \$10,742,191. None of the School's deposits were exposed to custodial credit risk.

**NOTE D - RETIREMENT PLAN**

The School contributes to The Public School Retirement System of the School District of Kansas City, Missouri, a cost-sharing multiple-employer defined benefit pension plan. Participation is mandatory for employees of the Kansas City, Missouri Public School District, the Kansas City Public Library, and the Public School Retirement System. The Retirement System provides service and disability retirement benefits to full-time employees and optional benefits to members' beneficiaries. Positions covered by The Retirement System of Missouri are also covered by Social Security. The Retirement System is administered by a 12-member Board of Trustees.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of the School District of Kansas City, Missouri, 324 E. 11<sup>th</sup> St., Kansas City, Missouri, 64106, or by calling 1-816-472-5800.

Retirement System members were required to contribute 9.0% of their annual covered salary and the School is required to contribute a 12% match. The contribution requirements of members and the School are established, and may be amended, by the KCPSRS Board of Trustees. The School's required contributions to the System for the year ended June 30, 2023, were \$637,852 equal to the required contributions.

**HOGAN PREPARATORY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2023 consisted of the following:

Construction in Process	\$7,477,704
Building and improvements	11,202,796
Land	200,433
Equipment	<u>2,791,587</u>
	21,672,520
Less Accumulated depreciation	<u>(1,844,470)</u>
	<u>\$19,828,050</u>

Depreciation expense for the year ended June 30, 2023, was \$411,152. The depreciation expense was allocated to management and general function.

**NOTE F - INSURANCE**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks.

**NOTE G – NOTES PAYABLE**

On January 15, 2013, the School executed a secured promissory note to a bank for \$520,000. Proceeds from this note were used to purchase a new facility. The note was restructured on September 15, 2018 with a new maturity date of December 12, 2023, bearing interest rate of 6.75%. The balance on the note at June 30, 2023 was \$27,671.

On December 31, 2013, the School executed a secured promissory note to a bank for \$234,100. Proceeds from this note were used to purchase air conditioner system upgrades. The note has a maturity date of January 1, 2024, bearing interest at 3.5%. The balance on the note at June 30, 2023, was \$16,016.

Future obligations on these notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 43,687	\$ 744	\$ 44,431
Total	<u>\$ 43,687</u>	<u>\$ 744</u>	<u>\$ 44,431</u>

During the fiscal year ended June 30, 2022, the School has entered into an amended credit facility agreement with KLS Leasing II, LLC (“KLS”), known as a Hybrid Loan (“Agreement”). The Agreement is defined as a short-term loan with zero percent interest until the maturity date of June 30, 2027. After the loan maturity date, zero percent interest will cease, and any loan repayments will be applied first to interest and then to principal. KLS loans are meant to be interim financing with the expectation that the School will obtain long-term financing by the maturity date. The Agreement allows for funds up to \$16,250,000 with the School making quarterly equity contributions in the amount of \$281,250 each, commencing in July 2021 with final contribution in April 2023. The proceeds of the loan and the equity contributions will be used to construct new permanent high school and middle school facilities at 1221 E. Meyer Blvd., Kansas City, MO 64131.

**HOGAN PREPARATORY ACADEMY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE G – NOTES PAYABLE** (concluded)

Loan repayments commenced upon student occupancy in school year 2022-2023 and was based on an amount equal to 7% of the Per Pupil Allocation aid received by the School from the Missouri State Board of Education multiplied, and updated annually, by the School’s student Weighted Average Daily Attendance, across the School’s three campuses (elementary, middle and high schools). Loan payments in fiscal year ended June 30, 2023 were \$517,412.

Loan repayments, in school year 2023-2024 and thereafter for a total of no more than 4 years, will be based on an amount equal to 14% of the Per Pupil Allocation aid received by the School from the Missouri State Board of Education, multiplied, and updated annually, by the School’s student Weighted Average Daily Attendance, across the School’s three campuses (elementary, middle and high schools).

Collateral for the loan is a deed of trust on the real estate being constructed under the Agreement. The Agreement also requires annual reporting by the School to KLS with information on the School’s performance related to certain goals set forth in the Agreement.

