

Jackson Preparatory & Early College

Financial Statements

June 30, 2026



YEO & YEO

BUSINESS SUCCESS
PARTNERS

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Jackson Preparatory & Early College
Members of the Board of Governors and Administration
June 30, 2026

Members of the Board of Governors

Suzanne Jones – Chairperson

Rubenn Lanphear – Vice Chairperson

Renee Novak-Arze – Trustee

Angela Corts – Trustee

Administration

Jonathon Marowelli – President

Alex Elfe – Chief Operations Officer

Gimmie Pilaczynski – VP of Finance

Independent Auditors' Report

Management and the Board of Governors
Jackson Preparatory & Early College
Jackson, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Jackson Preparatory & Early College, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Jackson Preparatory & Early College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Jackson Preparatory & Early College, as of June 30, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jackson Preparatory & Early College, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, Jackson Preparatory & Early College adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jackson Preparatory & Early College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jackson Preparatory & Early College'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 Jackson Preparatory & Early College'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, budgetary comparison information, and notes to the required supplementary information identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2026 on our consideration of Jackson Preparatory & Early College'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 Jackson Preparatory & Early College'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 Jackson Preparatory & Early College's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 19, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jackson Preparatory & Early College
Management's Discussion and Analysis
For the year ended June 30, 2026

As the management of Jackson Preparatory & Early College (JPEC), we offer the readers of JPEC's financial statements this management discussion and analysis. This discussion and analysis provides a narrative overview and analysis of JPEC's financial statements for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year. We encourage readers to consider the information presented here in conjunction with additional information immediately following this report to enhance their understanding of JPEC's financial performance.

Overview of the Financial Statements

This annual report consists of four parts: (1) the independent auditor's report, (2) management's discussion and analysis, (3) the basic financial statements, and (4) required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year.

School-wide Financial Statements. The school-wide statements provide a financial perspective of the school as a whole. These statements are on the "full accrual" basis of accounting and provide information about the school's overall financial status. They are used to help determine whether the school is better off or worse off as a result of the year's activities. There are two school-wide statements: the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all of the school's assets, deferred inflows and outflows, and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the school are reported in this statement.

The *Statement of Activities* accounts for the current year's revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the information relative to funding received and expenditures made for the school services.

The two school-wide statements report the school's net position and how they have changed. Net Position – the difference between the school's assets, deferred inflows and outflows, and liabilities – is one way to measure the school's financial health or position.

- Over time, increases or decreases in the school's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the quality of the education provided.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial

Jackson Preparatory & Early College
Management's Discussion and Analysis
For the year ended June 30, 2026

statements focus on individual parts of the school, reporting the school's operations in more detail than the school-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the school's major instructional and instructional support activities are reported in the General Fund. The primary funding sources for the General Fund are typically from state foundation grant per student and state categorical funding for specific programs. The school has no other funds.

The school adopts an annual appropriated budget for its general funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the School as a Whole

The comparison of current year to prior year financial information is on the following pages. See Figures A-1 and A-2.

For the fiscal year ending June 30, 2026, the school's overall net position decreased by \$92,207.

Figure A-1
Statement of Net Position

	<u>2026</u>	<u>2025</u>
Current and other assets	\$ 1,306,378	\$ 1,376,507
Capital assets	<u>281,379</u>	<u>29,575</u>
 Total Assets	 1,587,757	 1,406,082
 Long-term debt outstanding	 263,087	 17,663
Other liabilities	<u>167,045</u>	<u>138,587</u>
 Total liabilities	 <u>430,132</u>	 <u>156,250</u>
 Net position		
Unrestricted	<u><u>\$ 1,157,625</u></u>	<u><u>\$ 1,249,832</u></u>

Jackson Preparatory & Early College
Management's Discussion and Analysis
For the year ended June 30, 2026

Figure A-2
Condensed Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>2026</u>	<u>2025</u>
Revenues	\$ 3,379,823	\$ 3,118,192
Expenses		
Instruction	1,627,826	1,573,505
Support services	1,572,843	1,642,527
Unallocated interest	8,972	1,127
Unallocated depreciation / amortization	<u>262,389</u>	<u>12,414</u>
Total expenses	<u>3,472,030</u>	<u>3,229,573</u>
Change in net position	<u>\$ (92,207)</u>	<u>\$ (111,381)</u>

The school's net position and General Fund balance decrease was primarily attributable to strategic investments made to support continued enrollment growth and the school's expanding operations. These investments included classroom and technology infrastructure, such as Chromebooks, interactive displays, and staff laptops, as well as an aggressive marketing campaign designed to increase student enrollment and strengthen the school's visibility within the community. While these expenditures contributed to the decrease in net position, they were made to support the school's continued growth and enhance the resources available to students and staff.

