

TUCSON PREPARATORY SCHOOL

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

For the years ended June 30, 2022 and 2021

Holcomb & Shreeve PC
Mesa, Arizona

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HOLCOMB & SHREEVE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TUCSON PREPARATORY SCHOOL

Opinion

We have audited the accompanying financial statements of TUCSON PREPARATORY SCHOOL (a nonprofit organization), which comprise the statements of financial position as of 06/30/2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TUCSON PREPARATORY SCHOOL as of 06/30/2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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*. 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 TUCSON PREPARATORY SCHOOL and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 TUCSON PREPARATORY SCHOOL'S ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 TUCSON PREPARATORY 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 TUCSON PREPARATORY 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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 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 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 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.



Holcomb & Shreeve, P.C.
Mesa, Arizona
November 15, 2022

Tucson Preparatory School
Statements of Financial Position
June 30, 2022 and 2021

	ASSETS	2022	2021
Current assets			
Cash and cash equivalents		\$ 478,620	\$ 587,754
Due from governmental agencies		114,633	93,601
Total current assets		593,253	681,355
Non-Current assets			
Property and equipment, net		655,929	716,025
Total assets		\$ 1,249,182	\$ 1,397,380
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses		\$ 6,772	\$ 11,514
Accrued payroll and related expenses		3,245	2,392
Credit cards payable		6,995	8,002
Current portion of lease payable		4,714	5,356
Current portion of note payable		18,832	18,091
Total current liabilities		40,558	45,355
Long-term liabilities			
Capital lease payable		-	4,714
Note payable		317,049	335,924
Refundable advances		-	186,620
Total long-term liabilities		317,049	527,258
Total liabilities		357,607	572,613
Net assets			
Without donor restrictions			
Undesignated		891,575	824,767
With donor restrictions			
Activities fees tax credit		-	-
State and county sources		-	-
Federal sources		-	-
Total net assets with donor restrictions		-	-
Total net assets		891,575	824,767
Total liabilities and net assets		\$ 1,249,182	\$ 1,397,380

Tucson Preparatory School
Statements of Activities
For the years ending June 30, 2022 and 2021

	2022	2021
Net assets without donor restrictions:		
Revenues and gains		
Local sources	\$ 39	\$ 7,171
State and county sources	1,183,899	1,351,554
Federal sources	278,843	159,993
Total revenues and gains	1,462,781	1,518,718
Net assets released from restrictions:		
Satisfaction of program restrictions	128,998	106,229
Total revenues, gains and other support without donor restrictions	1,591,779	1,624,947
Expenses and losses		
Personnel services - salaries	747,555	745,473
Personnel services - benefits	312,696	302,473
Purchased professional and technical services	78,149	102,089
Purchased property services	159,154	157,086
Other purchased services	48,026	50,271
Supplies	102,492	104,016
Other expenses and losses	2,912	4,282
Interest expense	13,891	16,970
Depreciation and amortization	60,096	65,454
Total expenses and losses	1,524,971	1,548,114
Changes in net assets without donor restrictions	66,808	76,833
Net assets with donor restrictions		
Contributions with donor restrictions:		
Activities fees tax credit	1,000	900
State and county sources	127,998	89,291
Total contributions with donor restrictions	128,998	90,191
Net assets released from restrictions:		
Activities fees tax credit	(1,000)	(900)
State and county sources	(127,998)	(105,329)
Total net assets released from restrictions	(128,998)	(106,229)
Changes in net assets with donor restrictions	-	(16,038)
Changes in net assets	66,808	60,795
Net assets, beginning of the year	824,767	763,972
Net assets, end of the year	\$ 891,575	\$ 824,767

Tucson Preparatory School
Statement of Functional Expenses
Year ended June 30, 2022

