

FINANCIAL STATEMENTS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2023

ALLIANCE PREPARATORY SCHOOLS, INC.  
TABLE OF CONTENTS  
JUNE 30, 2023

---

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditor's Report		6
Management's Discussion and Analysis		8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	18
Statement of Activities	2	19
Fund Financial Statements:		
<u>Governmental Funds</u>		
Balance Sheet	3	20
Statement of Revenues, Expenditures and Changes in Fund Balances	4	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statements of Activities	5	22
<u>Proprietary Funds</u>		
Statement of Net Position	6	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	7	24
Statement of Cash Flows	8	25
Notes to the Financial Statements		26

Supplementary Information

Mallard Creek STEM Academy

School Resources by Governmental Subfund	1	40
School of Revenues, Expenditures and Changes in Governmental Subfund Balances	2	41
School Net Position by Proprietary Subfund	3	42
School Revenues, Expenditures and Changes in Subfund Net Position	4	43
School Statement of Cash Flows by Proprietary Subfund	5	44

Southwest Charlotte STEM Academy

School Resources by Governmental Subfund	6	45
School of Revenues, Expenditures and Changes in Governmental Subfund Balances	7	46
School Net Position by Proprietary Subfund	8	47
School Revenues, Expenditures and Changes in Subfund Net Position	9	48
School Statement of Cash Flows by Proprietary Subfund	10	49

Budget to Actual Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Mallard Creek STEM Academy - All Fund Types except LLC	11	50
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Southwest Charlotte STEM Academy - All Fund Types except LLC	12	51

## COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance; in Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	55
Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control over Compliance; in Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act	57
Schedule of Findings and Questioned Costs	59
Corrective Action Plan	61
Summary Schedule of Prior Year's Audit Findings	62
Schedule of Expenditures of Federal and State Awards - Mallard Creek STEM Academy	63
Schedule of Expenditures of Federal and State Awards - Southwest Charlotte STEM Academy	64

FINANCIAL SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2023



## Independent Auditor's Report

Board of Directors  
Alliance Preparatory Schools, Inc.  
Charlotte, North Carolina

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Alliance Preparatory Schools, Inc., North Carolina, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Alliance Preparatory Schools, Inc., as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alliance Preparatory Schools, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 Alliance Preparatory Schools, Inc.'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.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Alliance Preparatory Schools, Inc.'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 Alliance Preparatory Schools, Inc.'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 on pages 8-17 be presented to supplement the basic financial statements. Such information, 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.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alliance Preparatory Schools, Inc.'s basic financial statements. The accompanying budgetary schedules and the schedule of expenditures of federal and state awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of Alliance Preparatory Schools, Inc.'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 Alliance Preparatory Schools, Inc.'s internal control over financial reporting and compliance.

*Rebekah Barr, CPA PC*

---

Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

October 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2023

## **Alliance Preparatory Schools, Inc. Management's Discussion and Analysis For the Year Ended June 30, 2023**

As management of the Alliance Preparatory Schools, Inc., we provide these financial statements and this narrative overview and analysis of Alliance Preparatory Schools, Inc.'s financial position as of June 30, 2023 and its operations for the year then ended. We encourage readers to review the discussion presented here in conjunction with additional information included in the financial statements and notes which follow this section.

### **Financial Highlights**

- The entity Alliance Preparatory Schools, Inc. includes two schools in fiscal year ended at June 30, 2023: Mallard Creek STEM Academy (MCSA) and Southwest Charlotte STEM Academy (SCSA).
- SCSA was a new subsidiary school which did not open until fiscal year 2020. MCSA opened in fiscal year 2016.
- The data in Alliance Preparatory Schools, Inc.'s net position (Figure 2), changes in net position (Figure 3), capital assets (Figure 4), and long-term debt (Figure 5) represent the combined amounts from both MCSA and SCSA.
- The assets of the Alliance Preparatory Schools, Inc. exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,559,657 (**net position**) with total business net position of (\$3,555,900) and total government net position of \$9,115,557.
- The organization's total net position increased by \$331,797, primarily due to revenue increases combined with lower than expected expenses for the year. The total net position change includes the effects from both MCSA and SCSA.
- As of the close of the current fiscal year, the Alliance Preparatory Schools, Inc.'s governmental funds reported combined ending fund balances of \$5,830,995, a decrease of \$30,875 in comparison with the prior year comprised of a \$27,725 increase from MCSA and a \$58,600 decrease from SCSA.
- During the current fiscal year, Alliance Preparatory Schools, Inc.'s long-term debt decreased by \$661,379 from \$45,538,908 to \$44,877,529 as of June 30, 2023 due primarily to principal payments of \$670,000 during the year.