Capital Asset and Debt Administration

Capital Assets. The school had capital assets in the form of a right to use facility, equipment and subscription-based IT with a combined net book value of \$281,379 as of June 30, 2026. See Note 4 to the financial statements for more detail.

Long-Term Debt. At year end, the school had right to use building, equipment, and subscription-based IT obligations of \$281,843. See Note 6 to the financial statements for more detail.

Factors Bearing on the School's Future

The following factors were considered in preparing the school's budget for the 2026-27 fiscal year:

- A per-pupil increase of \$250 per student
- An increase in staff count to support student population growth
- Staff cost-of-living salary increases
- Changes to our healthcare plan to help mitigate a 20% cost increase

Jackson Preparatory & Early College
Management's Discussion and Analysis
For the year ended June 30, 2026

- Continued investment in classroom technology infrastructure, furniture, and equipment

Contacting the School's Financial Management

This financial report is designed to provide our students, parents, other stakeholders, and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jackson Preparatory and Early College, 2111 Emmons Road, Jackson, MI 49201.

BASIC FINANCIAL STATEMENTS

Jackson Preparatory & Early College
Statement of Net Position
June 30, 2026

	<u>Governmental Activities</u>
Assets	
Cash	\$ 658,357
Due from other governmental units	586,986
Prepaid items	61,035
Capital assets - net of accumulated amortization	<u>281,379</u>
 Total assets	 <u>1,587,757</u>
 Liabilities	
Accounts payable	9,192
Accrued expenditures	32,295
Unearned revenue	106,802
Long-term liabilities	
Due within one year	263,087
Due in more than one year	<u>18,756</u>
 Total liabilities	 <u>430,132</u>
 Net Position	
Net investment in capital assets	(464)
Unrestricted	<u>1,158,089</u>
 Total net position	 <u><u>\$ 1,157,625</u></u>

See Accompanying Notes to the Financial Statements

Jackson Preparatory & Early College
Statement of Activities
For the Year Ended June 30, 2026

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 1,761,644	\$ -	\$ 168,680	\$ (1,592,964)
Supporting services	1,701,414	20,665	187,138	(1,493,611)
Interest and fiscal charges on long-term debt	<u>8,972</u>	<u>-</u>	<u>-</u>	<u>(8,972)</u>
Total governmental activities	<u>\$ 3,472,030</u>	<u>\$ 20,665</u>	<u>\$ 355,818</u>	<u>(3,095,547)</u>
General revenues				
State aid - unrestricted				2,975,872
Interest and investment earnings				14,020
Other				<u>13,448</u>
Total general revenues				<u>3,003,340</u>
Change in net position				(92,207)
Net position - beginning				<u>1,249,832</u>
Net position - ending				<u>\$ 1,157,625</u>

See Accompanying Notes to the Financial Statements

Jackson Preparatory & Early College
Governmental Funds
Balance Sheet
June 30, 2026

	<u>General Fund</u>
Assets	
Cash	\$ 658,357
Due from other governmental units	586,986
Prepaid items	<u>61,035</u>
 Total assets	 <u><u>\$ 1,306,378</u></u>
Liabilities	
Accounts payable	\$ 9,192
Accrued expenditures	32,295
Unearned revenue	<u>106,802</u>
 Total liabilities	 <u>148,289</u>
Fund Balance	
Non-spendable	
Prepaid items	61,035
Assigned for subsequent year budget appropriations	86,222
Unassigned	<u>1,010,832</u>
 Total fund balance	 <u>1,158,089</u>
 Total liabilities and fund balance	 <u><u>\$ 1,306,378</u></u>

See Accompanying Notes to the Financial Statements

Jackson Preparatory & Early College
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2026

Total fund balance for governmental funds	\$ 1,158,089
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation and amortization	281,379
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Other loans payable and liabilities	<u>(281,843)</u>
Net position of governmental activities	<u><u>\$ 1,157,625</u></u>

Jackson Preparatory & Early College
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2026