	2022		
	Program Expenses	Management and General	Total
Expenses			
Compensation to employees	\$ 660,092	\$ 87,463	\$ 747,555
Retirement plan contributions	58,685	25,151	83,836
Employee benefits	120,092	51,468	171,560
Payroll taxes	40,110	17,190	57,300
<i>Fees for services paid to non-employees:</i>			
Accounting and auditing fees	418	47,918	48,336
Other fees for services	18,731	11,082	29,813
<i>Total fees for services paid to non-employees</i>	19,149	59,000	78,149
<i>Office expenses</i>			
Postage and shipping	71	215	286
<i>Total office expenses</i>	71	215	286
Information technology	8,674	3,554	12,228
<i>Occupancy</i>			
Rent	81,302	34,996	116,298
Utilities	15,842	6,790	22,632
Repairs and maintenance	20,396	8,741	29,137
<i>Total occupancy</i>	117,540	50,527	168,067
Travel	1,939	1,000	2,939
Conferences, conventions and meetings	43	827	870
Interest	9,724	4,167	13,891
Depreciation and amortization	42,067	18,029	60,096
Insurance	-	27,897	27,897
<i>Other expenses:</i>			
Supplies	53,654	2,863	56,517
Transportation expense	11,914	1,210	13,124
Equipment rental	43	129	172
Food service	20,414	-	20,414
Repairs and maintenance	5,671	1,103	6,774
Dues and fees	518	2,394	2,912
Miscellaneous other expenses	384	-	384
<i>Total other expenses</i>	92,598	7,699	100,297
Total functional expenses	\$ 1,170,784	\$ 354,187	\$ 1,524,971

Tucson Preparatory School
Statement of Functional Expenses
Year ended June 30, 2021

	2021		
	Program Expenses	Management and General	Total
Expenses			
Compensation to employees	\$ 664,420	\$ 81,053	\$ 745,473
Retirement plan contributions	57,676	24,719	82,395
Employee benefits	114,068	48,886	162,954
Payroll taxes	39,987	17,137	57,124
<i>Fees for services paid to non-employees:</i>			
Accounting and auditing fees	420	55,146	55,566
Other fees for services	30,166	16,357	46,523
<i>Total fees for services paid to non-employees</i>	<u>30,586</u>	<u>71,504</u>	<u>102,089</u>
<i>Office expenses</i>			
Postage and shipping	74	224	298
<i>Total office expenses</i>	<u>74</u>	<u>224</u>	<u>298</u>
Information technology	10,828	3,868	14,696
<i>Occupancy</i>			
Rent	66,279	28,406	94,685
Utilities	16,807	7,203	24,010
Repairs and maintenance	31,920	13,680	45,600
<i>Total occupancy</i>	<u>115,006</u>	<u>49,289</u>	<u>164,295</u>
Travel	4,086	1,341	5,427
Conferences, conventions and meetings	24	457	481
Interest	11,879	5,091	16,970
Depreciation and amortization	45,818	19,636	65,454
Insurance	-	31,345	31,345
<i>Other expenses:</i>			
Supplies	62,700	6,731	69,431
Transportation expense	8,273	664	8,937
Equipment rental	81	245	326
Food service	6,542	-	6,542
Repairs and maintenance	8,089	1,506	9,595
Dues and fees	554	3,728	4,282
<i>Total other expenses</i>	<u>86,239</u>	<u>12,874</u>	<u>99,113</u>
Total functional expenses	<u><u>\$ 1,180,691</u></u>	<u><u>\$ 367,423</u></u>	<u><u>\$ 1,548,114</u></u>

Tucson Preparatory School
Statements of Cash Flows
For the years ending June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 66,808	\$ 60,795
Adjustments to reconcile change in net assets to net cash from/(used in) operating activities:		
Depreciation and amortization	60,096	65,454
(Increase) / decrease in operating assets:		
Due from governmental agencies	(21,032)	73,989
Increase / (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,742)	7,736
Accrued payroll and related expenses	853	2,392
Credit cards payable	(1,007)	3,258
Unearned revenue	-	(293)
Net cash from operating activities	100,976	213,331
Cash flows from financing activities		
Proceeds from refundable advances	(186,620)	186,620
Payments on capital lease obligation	(5,356)	(4,458)
Payment on note payable	(18,134)	(9,589)
Net cash from financing activities	(210,110)	172,573
Net change in cash, cash equivalents, and restricted cash	(109,134)	385,904
Cash, cash equivalents, and restricted cash at beginning of the year	587,754	201,850
Cash, cash equivalents, and restricted cash end of the year	\$ 478,620	\$ 587,754
Supplemental Disclosures		
Cash flow information:		
Cash paid for interest	\$ 13,891	\$ 16,970

**TUCSON PREPARATORY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Tucson Preparatory School (School) is an Arizona not-for-profit organization established in 1998 for the express purpose of operating a charter high school in Tucson, Arizona. The School is among a handful of schools in the nation serving runaway, homeless, dependent, adjudicated and otherwise troubled youth between the ages of 14 and 22. It is governed by a philosophy that is focused on high expectations for student achievement. The School operates under a charter contract with the Arizona State Board for Charter Schools (Sponsor), which mandates policy and operational guidelines. The School is funded primarily through its sponsor, based upon student membership.