On June 30, 2023, the amount of the loan balance due to KLS was \$14,520,232.

**NOTE H – OPERATING LEASES**

On January 13, 2015, the School entered into two 120 month lease agreements for the installation of two Solar Panel Systems for the schools. Each lease called for one \$37,500 initial payment. The initial payment is a rebate payment received from Missouri Kansas City Power and Light for the installation of solar panels. The lease requires monthly payments of \$200 per lease.

On April 10, 2019 the school entered into an operating lease for a digital mailing system, which runs for 60 months at an amount of \$182 billed quarterly.

On April 29, 2020, the school entered into an operating lease for copiers. The lease provides 7 copiers for 60 months at a monthly amount of \$1,240.

The future minimum lease payments under these leases are as follows:

YEAR ENDED	COPIERS	POSTAGE MACHINE	SOLAR PANELS	TOTAL
2024	\$ 14,880	\$ 728	\$ 4,800	\$ 20,408
2025	14,880	728	4,800	20,408
<b>TOTAL</b>	<b>\$ 29,760</b>	<b>\$ 1,456</b>	<b>\$ 9,600</b>	<b>\$ 40,816</b>

**NOTE I - CLAIMS AND ADJUSTMENTS**

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. As of June 30, 2023, significant amounts of grants disbursements have not been audited by grantor governments, but the School believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

**HOGAN PREPARATORY ACADEMY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE J - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The School strives to maintain liquid financial assets sufficient to cover general expenditures and maintain financial stability.

The following table reflects the School's financial assets as of June 30, 2023, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

Cash	\$ 10,707,208
Donor restricted Assets	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 10,707,208</u></u>

**NOTE K – COMMITMENTS AND CONTINGENCIES**

At June 30, 2023, the School has entered into contracts for the construction of new facilities in the amount of \$18,343,835 of which \$17,287,644 has been paid as of June 30, 2023.

The School is involved in pending litigation. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. School management believes that such litigation and claims will ultimately be resolved without material financial liability, if any, to the School. However, the school has set aside funds in its fiscal year 2024 operating budget as a contingency for these matters.

The School receives federal grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under or other noncompliance with the terms of the grants and funding. The School is not aware of any noncompliance with federal or state provisions that might require the School to provide reimbursement.

As indicated in Note A to the financial statements, the School's charter is sponsored by the Missouri Charter Public School Commission (Commission). On December 15, 2022 the Commission formally notified the School that it was being placed on probation for poor academic performance and a lack of organizational capacity to hire, develop, and retain staff capable of executing the School's mission successfully. This notification required certain actions, assessments and plans be submitted to the Commission by specified dates. Subsequent to June 30, 2023, the Commission notified the School that they had satisfied the requirements and therefore the School was removed from probation. However, the Commission will continue to monitor the School's progress toward meeting performance contract goals and performance framework targets.

The continued operation of the School is dependent upon the guidelines set forth by sections 160.400 to 160.425 and 167.349, RSMo 2012, Department of Elementary and Secondary Education, and the continued support of the School's sponsor. The School may cease to exist upon infringement of the aforementioned agreements.

## **SUPPLEMENTARY INFORMATION**

**HOGAN PREPARATORY ACADEMY, INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -**  
**MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

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	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,707,208	\$ -	\$ -	\$ 10,707,208
Other assets	17,863	-	-	17,863
Total assets	10,725,071	-	-	10,725,071
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payroll liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Unassigned	10,725,071	-	-	10,725,071
Total liabilities and fund balances	\$ 10,725,071	\$ -	\$ -	\$ 10,725,071

See the accompanying independent auditor's report.