	General Fund
Revenues	
Local sources	\$ 60,966
State sources	3,190,727
Federal sources	103,260
Interdistrict sources	<u>24,870</u>
Total revenues	<u>3,379,823</u>
Expenditures	
Current	
Education	
Instruction	1,627,819
Supporting services	1,572,837
Capital outlay	514,206
Debt service	
Principal	263,757
Interest and other expenditures	<u>7,337</u>
Total expenditures	<u>3,985,956</u>
Deficiency of revenues over expenditures	(606,133)
Other Financing Sources	
Proceeds from issuance of leases	<u>514,206</u>
Net change in fund balance	(91,927)
Fund balance - beginning	<u>1,250,016</u>
Fund balance - ending	<u><u>\$ 1,158,089</u></u>

See Accompanying Notes to the Financial Statements

Jackson Preparatory & Early College
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2026

Net change in fund balance - Total governmental funds	\$ (91,927)
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Depreciation and amortization expense	(262,389)
Capital outlay	514,193

Expenses are recorded when incurred in the statement of activities.

Interest	(1,635)
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Bond and note proceeds and leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	(514,206)
Repayments of long-term debt	<u>263,757</u>

Change in net position of governmental activities	<u>\$ (92,207)</u>
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Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Jackson Preparatory & Early College (the School) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School was formed in July 2014 as a charter school 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.

In July of 2022, the School renewed a contract with Jackson College to charter a public school through June 30, 2032. The contract requires the School 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 College is the fiscal agent for the School and is responsible for overseeing the School's compliance with the contract and all applicable laws. The School pays the college three percent of the state aid foundation as administrative fees. The total administrative fees for the year to Jackson College was approximately \$90,000.

The School is governed by an appointed Board of Governors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School's reporting entity, and which organizations are legally separate component units of the School. The School has no component units.

School-wide Financial Statements

The School's basic financial statements include both school-wide (reporting for the school as a whole) and fund financial statements (reporting the School's major funds). All of the School's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (unrestricted state aid and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources, federal sources, interest income, etc.). In creating the school-wide financial statements the School has eliminated interfund transactions.

The school-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from current year activities.

Fund Financial Statements

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

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

Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Net Position or Fund Balance

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School follows the consumption method, and they therefore are capitalized as prepaid items in both school-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Right to use assets - buildings and additions	2 years
Right to use assets - equipment and furniture	3 - 5 years
Right to use assets - subscription arrangements	5 years

Long-term Obligations - In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

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

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

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

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Governors. The Board of Governors has granted the School President the authority to assign funds.

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

Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

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

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

Use of Estimates

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

Adoption of New Accounting Standards

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-*

Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

Upcoming Accounting and Reporting Changes

Statement No. 105, *Subsequent Events*, establishes accounting and financial reporting standards for events or transactions that occur after the measurement date of the financial statements but before the date the financial statements are available to be issued. This Statement distinguishes between events that provide additional evidence about conditions that existed at the date of the financial statements and events that provide evidence about conditions that did not exist at that date. Events that provide additional evidence about conditions existing at the financial statement date are recognized in the financial statements, whereas events that provide evidence about conditions arising after the financial statement date are not recognized but should be disclosed if they are essential for users' understanding of the financial statements. This Statement also clarifies the definition of the date the financial statements are available to be issued for disclosure purposes. This Statement is effective for the year ending June 30, 2027.

The School is evaluating the impact that the above pronouncement will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations

The School had no significant expenditure budget violations.

Note 3 - Deposits and Investments

All cash of the school is comprised of bank deposits.

Interest rate risk - In accordance with its investment policy, the School will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates,

Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School's cash requirements.

Credit risk - State statutes authorize the School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School has no investments.

Concentration of credit risk - The School has no investments.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of year end, \$417,936 of the School's bank balance of \$667,936 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, the School had no investments.

Note 4 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being amortized				
Right to use asset - buildings and additions	\$ -	\$ 476,201	\$ -	\$ 476,201
Right to use asset - equipment and furniture	49,875	37,992	-	87,867
Right to use asset - subscription arrangements	17,892	-	-	17,892
Total capital assets being amortized	67,767	514,193	-	581,960
Less accumulated amortization for				
Right to use asset - buildings and additions	-	238,101	-	238,101
Right to use asset - equipment and furniture	24,541	21,373	-	45,914
Right to use asset - subscription arrangements	13,651	2,915	-	16,566
Total accumulated amortization	38,192	262,389	-	300,581
Net capital assets being amortized	29,575	251,804	-	281,379
Net capital assets	\$ 29,575	\$ 251,804	\$ -	\$ 281,379

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the School as follows:

Governmental activities	
Instruction	\$ 133,818
Supporting services	128,571
Total governmental activities	<u>\$ 262,389</u>

Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 106,802</u>
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Note 6 - Leases and Subscription Based Information Technology

Lease Liability

During the 2025-2026 fiscal year, the School entered into a 2 year lease agreement as lessee for the use of building space. An initial lease liability was recorded in the amount of \$476,201 during the current fiscal year. As of June 30, 2026, the value of the lease liability was \$241,065. The School is required to make monthly principal and interest payments of \$20,417. The lease has an interest rate of 3%. The value of the right-to-use asset as of the end of the current fiscal year was \$476,201 and had accumulated amortization of \$238,101.