The vast majority of the School’s students have at least one significant barrier to scholastic achievement, i.e., serious mental illness, family instability, a history of substance abuse, homelessness, juvenile justice system involvement, or functional illiteracy. Most students are single or dual system involved (child welfare, juvenile justice and/or mental health) and many are living outside traditional family arrangements in group homes, with friends or relatives, or in independent living programs. Continuity of support and an appropriate educational environment are essential to their long-term success. In addition to homeless youth, the school targets juveniles who have been adjudicated as adults, chronic school truants and youth aging out of the State's foster care system.

More than 75 percent of students are youth of color - primarily Hispanic - and 90 percent are economically disadvantaged. These students are at profoundly high risk for failing to meet state academic standards. Consequently, the educational program is individualized to meet each student's needs. There are two sessions to accommodate students’ work schedules and other activities. There are six hours of school each day, a 180 day calendar and an extremely low student-teacher ratio. The curriculum is competency-based, self-paced and augmented by an onsite learning lab.

Significant accounting policies

The School prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the School are described below to enhance the usefulness and understandability of the financial statements.

Cash, cash equivalents and restricted cash – The School considers all bank accounts and highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	2022	2021
Cash on deposit	\$ 478,620	\$ 587,754
Restricted cash – State sources	0	0
Total cash, cash equivalents, restricted cash	<u>\$ 478,620</u>	<u>\$ 587,754</u>

Due from governmental agencies – The School recognizes income from funds provided by the State of Arizona and the federal government and states them at the amount management expects to collect under the terms of their agreements. Due to the concentrated nature of the School’s income sources and historical collectability trends, the School does not provide an allowance for this account.

Property and equipment – Land, buildings, and improvements with both a cost of \$3,000 or more and vehicles, furniture, and equipment with both a cost of \$300 or more and an estimated useful life of one year or more are capitalized. Assets are stated at cost. Assets donated are recorded at their estimated fair market value as of the date received. Repairs and maintenance that does not significantly increase the useful life of the asset are expenses as incurred. Amortization of buildings and improvements and depreciation of furniture and equipment are provided on a straight-line basis over the useful life of the respective assets, which ranges from 2 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. No impairment losses were recognized in the financial statements during the current period.

Revenue and revenue recognition – The School receives revenues from three separate sources: (1) local; (2) state; and (3) federal. Revenues from local sources consists primarily of contributions and donations (both with and without donor-imposed restrictions); school-sponsored activities; fundraising; before and after school care; and other miscellaneous revenue items. Revenues from state sources consists of state equalization assistance; proposition 123 funding; classroom site fund; instructional improvement project; and state projects. Revenue from federal sources consists of federal projects.

The School recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promise to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

State equalization assistance consist of payments from the State of Arizona driven by student enrollment under the provisions in the Arizona Revised Statutes. The equalization formula is the mechanism used to calculate funding, which is at the school level. Equalization assistance is allocated on a fiscal year basis that begins on July 1st and ends on June 30th and is paid on a prorated basis throughout the school year. The School recognized revenue as it provides education to its students throughout the academic school year. Revenue that is collected in advance is recorded as deferred revenue on the statements of financial position.

Proposition 123 funding, classroom site fund, and instructional improvement project each originated from voter approved propositions used to increase school funding. Proposition 123 funding though an increase in the distributions form the State Land Trust; classroom site funds though sales taxes; and instructional improvement project through sharing Indian gaming revenue. This funding is generally received through periodic payments form the Arizona Department of Education (ADE) and is based on student enrollment. The School recognizes revenue as it provides education to its students throughout the academic school year. No amounts are received in advance from ADE.

State and federal projects are primarily costs-reimbursable state and federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Grant revenue – Grant revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the School’s management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the School.

Contributions – Contributions and grants are received and recorded as either support with donor restrictions or as support without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as net assets without donor restrictions.

Gifts-in-kind contributions – The School periodically receives contributions in a form other than cash or investments. If the School receives a contribution of property and equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the School’s capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. No amounts have been reflected in the financial statements for gifts-in-kind contributions.

The School may benefit from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the School’s programs operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance non-financial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition.

Expense recognition and allocation – The cost of providing the Schools’ programs and other activities is summarized on a functional basis in the statements of functional expenses. Expense that can be identified with a specific program or support service are charged directly to that program or support service.