**HOGAN PREPARATORY ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
<b>REVENUES:</b>				
Local	\$ 1,780,757	\$ 572,257	\$ -	\$ 2,353,014
State	4,170,421	6,002,739	-	10,173,160
Federal	4,341,440	-	-	4,341,440
Other	20,346	-	-	20,346
Total Revenues	<u>10,312,964</u>	<u>6,574,996</u>	<u>-</u>	<u>16,887,960</u>
<b>EXPENDITURES:</b>				
Instruction	1,552,357	4,094,965	10,950	5,658,272
Student services	116,447	429,894	2,284	548,625
Instructional staff support	71,077	438,938	-	510,015
General administration & central services	2,072,206	925,158	-	2,997,364
Building level administration	374,265	686,041	1,395	1,061,701
Operation of plant	1,529,416	-	4,796	1,534,212
Transportation	892,397	-	-	892,397
Food service	663,045	-	-	663,045
Facility construction and acquisition	-	-	170,218	170,218
Debt service:				
Principal payments	-	-	1,721,709	1,721,709
Interest and fees	-	-	4,936	4,936
Total Expenditures	<u>7,271,210</u>	<u>6,574,996</u>	<u>1,916,288</u>	<u>15,762,494</u>
Revenues Over (Under) Expenditures	<u>3,041,754</u>	<u>-</u>	<u>(1,916,288)</u>	<u>1,125,466</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Property Proceeds	-	-	-	-
Transfers	(1,916,288)	-	1,916,288	-
Total Other Financing Sources (Uses)	<u>(1,916,288)</u>	<u>-</u>	<u>1,916,288</u>	<u>-</u>
Net change in fund balances	1,125,466	-	-	1,125,466
Fund balance, beginning	<u>9,599,605</u>	<u>-</u>	<u>-</u>	<u>9,599,605</u>
Fund balance, ending	<u>\$ 10,725,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,725,071</u>

See the accompanying independent auditor's report.

**HOGAN PREPARATORY ACADEMY, INC.**  
**SCHEDULE OF REVENUES COLLECTED BY SOURCE - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTALS
<b>LOCAL:</b>				
Sales tax	\$ 953,760	\$ 572,257	\$ -	\$ 1,526,017
Student activities	6,402	-	-	6,402
Interest income	37,669	-	-	37,669
Donations	578,269	-	-	578,269
Other local revenue	204,657	-	-	204,657
Total Local	<u>1,780,757</u>	<u>572,257</u>	<u>-</u>	<u>2,353,014</u>
<b>STATE:</b>				
Basic formula	3,207,981	6,002,739	-	9,210,720
Transportation	513,262	-	-	513,262
Basic formula - classroom trust fund	447,028	-	-	447,028
Food service	2,150	-	-	2,150
Total State	<u>4,170,421</u>	<u>6,002,739</u>	<u>-</u>	<u>10,173,160</u>
<b>FEDERAL:</b>				
Medicaid	85,573	-	-	85,573
CARES Cluster	2,191,778	-	-	2,191,778
IDEA grants	278,464	-	-	278,464
Child Nutrition Cluster	561,000	-	-	561,000
Title I	789,134	-	-	789,134
Title II, Part A	75,110	-	-	75,110
Title IV.A	43,737	-	-	43,737
ARP Cluster	159,582	-	-	159,582
Other - Federal	157,062	-	-	157,062
Total Federal	<u>4,341,440</u>	<u>-</u>	<u>-</u>	<u>4,341,440</u>
<b>OTHER:</b>				
Transportation from other LEA's	20,346	-	-	20,346
Total Other	<u>20,346</u>	<u>-</u>	<u>-</u>	<u>20,346</u>
Total Revenues	<u>\$ 10,312,964</u>	<u>\$ 6,574,996</u>	<u>\$ -</u>	<u>\$ 16,887,960</u>

See the accompanying independent auditor's report.

**HOGAN PREPARATORY ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES PAID BY OBJECT - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Salaries	\$873,202	\$5,272,261	\$ -	\$6,145,463
Employee Benefits	302,069	1,302,735	-	1,604,804
Purchased Services	4,666,977	-	-	4,666,977
Supplies	1,428,962	-	-	1,428,962
Capital Outlay	-	-	189,643	189,643
Principal	-	-	1,721,709	1,721,709
Interest and fees	-	-	4,936	4,936
 Total Expenditures	 <u>\$7,271,210</u>	 <u>\$6,574,996</u>	 <u>\$1,916,288</u>	 <u>\$15,762,494</u>

See the accompanying independent auditor's report.