### **Overview of the Financial Statements**

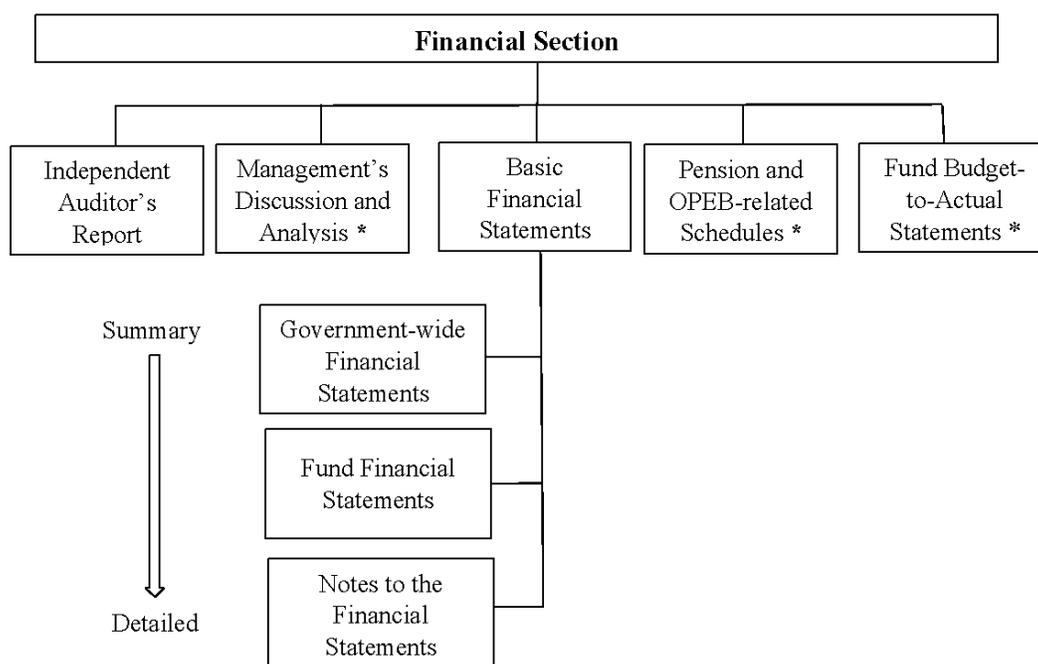
This discussion and analysis are intended to serve as an introduction to Alliance Preparatory Schools, Inc.'s basic financial statements. The organization's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of Alliance Preparatory Schools, Inc. through the use of government-wide statements and fund

## Alliance Preparatory Schools, Inc.

financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of Alliance Preparatory Schools, Inc.

### Required Components of Annual Financial Report

Figure 1



\* Required Supplementary Information

### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about Alliance Preparatory Schools, Inc.'s financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of Alliance Preparatory Schools, Inc.'s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

## Alliance Preparatory Schools, Inc.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the organization's individual funds. Budgetary information for the organization also can be found in this section of the statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the organization's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the organization's financial status as a whole.

The two government-wide statements report the organization's net position and how they have changed. Net position is the difference between the organization's total assets plus deferred outflows of resources minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the organization's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the organization's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the organization charges its students and other customers to provide. Alliance Preparatory Schools, Inc. offers lunch plus before and after school programs.

The condensed government-wide financial statements are provided in Exhibits 1 and 2 of this report.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the organization's most significant activities. 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. Alliance Preparatory Schools, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the organization's budget ordinance. All of the funds of Alliance Preparatory Schools, Inc. can be divided into two categories: governmental funds and proprietary funds.

## Alliance Preparatory Schools, Inc.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the organization’s basic services are accounted for in governmental funds.

These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the organization’s programs provided by the organizations. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Each school adopts an annual budget, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the organization in determining what activities will be pursued and what services will be provided by the organization during the year. It also authorizes the organization to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the organization has complied with the budget ordinance and whether or not the organization has succeeded in providing the services as planned when the budget was adopted.

**Proprietary Funds** – Alliance Preparatory Schools, Inc. operate proprietary funds which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Alliance Preparatory Schools, Inc. uses enterprise funds to account for its school lunch fund and before and after school fund.