Costs common to multiple functions have been allocated among the various functions benefited. The expenses that are allocated include the following:

Expense	Method of Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Occupancy	Square footage
Interest	Square footage
Depreciation and amortization	Square footage
Insurance	Square footage

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the School.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The School generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Net assets – The financial statements can report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors (or certain grantors), as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board -designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Retirement Plan - Plan Description - Employees of the School participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan. The ASRS through its Retirement Fund provides retirement, death, and survivor benefits; its Health Benefit Supplement Fund provides health insurance premium benefits; and its Long-Term Disability Fund provides long-term disability benefits. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2 and 2. 1.

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on their Web site (www.azasrs.gov).

Income taxes – The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under Arizona Revised Statutes §43-1201. Under these code sections, the School has no provision for federal or state income taxes for its exempt function activities. In addition, the School qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business income would be taxable. The School’s Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the Internal Revenue Service for three years after the date filed. As of June 30, 2022, the returns for 2021, 2020, 2019 and 2018 remain subject to examination. Lastly, the School has not taken any uncertain tax positions, and, therefore, has no policy for evaluating them.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, the School’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The School’s management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

Fair value measurements – The School reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted priced for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The School’s primary uses of fair value measures in the financial statements are cash and cash equivalents, due from governmental agencies, and other current assets and liabilities. The recorded values for these financial instruments approximate their fair values based on their short-term nature.

Concentration of credit risk – Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The School places its cash and cash equivalents with creditworthy, high-quality financial institutions, and management believes the School is not exposed to significant credit risk on those amounts. The School has not experienced any losses on its cash and cash equivalents.

Due from governmental agencies has no credit risk as it was all collected subsequent to June 30.

During the years ended June 30, 2022 and 2021, the School received a substantial amount of its support (approximately 99% and 99%, respectively) from the contract with the Arizona State Board for Charter Schools. The loss of support from this major source of funds would have an adverse and material effect on the School's programs and activities. The School's management is aware of the concentration and its potential impact on its programs, and would take appropriate action if any reduction did occur.

Classroom site fund – The Arizona Legislature created a Classroom Site Fund (CSF) to be administered by the Arizona Department of Education (ADE). CSF funds are non-reverting and provide funding to schools for designated purposes. The ADE administers and allocates CSF funds to the School based on student count and other factors specified by statute. During prior years, schools were required to allocate funding from CSF according to the following statutory parameters:

- Project 1011 20% of the funds must be used for teacher base salary increases and employment related expenses.
- Project 1012 40% of the funds must be used for performance-based teacher compensation increases and teacher employment related expenses
- Project 1013 40% of the funds must be used for maintenance and operations purposes including: class-size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums.

However, during the year ended June 30, 2022, the Arizona Legislature changed the distribution requirements for CSF monies. More specifically, the legislation (1) removed the requirement to distribute CSF monies in the three projects (1011, 1012, and 1013); and (2) includes teacher compensation, including a base pay and performance pay component; and (3) includes student support services expenses as defined in the Uniform System of Financial Records (USFR) as allowable expenses for CSF monies.

These changes allow for more flexibility in the allocation and issue of monies from CSF. Despite the legislative changes, schools are still required to adopt a performance-based compensation system, and no changes were made to the specific elements that must be included in the compensation system on which a governing board is required to vote other than the removal of the percentage requirement.

Subsequent events – In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 15, 2022, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

In addition, as a result of the coronavirus pandemic, the School may experience disruptions through mandated and/or voluntary closures of school operations. While management expects the disruptions to be temporary, there is considerable uncertainty surrounding the duration of such closures and the related financial impact on the School. The School is closely monitoring its liquidity and are actively working to minimize the impact of these declines. The School's financial statements do not include adjustments to fair value that have resulted from these declines.

Prior Year Amounts – Certain prior year amounts have been reclassified to conform to current year presentation.

New accounting pronouncements – The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard’s core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under ASU 2016-2, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, consisted of the following as of the years ended June 30:

	2022	2021
Financial statements at year end:		
Cash and cash equivalents	\$ 478,620	\$ 587,754
Due from governmental agencies	114,633	93,601
Total financial assets	593,253	681,355
Less amounts not available to be used within one year:		
Restricted cash for state and county sources	0	0
Restricted cash for federal sources	0	0
Restricted cash for activities fees tax credit	0	0
Total amounts not available to be used within one year	0	0
Financial assets available to meet general expenditures over the next year	\$ 593,253	\$ 681,355

The School’s goal is generally to maintain financial assets to meet 60 days of operating expense, which is approximately \$250,000. In addition, the School operates annually on a balanced budget and expects to cover general expenditures by collecting revenues from local, state, and federal sources; and by utilizing donor-restricted resources from the current and prior years.