## **STATE COMPLIANCE SECTION**



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**INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTIONS  
ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS OF  
MISSOURI STATE LAWS AND REGULATIONS**

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

**Report on Compliance with State Requirements**

We have examined management's assertions that Hogan Preparatory Academy, Inc. ("School") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the School's records of pupil attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2023.

**Management's Responsibility**

Management is responsible for the School's compliance with the aforementioned requirements.

**Auditor's Responsibility**

Our responsibility is to express an opinion on management's assertions about the School's compliance based on our examination. Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the School's compliance with specified requirements.

**Opinion on Compliance with State Requirements**

In our opinion, management's assertions that Hogan Preparatory Academy, Inc. complied with the aforementioned requirements for the year ended June 30, 2023, are fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors, administration, University of Missouri – Kansas City and 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.

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
Arnold, Missouri

December 19, 2023

**HOGAN PREPARATORY ACADEMY, INC.**  
**CHARTER NUMBER 048-904**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Type of audit performed: Yellow Book  Single Audit

**1. CALENDAR (SECTIONS 160.041, 171.029, 171.031, AND 171.033 RSMO)**

School Code	Begin Grade	End Grade	Half Day Indicator	Standard Day Length	Days	Hours in Session
6910	PK	PK	-	6.6667	183	1220.0061
6910	K	6	-	6.5833	164	1079.6612
3945	7	8	-	6.5833	165	1086.2445
1935	9	12	-	6.5833	159	1046.7447

**2. ATTENDANCE HOURS**

School Code	Grade Level	Full-Time Hours	Part-Time Hours	Remedial Hours	Other Hours	Summer School Hours	Total
6910	PK	27,682.7662	-	-	-	-	27,682.7662
6910	K-6	334,288.9526	-	-	-	1,680.4629	335,929.4165
3945	7-8	134,113.4335	-	-	-	779.9992	134,893.4327
1935	9-12	293,016.5681	-	-	-	2,854.5450	295,871.1131
<b>Grand Total</b>		<b>789,061.7214</b>	-	-	-	5,315.0071	<b>794,376.7285</b>

**3. SEPTEMBER MEMBERSHIP**

School Code	Grade Level	Full-Time	Part-Time	Other	Total
6910	PK-6	392.00	-	-	392.00
3945	7-8	188.00	-	-	188.00
1935	9-12	451.00	-	-	451.00
<b>Grand Total</b>		<b>1,031.00</b>	-	-	<b>1,031.00</b>

**HOGAN PREPARATORY ACADEMY, INC.  
CHARTER NUMBER 048-904  
SCHEDULE OF SELECTED STATISTICS  
FOR THE YEAR ENDED JUNE 30, 2023**

**4. FREE AND REDUCED PRICED LUNCH FTE COUNT (SECTION 163.011(6), RSMO)**

School Code	Free Lunch	Reduced Lunch	Deseg In Free	Deseg In Reduced	Total
N/A	1.00	-	-	-	1.00
<b>6910</b>	324.00	-	-	-	324.00
<b>3945</b>	169.00	-	-	-	169.00
<b>1935</b>	426.00	-	-	-	426.00
<b>Grand Total</b>	<b>920.00</b>	-	-	-	<b>920.00</b>

**5. FINANCE**

Section	Question	Answer
5.1	The district/charter school maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	True
5.2	The district/charter school maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	True
	Academic Programs Off-Campus	N/A
	Career Exploration Program – Off Campus	N/A
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	N/A
	Dual enrollment	N/A
	Homebound instruction	N/A
	Missouri Options	N/A
	Prekindergarten eligible to be claimed for state aid	True
	Remediation	N/A
	Sheltered Workshop participation	N/A
	Students participating in the school flex program	N/A
	Traditional instruction (full and part-time students)	True
	Virtual instruction (MOCAP or other option)	True
	Work Experience for Students with Disabilities	N/A