**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. The notes to the financial statements begin on page 26 of this report.

### Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2023, cash and cash equivalents, and other current assets, primarily amounts from restricted cash, accounted for 13% and

## Alliance Preparatory Schools, Inc.

8% of total government-wide assets, respectively. Compared to the prior year, there is an increase of about \$149,000 in current assets due to increase in State funding in FY 22/23. Capital assets, net of accumulated depreciation, totaled \$40,484,640 and accounted for 80% of total assets. Total capital assets decreased by almost \$551,000 or 1.3% compared to the prior year because depreciation of \$1,661,000 exceeded additions of \$1,110,000. Long-term liabilities represent 99% of total liabilities and decreased by \$661,379 or 1% from the prior year due primarily to principal payments of \$670,000 during the year.

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The total net assets of Alliance Preparatory Schools, Inc. of \$5,559,657 increased by \$331,797 over the prior year with assets of \$50,913,848 exceeding liabilities and deferred inflows of resources of \$45,354,191 as of June 30, 2023.

One of the largest portions of the schools' asset position reflects the organization's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Alliance Preparatory Schools, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Alliance Preparatory Schools, Inc.'s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A portion of the organization's net position in the amount of \$3,803,388 represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position of \$6,149,158 is unrestricted.

A condensed statement of net position which summarized the assets, liabilities, deferred inflows of resources and net position at June 30, 2023 and 2022 is as follows:

**Figure 2 – Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
<b>Assets</b>						
Current & Other Assets	\$ 6,307,657	\$ 6,405,781	\$ 4,121,551	\$ 3,874,457	\$ 10,429,208	\$ 10,280,238
Capital Assets	3,284,562	2,447,985	37,200,078	38,587,636	40,484,640	41,035,621
<b>Total Assets</b>	<b>9,592,219</b>	<b>8,853,766</b>	<b>41,321,629</b>	<b>42,462,093</b>	<b>50,913,848</b>	<b>51,315,859</b>
<b>Liabilities</b>						
Current & Other Liabilities	476,662	543,911	-	5,180	476,662	549,091
Long-term Liabilities	-	-	44,877,529	45,538,908	44,877,529	45,538,908
<b>Total Liabilities</b>	<b>476,662</b>	<b>543,911</b>	<b>44,877,529</b>	<b>45,544,088</b>	<b>45,354,191</b>	<b>46,087,999</b>
<b>Net Position</b>						
<b>Net Investment in Capital Assets</b>	3,284,562	2,447,985	(7,677,451)	(6,951,272)	(4,392,889)	(4,503,287)
<b>Restricted</b>	16,434	-	3,786,954	3,639,382	3,803,388	3,639,382
<b>Unrestricted</b>	5,814,561	5,861,870	334,597	229,895	6,149,158	6,091,765
<b>Total Net Position</b>	<b>\$ 9,115,557</b>	<b>\$ 8,309,855</b>	<b>\$ (3,555,900)</b>	<b>\$ (3,081,995)</b>	<b>\$ 5,559,657</b>	<b>\$ 5,227,860</b>

Several particular aspects of the organization's financial operations positively influenced the total unrestricted governmental net position:

## Alliance Preparatory Schools, Inc.

- The organization adopted an annual budget for all funds. The organization's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The organization applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of its students.
- Funding changes proportionately with any changes in the student enrollment.

Revenues, expenses and the change in net position is summarized in the following condensed statement of activities for the year ended June 30, 2023 and 2022:

**Figure 3 - Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
<b>Revenues</b>						
Charges for Services	\$ -	\$ -	\$ 382,416	\$ 209,505	382,416	209,505
Operating Grants & Contributions	1,145,165	1,736,437	714,833	824,037	1,859,998	2,560,474
County, State & Federal Funds	17,688,792	16,682,688	-	-	17,688,792	16,682,688
Donations & Other Revenues	637,189	322,231	3,551,197	2,887,509	4,188,386	3,209,740
<b>Total Revenues</b>	<b>19,471,146</b>	<b>18,741,356</b>	<b>4,648,446</b>	<b>3,921,051</b>	<b>24,119,592</b>	<b>22,662,407</b>
<b>Expenses</b>						
Instructional Programs	11,343,015	10,711,054	-	-	11,343,015	10,711,054
Athletics, Arts & Clubs	126,435	149,640	-	-	126,435	149,640
Support Services	7,195,838	5,903,153	-	-	7,195,838	5,903,153
Community Services	32,295	70,205	-	-	32,295	70,205
Interest on Long-term Debt	-	-	-	-	-	-
Southwest Charlotte STEM Academy	-	-	2,271,085	1,880,569	2,271,085	1,880,569
Mallard Creek STEM Academy	-	-	1,858,719	1,769,024	1,858,719	1,769,024
Before & After School	-	-	223,527	87,492	223,527	87,492
School Lunch Service	-	-	736,881	760,412	736,881	760,412
<b>Total Expenses</b>	<b>18,697,583</b>	<b>16,834,052</b>	<b>5,090,212</b>	<b>4,497,497</b>	<b>23,787,795</b>	<b>21,331,549</b>
<b>Increase in Net Position Before Transfers</b>	<b>773,563</b>	<b>1,907,304</b>	<b>(441,766)</b>	<b>(576,446)</b>	<b>331,797</b>	<b>1,330,858</b>
Transfers	32,139	(40,500)	(32,139)	40,500	-	-
<b>Change in Net Position</b>	<b>805,702</b>	<b>1,866,804</b>	<b>(473,905)</b>	<b>(535,946)</b>	<b>331,797</b>	<b>1,330,858</b>
<b>Net Position</b>						
Net Position Beginning	8,309,855	6,443,051	(3,081,995)	(2,546,049)	5,227,860	3,897,002
Change in Net Position (from above)	805,702	1,866,804	(473,905)	(535,946)	331,797	1,330,858
<b>Net Position Ending</b>	<b>\$ 9,115,557</b>	<b>\$ 8,309,855</b>	<b>\$ (3,555,900)</b>	<b>\$ (3,081,995)</b>	<b>\$ 5,559,657</b>	<b>\$ 5,227,860</b>

**Governmental activities:** Governmental activities increased the organization's net position by \$805,702 compared to an increase in net position of \$1,866,804 in the prior year. The increase in revenues and transfers of \$802,429 was offset by an increase in expenses of \$1,863,531 compared to the prior year. County, State and Federal funds of \$17,688,792 increased by \$1,006,104 or 6% compared to the prior year and made up 91% of total governmental revenues.

Instructional service and related expenses of \$11,343,015 accounted for 61% of total governmental expenses and increased by 6% from the prior year.

## Alliance Preparatory Schools, Inc.

**Business-type activities:** Business-type activities decreased the organization's net position by \$473,905 compared to a decrease of \$535,946 in the prior year, primarily due to depreciation expense of \$1,661,000. The organization lunch fund and before and after school fund generate charges for service revenue of \$382,416 and leaseback of facilities revenue of \$3,396,000 while all operating expenses totaled \$5,090,212.

By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the revenues and expenditures of the organizations and adjust their estimates as needed during the year.

### Financial Analysis of Alliance Preparatory Schools, Inc.'s Funds

As noted earlier, Alliance Preparatory Schools, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Alliance Preparatory Schools, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Alliance Preparatory Schools, Inc.'s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The governmental fund is the chief operating fund of Alliance Preparatory Schools, Inc. At the end of the current fiscal year, the assets in the governmental fund consisted primarily of cash and cash equivalents which equaled 97% of total fund assets. Governmental fund liabilities were comprised of operational accounts payable of \$123,447 and accrued salaries of \$353,215. The unassigned fund balance of the governmental fund was \$5,758,092 or 99% of total governmental fund balance while total fund balance reached \$5,830,995, a slight decrease of \$30,875 from the prior year.

**Proprietary Funds.** The organization's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Mallard Creek STEM ended the year with a fund balance of (\$1,797,774) and Southwest Charlotte STEM Academy ended the year with a fund balance of (\$1,758,126) as of June 30, 2023. Other factors concerning the finances of this fund have already been addressed in the discussion of the organization's business-type activities.

## Alliance Preparatory Schools, Inc.

### Capital Asset and Debt Administration

**Capital assets.** Alliance Preparatory Schools, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$40,484,640 (net of accumulated depreciation) as shown in the table below.