NOTE 3 – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The School maintains its cash with one financial institution. The carrying amount of deposits and bank balances consisted of the following as of the year ended June 30:

	2022	2021
Carrying amount of deposits	\$ 478,620	\$ 587,754
Bank balances:		
Insured by Federal Insurance Deposit Corporation	250,000	250,000
Uninsured and uncollateralized	230,738	340,050
Total bank balances	\$ 480,738	\$ 590,050

Restricted Cash – Classroom site fund – Monies received from the Classroom Site Fund are restricted solely for use at school sites. Unspent monies at fiscal year-end may be used in future year with the restrictions originally placed on the revenue still applicable. There were no restricted cash related to the Classroom Site Fund for the years ended June 30, 2022 and 2021.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of the year ended June 30:

	<u>2022</u>	<u>2021</u>
Property and equipment:		
Building and improvements	\$ 1,325,212	\$ 1,325,212
Equipment	91,406	91,406
Total property and equipment	<u>1,416,618</u>	<u>1,416,618</u>
Accumulated depreciation and amortization	<u>(760,689)</u>	<u>(700,593)</u>
Property and equipment, net	<u>\$ 655,929</u>	<u>\$ 716,025</u>

Depreciation and amortization expense consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense	\$ 60,096	\$ 65,454

NOTE 5 – REFUNDABLE ADVANCES

In May 2020, the School received a Payroll Protection Program (PPP) loan, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$186,620. This loan bears interest at 1.0%, is due 24 months after receipt of the funds with the initial payment deferred for 6-months and is unsecured. The loan may be forgiven based on retaining, or quickly rehiring, employees and maintaining salary levels if used for eligible costs, such as payroll, lease/mortgage interest, and utilities.

For the year ended June 30, 2022, the School has substantially met the conditions specified in the SBA PPP. The School was approved for forgiveness of the PPP loan on October 6, 2021. Therefore, the School recorded other revenue from federal sources in the amount of \$186,620 for the year.

NOTE 6 – CAPITAL LEASE PAYABLE

The School acquired equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes due to the present value of the minimum lease payments exceeding 90% of the assets fair market value. Accordingly, the original cost of the assets, totaling \$22,014, has been capitalized.

Depreciation expense related to the leased equipment for the fiscal years ended June 30, 2022 and 2021 totaled \$4,403 and \$4,403, respectively, and is included in depreciation expense on the statement of functional expense.

Interest expense associated with the capital lease for the fiscal years ended June 30, 2022 and 2021 totaled \$1,424 and \$2,322, respectively.

The future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2022, are as follows:

Fiscal year ending June 30:

	2023	\$	5,085
Total capital lease payments		\$	5,085
Less: amount representing interest			371
Present value of capital lease payments		\$	4,714
Less: current portion			4,714
Capital lease payable, less current portion		\$	<u>0</u>

NOTE 7 – NOTE PAYABLE

On November 24, 2020, the School entered into a modification agreement with a bank to refinance the original note under new terms. The principal balance of the new note is \$361,000. The terms of the new note include interest at a rate of 4.02% payable in monthly installments of \$2,669. The new note is set to mature on December 1, 2035. The note continues to be secured by a Deed of Trust on the School's real property.

Note payable consisted of the following as of the years ended June 30:

	<u>2022</u>	<u>2021</u>
Note payable	\$ 335,881	\$ 354,015
Less: current portion	<u>18,832</u>	<u>18,091</u>
	317,049	335,924

Principal maturities of long-term debt, under the modified terms, for the remainder of the note are as follows:

Fiscal year ending June 30:

	2023	\$	18,832
	2024		19,603
	2025		20,405
	2026		21,242
	Thereafter		<u>255,799</u>
Total note payable		\$	<u>335,881</u>

Interest expense on the promissory note consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest expense on note payable	\$ 13,891	\$ 16,970

NOTE 8 – RETIREMENT PLAN

The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rate. Active plan members and the School were each required by statute to contribute at the actuarially determined rate of 12.22% (12.22% retirement and 0.19% long-term disability) for the year ended June 30, 2022, 12.11% (12.04% retirement and 0.18% long-term disability) for the year ended June 30, 2021 of the members' annual covered payroll. Also, the School was required to contribute at the actuarially determined rate of 12.41% for the year ended June 30, 2022 and 12.22% for the year ended June 30, 2021 of the annual covered payroll of retired members who worked at the School in positions typically held by an employee who contributes to the ASRS. The School's

contributions to the System, which were equal to the required contributions for each year, consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Contributions to employee's accounts	\$ 83,836	\$ 82,395

NOTE 9 – LITIGATION, COMMITMENTS, CONTINGENCIES

Compliance – The School's compliance with certain laws and regulations is subject to review by their Sponsor and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of state equalization assistance.