**HOGAN PREPARATORY ACADEMY, INC.**  
**CHARTER NUMBER 048-904**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>5.3</b>	The district/charter school maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	True
<b>5.4</b>	The district/charter school maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	True
<b>5.5</b>	As required by Section 162.405, RSMo, an insurance policy was purchased for the district's/charter school's employee theft coverage in the total amount of:	\$250,000
<b>5.6</b>	The district's/charter school's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo., and the Missouri Financial Accounting Manual.	True
<b>5.7</b>	The district maintained a separate bank account for all Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo. (Not applicable to charter schools)	N/A
<b>5.8</b>	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records.	True
<b>5.9</b>	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. (Not applicable to charter schools)	N/A
<b>5.10</b>	The district/charter school published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	True
<b>5.11</b>	The district has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost. (Not applicable to charter schools.)	N/A
<b>5.12</b>	The amount spent for approved professional development committee plan activities was:	N/A



**HOGAN PREPARATORY ACADEMY, INC.**  
**CHARTER NUMBER 048-904**  
**SCHEDULE OF SELECTED STATISTICS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>5.13</b>	The district/charter school has posted, at least quarterly, a searchable expenditure and revenue document or database detailing actual income, expenditures, and disbursement for the current calendar or fiscal year on the district or school website or other form of social media as required by Section 160.066, RSMo.	True
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**6. TRANSPORTATION (SECTION 163.161, RSMO)**

<b>Section</b>	<b>Question</b>	<b>Answer</b>
<b>6.1</b>	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	True
<b>6.2</b>	The district's/charter school's pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	True
<b>6.3</b>	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	True
	Eligible ADT	619.50
	Ineligible ADT	0.00
<b>6.4</b>	The district's/charter school's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	True
<b>6.5</b>	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	204,445
<b>6.6</b>	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	
	Eligible Miles	194,345
	Ineligible Miles (Non-Route/Disapproved)	10,100
<b>6.7</b>	Number of days the district/charter school operated the school transportation system during the regular school year:	165

**HOGAN PREPARATORY ACADEMY, INC.**  
**SCHEDULE OF STATE FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**I. Chapter 67 RSMO (Budget Statute)**

Chapter 67 RSMo requires that each political subdivision of the State of Missouri adopts an annual budget, itemized by fund. It further requires that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

There were no budget findings.

**II. Other Findings**

There were no other state findings for the year ended June 30, 2023.

**FEDERAL COMPLIANCE SECTION**



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

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

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 Hogan Preparatory Academy, Inc. (a nonprofit organization) ("School"), which comprise the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis as of June 30, 2023, and the related Statements of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis and Functional Expenses – Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023. Our report on the basic financial statements disclosed that, as described in Note B to the financial statements, the School prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

***Report On Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School'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 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.

*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 consideration of the 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***School's Response to Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 19, 2023



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

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

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

**Opinion on Each Major Federal Program**

We have audited Hogan Preparatory Academy, Inc.'s ("School") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

**Responsibilities of Management for Compliance**

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

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

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

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

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

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

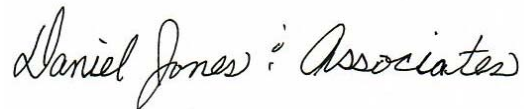
## **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in cursive script that reads "Daniel Jones & Associates".

Daniel Jones & Associates, P.C.  
Certified Public Accountants  
Arnold, Missouri