**Figure 4 - Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Land	\$ 25,000	\$ 25,000	\$ 3,298,070	\$ 3,298,070	\$ 3,323,070	\$ 3,323,070
Buildings & Improvements	2,270,910	1,934,877	33,072,508	34,341,566	35,343,418	36,276,443
Furniture & Office Equipment	988,652	488,108	829,500	948,000	1,818,152	1,436,108
<b>Total</b>	<b>\$ 3,284,562</b>	<b>\$ 2,447,985</b>	<b>\$ 37,200,078</b>	<b>\$ 38,587,636</b>	<b>\$ 40,484,640</b>	<b>\$ 41,035,621</b>

Additional information on the organization's capital assets can be found in note III.A.3. of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2023, Alliance Preparatory Schools, Inc. had total long-term debt of \$44,877,529. The debt consists of \$23,616,250 of 2019 revenue bond direct placement, \$22,625,000 of 2020 revenue bond direct placement, and (\$702,342) of bond discount.

Alliance Preparatory Schools, Inc.'s outstanding debt at June 30, 2023 and 2022 is summarized in the following schedule:

**Figure 5 - Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
2018 Revenue Bond	\$ -	\$ -	\$ 22,395,000	\$ 22,625,000	\$ 22,395,000	\$ 22,625,000
2019 Revenue Bond	-	-	23,176,250	23,616,250	23,176,250	23,616,250
less bond discount	-	-	(693,721)	(702,342)	(693,721)	(702,342)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,877,529</b>	<b>\$ 45,538,908</b>	<b>\$ 44,877,529</b>	<b>\$ 45,538,908</b>

During the current fiscal year, Alliance Preparatory Schools, Inc.'s long-term debt decreased by \$661,379 from \$45,538,908 to \$44,877,529 as of June 30, 2023 due primarily to principal payments of \$670,000 during the year.

### Economic Factors

The following key economic indicators reflect the growth and prosperity of the organization:

## **Alliance Preparatory Schools, Inc.**

- Stability in the area contributed to slightly increased funding to all public schools in the area, including charter schools.
- The lack of available school choice in the area resulted in a successful year four for SCSA and year seven for MCSA.

### **Requests for Information**

This report is designed to provide an overview of the organization's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board Chair, Alliance Preparatory Schools, Inc., 9142 Browne Rd. Charlotte, NC 28269 Telephone (980) 288-4811.

**Alliance Preparatory Schools, Inc.**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,094,508	\$ 315,650	\$ 6,410,158
Restricted cash	16,434	3,786,954	3,803,388
Due from other governments	68,489	18,947	87,436
Accounts receivable - trade	55,323	-	55,323
Prepaid expenses	72,903	-	72,903
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	25,000	3,298,070	3,323,070
Other capital assets, net of depreciation	3,259,562	33,902,008	37,161,570
Total capital assets	<u>3,284,562</u>	<u>37,200,078</u>	<u>40,484,640</u>
Total assets	<u>9,592,219</u>	<u>41,321,629</u>	<u>50,913,848</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable - trade	123,447	-	123,447
Accrued salaries payable	353,215	-	353,215
Derivative instrument - interest rate swap	-	-	-
Long-term liabilities:			
Compensated absences	-	-	-
Due within one year	-	710,000	710,000
Due in more than one year	-	44,167,529	44,167,529
Total liabilities	<u>476,662</u>	<u>44,877,529</u>	<u>45,354,191</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,284,562	(7,677,451)	(4,392,889)
Restricted for debt service	16,434	3,786,954	3,803,388
Unrestricted	5,814,561	334,597	6,149,158
Total net position	<u>\$ 9,115,557</u>	<u>\$ (3,555,900)</u>	<u>\$ 5,559,657</u>