Litigation – The School is contingently liable for claims, either asserted or unasserted, and judgments resulting from lawsuits, incidental to the normal operation of a school. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the School's financial position, results of operation, or liquidity. Accordingly, no provision for possible losses is reflected in the financial statements.



HOLCOMB & SHREEVE

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

To the Board of Directors
TUCSON PREPARATORY SCHOOL

We have audited, 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, the financial statements of TUCSON PREPARATORY SCHOOL (School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 15, 2022.

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) to determine the 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 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 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 controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management and the Board of Directors of the School in the Arizona State Board for Charter Schools Legal Compliance Questionnaire dated November 15, 2022.

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.



Holcomb & Shreeve, P.C.
Mesa, Arizona
November 15, 2022

**TUCSON PREPARATORY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2022**

We have reviewed the School's prior year audit report dated November 15, 2021. The School did not have any deficiencies in internal control over financial reporting or instances of noncompliance or other matters, therefore, no corrective action was necessary.

**TUCSON PREPARATORY SCHOOL
(A Not-For-Profit Corporation)**

LEGAL COMPLIANCE QUESTIONNAIRE

June 30, 2022

Holcomb & Shreeve PC

Mesa, Arizona



HOLCOMB & SHREEVE

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Tucson Preparatory School

We have performed the procedures enumerated below, which were agreed to by Tucson Preparatory School ("the School") and the Arizona State Board for Charter Schools ("the Sponsor") solely to assist the specified parties in evaluating the School's compliance with applicable legal requirements during the fiscal year ended June 30, 2022. The School's management is responsible for the School's compliance with those requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

Procedures: We completed the accompanying Arizona State Board for Charter Schools Legal Compliance Questionnaire in accordance with instructions contained therein.

Findings: Our findings are summarized on the individual line items of the accompanying Arizona State Board for Charter Schools Legal Compliance Questionnaire.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Holcomb & Shreeve, P.C.
Mesa, Arizona
November 15, 2022



Charter Holder Name: Tucson Preparatory School
Charter Holder CTDS: 108768000

Legal Compliance Questionnaire¹

For Fiscal Year Ended June 30, 2022

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¹ This questionnaire should only be used for charters that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (charters that HAVE an exception). If a charter is subject to procurement requirements pursuant to A.R.S. §§ 15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines) which is available on the Arizona State Board for Charter Schools' website <https://asbcs.az.gov>.

INSTRUCTIONS²

In order to determine whether a charter that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the audit firm must complete the following Legal Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants. (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools.)

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Legal Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support “Yes” answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.
- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.
- ◆ All “No” and “N/A” answers must be adequately explained in the box below the question or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.
- ◆ A “Yes” answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a “No” answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm’s answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.

² For the purposes of this questionnaire, please note that “Governing Body” means the group of persons required by A.R.S. § 15-183(E)(8) that is responsible for policy decisions of the charter school.

PERSONNEL	
Prior to completing the fingerprinting questions below, please review guidance available on the Board's website.	
1. Did the school have valid fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? A.R.S. §§ 15-183(C)(5) and 15-512(H)	YES
Questions 2a through 2c only apply to new hires required pursuant to A.R.S. § 15-183(C)(5) to have valid FCCs and do not apply if an individual's FCC has expired.	
2. For each individual referenced in question #1 that did not have a valid FCC, please provide the following information: A.R.S. § 15-183(C)(5)	
a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date?	N/A
All personnel have valid FCC's	
b. Did DPS receive the application prior to the hire date?	N/A
All personnel have valid FCC's	
c. Prior to placement, did the school do all of the following:	
i) Document the necessity for hiring/placing the individual prior to receiving a FCC?	N/A
All personnel have valid FCC's	
ii) Obtain statewide criminal history information on the individual?	N/A
All personnel have valid FCC's	
iii) Obtain references from the applicant's current and previous employers?	N/A
All personnel have valid FCC's	
3. Did the charter school maintain up-to-date fingerprints of all Governing Body members as of the testing date? Charter Contract (Citations could not be provided as they vary.)	YES
4. Were all other personnel fingerprint checked as of the testing date? A.R.S. §§ 15-183(C)(5) and 15-512	
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of information about the educational and teaching background and experience in a particular academic content subject area for all current employees who provide instruction to pupils? A.R.S. § 15-183(F)	
REQUIRED FILINGS	
1. Internal Revenue Service (IRS) U.S.C. Title 26	
a. Is the school in good standing with the IRS for payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	YES