December 19, 2023



**HOGAN PREPARATORY ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

<b>Federal Grantor/ Pass-through Grantor Program/or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Identification Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Education</b>				
Passed-through Missouri Department of Elementary and Secondary Education: Special Education Cluster				
Special Education Grants to States	84.027	048-904	\$ -	\$ 272,137
COVID-19: IDEA 611/ARP	84.027	048-904	-	55,980
Subtotal Assistance Listing #84.027			-	328,117
Special Education - Preschool Grants	84.173	048-904	-	3,346
COVID-19: IDEA 619/ARP	84.173	048-904	-	3,923
Subtotal Assistance Listing #84.173			-	7,269
Total Special Education Cluster			-	335,386
Title I Grants to Local Education Agencies	84.010	048-904	-	618,946
Supporting Effective Instruction State Grants	84.367	048-904	-	74,512
Student Support and Academic Enrichment Program	84.424	048-904	-	43,395
School Improvement Grant	84.377	048-904	-	163,509
Covid 19: Education Stabilization Funds:				
Covid 19 - Grow Your Own	84.425D	048-904	-	10,000
Covid 19 - ESSER II	84.425D	048-904	-	19,202
Covid 19 - ARP Homeless Children and Youth II	84.425W	048-904	-	100,127
Covid 19 - ESSER III	84.425U	048-904	-	2,366,798
Subtotal Assistance Listing #84.425			-	2,496,127
Total U.S. Department of Education			-	3,731,875
<b>U.S. Department of Agriculture</b>				
Passed-through Missouri Department of Elementary and Secondary Education: Child Nutrition Cluster				
National School Breakfast Program	10.553	048-904	-	161,729
National School Lunch Program	10.555	048-904	-	397,240
Child Nutrition Emergency Operational Costs Reimb Program	10.555	048-904	-	2,032
Subtotal Assistance Listing #10.555			-	399,272
Total U.S. Department of Agriculture and Child Nutrition Cluster			-	561,001
<b>U.S. Department of Health and Human Services</b>				
Passed-through Missouri Department of Elementary and Secondary Education:				
Missouri School Health Profiles	93.079	048-904	-	50
Every Student Succeeds Act/Preschool Development	93.434	048-904	-	300
Total U.S. Department of Health and Human Services			-	350
Total Federal Expenditures			\$ -	\$ 4,293,226

See accompanying notes to the Schedule of Expenditures of Federal Awards

**HOGAN PREPARATORY ACADEMY, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Hogan Preparatory Academy, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hogan Preparatory Academy, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hogan Preparatory Academy, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the School’s accompanying financial statements as follows:

<u>Federal Sources</u>	
General Fund	\$ 4,341,440
Total	<u>\$ 4,341,440</u>

NOTE 5 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 6 –MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 – SUBRECIPIENTS

The School provided no federal awards to subrecipients during the year ended June 30, 2023.

NOTE 8 – INSURANCE

The School did not have federal insurance in effect during the year ended June 30, 2023.

NOTE 9 – LOAN/LOAN GUARANTEES

The School did not have any loans or loan guarantees outstanding as of June 30, 2023.

NOTE 10 – DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

The School received no donated personal protective equipment for the year ended June 30, 2023.

**HOGAN PREPARATORY ACADEMY, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**I. SUMMARY OF AUDITOR'S RESULTS**

A. Financial Statements

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified?                      X   Yes         No
  - b. Significant deficiency(ies) identified?                     Yes      X   None Reported
3. Noncompliance material to financial statements noted?                         Yes      X   No

B. Federal Awards

1. Internal control over major federal programs:
  - a. Material weakness(es) identified?                         Yes      X   No
  - b. Significant deficiency(ies) identified?                     Yes      X   None Reported
2. Type of auditor's report issued on compliance for major federal programs:  
Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                         Yes      X   No
4. Identification of major federal programs:  

Federal Assistance Listing Number(s):	Name of Federal Program or Cluster:
84.425	COVID-19:Education Stabilization Fund
5. Dollar threshold used to distinguish between type A and type B programs:   \$ 750,000
6. Auditee qualified as low-risk auditee?                         Yes      X   No

**HOGAN PREPARTORY ACADEMY, INC.**  
**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**II. FINANCIAL STATEMENT FINDINGS – CURRENT YEAR**

Reference

2023-001                      Finding Type: Material Weakness

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.*

**III. FINDINGS – FEDERAL AWARDS – CURRENT YEAR**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2023.

**HOGAN PREPARTORY ACADEMY, INC.**  
**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**I. FINDINGS – FINANCIAL STATEMENTS AUDIT – PRIOR YEAR**

2022-001                      Finding Type: Material Weakness

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 our audit, we noted that the beginning net assets were overstated because of an error in a previous year. In addition, the financial statements prepared by management for the current year, overstated the cash balance, understated expenditures, fixed assets and notes payable, causing the financial statements to be materially misstated.

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.

*Status: This recommendation has not been implemented and is repeated in the current year as finding 2023-001.*

**II. FINDINGS – FEDERAL AWARDS – PRIOR YEAR**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2022.