During the 2025-2026 fiscal year, the School entered into a 3 year lease agreement as lessee for the use of certain equipment. An initial lease liability was recorded in the amount of \$37,992 during the current fiscal year. As of June 30, 2026, the value of the lease liability was \$21,992. The School is required to make annual principal and interest payments of \$11,500. The lease has an interest rate of 3%. The value of the right-to-use asset as of the end of the current fiscal year was \$37,992 and had accumulated amortization of \$12,664.

During the 2023-2024 fiscal year, the School entered into a 5 year lease agreement as lessee for the use of certain equipment. An initial lease liability was recorded in the amount of \$49,875. As of June 30, 2026, the value of the lease liability was \$17,460. The School is required to make monthly principal and interest payments of \$855. The lease has an interest rate of 3%. The value of the right-to-use asset as of the end

of the current fiscal year was \$49,875 and had accumulated amortization of \$33,250.

Annual requirements to amortize lease liabilities and related interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 261,761	\$ 4,993
2028	<u>18,756</u>	<u>435</u>
Total	<u>\$ 280,517</u>	<u>\$ 5,428</u>

Subscription Arrangements

The School has entered into subscription-based information technology arrangements. The total costs of the School's subscription assets are recorded as \$17,892, less accumulated amortization of \$16,566.

The future subscription payments under SBITA agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2027	<u>\$ 1,326</u>	<u>\$ 40</u>

Jackson Preparatory & Early College
Notes to the Financial Statements
June 30, 2026

Note 7 - Long-Term Debt

Long-term obligations include leases and subscription-based information technology arrangements.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities					
Leases	\$ 25,518	\$ 514,206	\$ 259,207	\$ 280,517	\$ 261,761
Subscriptions	<u>4,241</u>	<u>-</u>	<u>2,915</u>	<u>1,326</u>	<u>1,326</u>
Total	<u>\$ 29,759</u>	<u>\$ 514,206</u>	<u>\$ 262,122</u>	<u>\$ 281,843</u>	<u>\$ 263,087</u>

For governmental activities, leases and subscriptions are liquidated by the General Fund.

Note 8 - Risk Management

The School is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if

any, to be immaterial. A separate report on compliance has been issued for the year June 30, 2026.

Note 10 - Management Company

The School has a management agreement with AccessPoint Educational HR ("AccessPoint"). Under the terms of this agreement, AccessPoint provides a variety of services including provision of staff, business management, human resources, etc. The School is obligated to pay AccessPoint various billing rates for employees as specified in the contract in addition to other fees. The total charged for these services amounted to approximately \$2.1 million for the year ended June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Jackson Preparatory & Early College
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance With Original Budget- Over (Under) Final Budget	Actual	Variance with Final Budget- Over (Under) Actual
	Original	Final			
Revenues					
Local sources	\$ 48,950	\$ 50,015	\$ 1,065	\$ 60,966	\$ 10,951
State sources	2,909,532	3,190,401	280,869	3,190,727	326
Federal sources	60,000	110,377	50,377	103,260	(7,117)
Interdistrict sources	22,000	24,870	2,870	24,870	-
Total revenues	3,040,482	3,375,663	335,181	3,379,823	4,160
Expenditures					
Instruction					
Basic programs	1,551,061	1,574,307	23,246	1,547,152	(27,155)
Added needs	78,864	87,346	8,482	80,667	(6,679)
Supporting services					
Pupil	106,234	110,110	3,876	129,796	19,686
Instructional staff	63,520	160,789	97,269	140,526	(20,263)
General administration	500,325	607,605	107,280	581,850	(25,755)
School administration	144,261	142,825	(1,436)	143,846	1,021
Business	248,068	266,450	18,382	265,367	(1,083)
Operations and maintenance	25,300	26,147	847	26,117	(30)
Pupil transportation services	27,000	30,000	3,000	34,366	4,366
Central	157,080	164,928	7,848	172,697	7,769
Athletic activities	78,267	78,230	(37)	78,272	42
Capital outlay	-	514,206	514,206	514,206	-
Debt service					
Principal	271,800	272,885	1,085	263,757	(9,128)
Interest and fiscal charges	-	-	-	7,337	7,337
Total expenditures	3,251,780	4,035,828	784,048	3,985,956	(49,872)
Excess (deficiency) of revenues over expenditures	(211,298)	(660,165)	(448,867)	(606,133)	54,032
Other Financing Sources					
Proceeds from issuance of leases	-	514,206	514,206	514,206	-
Net change in fund balance	(211,298)	(145,959)	65,339	(91,927)	54,032
Fund balance - beginning	1,250,016	1,250,016	-	1,250,016	-
Fund balance - ending	\$ 1,038,718	\$ 1,104,057	\$ 65,339	\$ 1,158,089	\$ 54,032