b. The school did not have any payroll or income taxes payable to the IRS from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	YES
Both answers were "Yes"	
c. If the response to question 1.a, question 1.b, or both is "no", does the school have a payment plan in place with the IRS?	N/A
Both answers were "Yes"	
d. If the answer to question 1.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A
The school doesn't have any payment plans	
2. Arizona Department of Revenue (ADOR) A.R.S. §§ 43-401 and 43-1111	
a. Is the school in good standing with the ADOR for payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	YES
Both answers were "Yes"	
b. The school did not have any payroll or income taxes payable to the ADOR from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	YES
Both answers were "Yes"	
c. If the response to question 2.a, question 2.b, or both is "no", does the school have a payment plan in place with the ADOR?	N/A
Both answers were "Yes"	
d. If the answer to question 2.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A
The school doesn't have any payment plans	
3. Arizona Department of Economic Security (ADES) A.R.S. §§ 23-701 through 23-757	
a. Is the school in good standing with the ADES for state unemployment contribution requirements for the audited fiscal year?	YES
Both answers were "Yes"	
b. The school did not have any state unemployment contributions payable to the ADES from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	YES
Both answers were "Yes"	
c. If the response to question 3.a, question 3.b, or both is "no", does the school have a payment plan in place with the ADES?	N/A
Both answers were "Yes"	
d. If the answer to question 3.c is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	N/A
The school doesn't have any payment plans	

4. Is the school in good standing with the Arizona Corporation Commission (e.g., annual report)? Charter Contract	YES
5. Was a copy of the adopted budget submitted electronically to the Superintendent of Public Instruction no later than July 18 th ? A.R.S. §§ 15-183(E)(6) and 15-905(E)	YES
6. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15 th ? A.R.S. §§ 15-183(E)(6) and 15-904(A)	YES
SPECIAL EDUCATION	
1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	YES
2. Does the school conduct 45 day screenings on all new students? A.A.C. R7-2-401	YES
3. Are evaluations and IEPs on file for special education students? 34 CFR 300.341-350 and 300.531-536	YES
CLASSROOM SITE FUND – A.R.S. § 15-977 and Office of the Auditor General FAQ	
1. For the Classroom Site Fund, were expenses only for allowable purposes listed in A.R.S. §15-977?	YES
2. Did the school use Classroom Site Fund monies to supplement, rather than supplant, existing funding from all other sources?	YES
3. Did the school have sufficient cash at year-end to cover the carryover monies, and what was the Classroom Site Fund <u>cash</u> carryover balance at year-end?	YES
There was no cash carryover balance at the end of the year.	
STUDENT ATTENDANCE REPORTING	
If test work performed in this section discloses a net overstatement or understatement of membership and/or absence days, based on A.R.S. and ADE’s school finance external guidelines, report the net overstatement or understatement in the box below each applicable question.	
1. Did the school’s calendar ensure school was in session for the required days and students received the required instructional hours per grade level, including Arizona Online Instruction (AOI) programs as prescribed in A.R.S. §§ 15-808(J)(1), 15-901(A)(1), 15-901.07 and 15-901.08?	YES

For Student Attendance Reporting questions, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. These samples should include 3 or more grade levels and 3 or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested should be selected from the first 100 days of school. In the parentheses provided within the questions, write the actual number of transactions tested. If all transactions were tested, indicate such.

<p>For question 2, select at least 3 student attendance records. (If a student in the sample was in a virtual day, ensure the student was counted based on the instructional time model (ITM).)</p> <p>2. If the school had an early (pre-) kindergarten program, based upon review of (____) early (pre-) kindergarten students' attendance records, did the school only calculate and submit membership information for this program for students with disabilities? A.R.S. § 15-901(A)(1)(a)(i) and USFRCS Memorandum No. 33</p>	<p>N/A</p>
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The school has no early kindergarten program

For question 3, use the following sample sizes. (If a student in the sample was in a virtual day, ensure the student was counted based on the ITM.)

SCHOOLWIDE ADM	Student Attendance Records
<1,000	5
1,000-5,000	10
>5,000	15

<p>3. Based upon review of (5) students' attendance records, did the school appropriately track and report elementary, junior high, and high school students' membership and absences? A.R.S. §§ 15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i), and USFRCS Memorandum No. 33</p>	<p>YES</p>
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For questions 4-7, use the following sample sizes. (If a student in the sample was in a virtual day, ensure the student was counted based on the ITM.)

SCHOOLWIDE ADM	Student Attendance Records
<1,000	3
1,000-5,000	5
>5,000	7

<p>4. Based upon review of (3) high school students' attendance records, did the school prorate the membership of the students enrolled in less than 4 subjects?</p>	<p>N/A</p>
--	------------

All students enrolled full time

<p>5. For schools-Based upon review of (____) students' (enrolled in a program provided by a CTED in a facility owned or operated by a school) attendance records, did the school report the actual enrollment for only the school classes the student was enrolled in at the school site (excluding CTED program classes) under the school's CTDS number?</p>	<p>N/A</p>
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The school has no CTED program

<p>6. For schools offering an AOI program, based upon a review of (____) AOI students' attendance records for 4 weeks: (ADE's guideline SF-0003-AOI Participation)</p>
--

c. Did membership begin on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school? ADE’s External Guideline GE-17	YES
d. Did the school obtain and maintain verifiable documentation of Arizona residency upon enrollment? A.R.S. § 15-802(B)(1) and ADE’s Updated Residency Guidelines	YES
11. Did the school exclude nonresident students from the school’s student count and state aid calculations and charge tuition, as applicable? A.R.S. § 15-823(G) and (L)	N/A
All students are Arizona residents	
12. Based upon review of (<u> 5 </u>) withdrawals:	
a. Were the withdrawal dates entered into the school’s computerized attendance system within 5 working days after the actual day of withdrawal and was documentation maintained to support the date of data entry? (Note: “Day of withdrawal” for determining timely data entry means: a. the later of the student’s withdrawal date or the day the school is notified the student will not be returning; or b. the 10 th day of unexcused absence for students withdrawn for having 10 consecutive unexcused absences.)	YES
b. Did the withdrawal date in the computerized attendance system agree to the withdrawal form? (Note: If the computerized attendance system requires the school to input the day following the withdrawal date for a student to be counted in membership through the last day of actual attendance or excused absence, the withdrawal date on the system should be the school day following the withdrawal date on the form.)	YES
c. Did the school prepare and retain an <i>Official Notice of Pupil Withdrawal</i> form that a school administrator signed for each withdrawal? A.R.S. § 15-827	YES
13. Based upon review of the school’s student data uploaded to ADE (AzEDS ADM15 or ABSATT10 report, as applicable), did the membership and absences agree to the school’s computerized attendance system records for the first 100 days of school? (Note: For an AOI Program, review year-end attendance information.) A.R.S. §15-901	YES
14. Did the school report students that completed all high school requirements with the applicable graduation code and use the appropriate year-end status code for other students?	YES

15. For students participating in distance learning, did the school follow attendance procedures defined in an adopted ITM?	YES
OPEN MEETING LAW	
A.R.S. §§ 38-431.01 and 38-431.02 (See also Attorney General Opinion I00-009)	
1. Did the school conspicuously post a statement on its website stating where all public notices of its meetings will be posted, including the physical and electronic locations?	YES
2. Did the school post all public meeting notices on its website?	YES
3. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting?	YES
4. Were notices and agenda of public meetings posted at least 24 hours before the meeting?	YES
5. Were written minutes prepared or a recording made of Governing Body meetings?	YES
INSURANCE REQUIREMENTS – A.R.S. § 15-183(M)	
Does the school have the required insurance for liability and property loss?	YES
TUITION – A.R.S. § 15-185(B)(6) (See also Attorney General Opinion I98-007)	
Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. § 15-185(B)(6) [nonresidents]?	YES
RECORDS MANAGEMENT	
1. Did the school retain records in accordance with the General Retention Schedules for Education – K-12 published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? www.azlibrary.gov/arm/retention-schedules	YES
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity – was adequate documentation retained to support revenue and expenses in the charter school)?	YES

This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on page 2.

Holcomb & Shreeve PC

November 15, 2022

Audit Firm

Date

A handwritten signature in black ink, appearing to be "K. H. Shreeve", written over a horizontal line.

President

Preparer's Signature (Audit Firm Representative)

Title