See Accompanying Notes to the Required Supplementary Information

Jackson Preparatory & Early College
Notes to the Required Supplementary Information
June 30, 2026

Note 1 - Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School to have its budget in place by July 1. A school is not considered in violation of the law if reasonable procedures are in use by the School to detect violations.

The School President is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Governors.

Budgeted amounts are as originally adopted or as amended by the Board of Governors throughout the year.

Excess of Expenditures over Appropriations

There were no actual expenditures of funds in excess of final budgeted amounts, for the budgetary control levels described above, that were deemed to be significant.

Budgetary Highlights

The following provides an explanation of significant variances for the General Fund when comparing the original budget to final budget and final budget to actual results:

Variances – Final Budget Over (Under) Original Budget

The School passed its original budget for fiscal year 2025-2026 in June of 2025. At this time, there were many unknown variables for the next fiscal year, which include the 2025-2026 student count day figures. Additionally, the State of Michigan had not yet passed its budget. As a result, the School made material assumptions based on the best

information available at the time. State aid accounted for more than 94% of actual revenue during the year. Nearly all variances from the original budgeted amounts to the final budgeted amounts were as a result of budgetary amendments made which reflected actual revenue to be received from state aid, as well as actual student count data which were both unavailable at the time the original budget was passed.

Variances – Actual Over (Under) Final Budget

There were no variances deemed to be significant.

OTHER REPORT



**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***

Independent Auditors' Report

Members of the Board of Governors
Jackson Preparatory & Early College
Schoolcraft, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Jackson Preparatory & Early College, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Jackson Preparatory & Early College's basic financial statements, and have issued our report thereon dated August 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jackson Preparatory & Early College'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 Jackson Preparatory & Early College's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Preparatory & Early College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Preparatory & Early College'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
August 19, 2026

August 19, 2026

Management and the Board of Governors
Jackson Preparatory & Early College
Jackson, Michigan

We have audited the financial statements of the governmental activities and the major fund information of Jackson Preparatory & Early College (the School) as of and for the year ended June 30, 2026. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of the Board of Governors and management of the School and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 20, 2026. 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 the footnotes of the financial statements. The School has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2025:

- Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.
- Statement No. 104, *Disclosures of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets.

We noted no transactions entered into by the School during the year for which there is 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. There were no significant estimates in the financial statements.

Disclosures in the financial statements are neutral, consistent and clear.

Auditors are required to use professional judgment to identify areas of the audit that have a significant risk of material misstatement and perform special audit consideration in those areas. Within our audit, we focused additional consideration on the following areas:

- Management override of controls
- Improper revenue recognition

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

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. There were no known misstatements detected as a result of audit procedures that were more than trivial.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 as of the date of the audit report.

Management's Consultations with Other 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 auditors' 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.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, Jackson Preparatory & Early College adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Other Reports

Other information that is required to be reported to you is included in the Independent Auditors' 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*. Please read all information included in that report to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of the School as of and for the year ended June 30, 2026, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures 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.

However, during our audit we became aware of the following matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated August 19, 2026, on the financial statements of the School.

Segregation of Duties

We recognize that, due to the size of the School and its limited staffing resources, complete segregation of duties is not always practical. We also note that management and those charged with governance have implemented various review and oversight procedures to help mitigate risks associated with incompatible duties. However, our observations indicate that these reviews are performed primarily at a summary or financial reporting level rather than at the underlying transaction level.

While these review procedures provide an important compensating control, the effectiveness of oversight could be enhanced through the implementation of more detailed transactional-level reviews over key accounting functions when practical. Such reviews may include examination of cash disbursements, journal entries, account reconciliations, payroll processing, and other significant transactions. Strengthening transactional-level monitoring would provide additional assurance that errors or irregularities are identified and addressed in a timely manner and further reduce the risks inherent in a limited segregation of duties environment.