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
Instructional programs	\$ 11,343,015	\$ -	\$ 1,145,165	\$ -	\$ (10,197,850)	\$ -	\$ (10,197,850)
Athletics, arts and clubs	126,435	-	-	-	(126,435)	-	(126,435)
Support services	7,195,838	-	-	-	(7,195,838)	-	(7,195,838)
Community services	32,295	-	-	-	(32,295)	-	(32,295)
Interest on debt	-	-	-	-	-	-	-
Total governmental activities	<u>18,697,583</u>	<u>-</u>	<u>1,145,165</u>	<u>-</u>	<u>(17,552,418)</u>	<u>-</u>	<u>(17,552,418)</u>
Business-type activities:							
Before and after school fund	223,527	188,243	-	-	-	(35,284)	(35,284)
School lunch fund	736,881	194,173	714,833	-	-	172,125	172,125
Mallard Creek STEM Academy LLC	1,858,719	-	-	-	-	(1,858,719)	(1,858,719)
Southwest Charlotte STEM Academy LLC	2,271,085	-	-	-	-	(2,271,085)	(2,271,085)
Total business-type activities	<u>5,090,212</u>	<u>382,416</u>	<u>714,833</u>	<u>-</u>	<u>-</u>	<u>(3,992,963)</u>	<u>(3,992,963)</u>
Total primary government	<u>\$ 23,787,795</u>	<u>\$ 382,416</u>	<u>\$ 1,859,998</u>	<u>\$ -</u>	<u>(17,552,418)</u>	<u>(3,992,963)</u>	<u>(21,545,381)</u>
General revenues:							
Unrestricted county appropriations					5,701,683	-	5,701,683
Unrestricted State appropriations					11,987,109	-	11,987,109
Unrestricted Federal appropriations					-	-	-
Unrestricted fines and forfeitures					-	-	-
Donations - general					6,117	-	6,117
Miscellaneous, unrestricted					631,072	3,551,197	4,182,269
Indirect costs					32,139	(32,139)	-
Total general revenues, special items, and transfers					<u>18,358,120</u>	<u>3,519,058</u>	<u>21,877,178</u>
Change in net position					805,702	(473,905)	331,797
Net position-beginning, previously reported					8,309,855	(3,081,995)	5,227,860
Net position-ending					<u>\$ 9,115,557</u>	<u>\$ (3,555,900)</u>	<u>\$ 5,559,657</u>

The notes to the financial statements are an integral part of this statement

**Alliance Preparatory Schools, Inc.  
Balance Sheet  
Governmental Funds  
June 30, 2023**

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 3,558,940	\$ 2,535,568	\$ 6,094,508
Restricted cash	-	16,434	-	16,434
Due from other governments	-	31,744	36,745	68,489
Accounts receivable - other	-	20,295	35,028	55,323
Prepaid items	-	67,408	5,495	72,903
Security deposits	-	-	-	-
<b>Total assets</b>	-	3,694,821	2,612,836	6,307,657
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable - trade	-	72,690	50,757	123,447
Accrued salaries payable	-	222,825	130,390	353,215
<b>Total liabilities</b>	-	295,515	181,147	476,662
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	-	67,408	5,495	72,903
Unassigned	-	3,331,898	2,426,194	5,758,092
<b>Total fund balances</b>	-	3,399,306	2,431,689	5,830,995
<b>Total liabilities, deferred inflows of resources, and funds balances</b>	\$ -	\$ 3,694,821	\$ 2,612,836	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,284,562
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	-
Compensated absences	-
<b>Net position of governmental activities</b>	<b>\$ 9,115,557</b>

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
<b>Revenues</b>				
State of North Carolina	\$ -	\$ 6,482,263	\$ 5,504,846	\$ 11,987,109
Local education agencies	-	3,067,426	2,634,257	5,701,683
U.S. Government	-	579,273	565,892	1,145,165
Fines and forfeitures	-	-	-	-
Contributions and donations	-	1,842	4,275	6,117
Other	-	336,500	294,572	631,072
Total revenues	-	10,467,304	9,003,842	19,471,146
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional programs	-	6,387,362	4,709,109	11,096,471
Athletics, arts and clubs	-	45,658	80,777	126,435
Support services	-	3,684,590	3,483,854	7,168,444
Community services	-	32,295	-	32,295
<b>Capital outlay:</b>	-	321,813	788,702	1,110,515
<b>Debt service:</b>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	-	10,471,718	9,062,442	19,534,160
Excess (deficiency) of revenues over expenditures	-	(4,414)	(58,600)	(63,014)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
Indirect costs	-	32,139	-	32,139
Total other financing sources (uses)	-	32,139	-	32,139
Net change in fund balance	-	27,725	(58,600)	(30,875)
Fund balances-beginning	-	3,371,581	2,490,289	5,861,870
Fund balances-ending	\$ -	\$ 3,399,306	\$ 2,431,689	\$ 5,830,995

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statements of Activities**  
**For the Year Ended June 30, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(30,875)
Change in fund balance due to change in reserve for inventory		-
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		836,577
<p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities.</p>		
		-
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of donated assets		-
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		-
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		-
Compensated absences		-
Rounding adjustment		-
		<hr style="border-top: 1px solid black;"/>
Total changes in net position of governmental activities	\$	<u><u>805,702</u></u>

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	<b>Major Enterprise Funds</b>		
	<b>Mallard Creek STEM Academy</b>	<b>Southwest Charlotte STEM Academy</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 250,759	\$ 64,891	\$ 315,650
Cash - restricted debt service fund	1,713,032	2,073,922	3,786,954
Due from other governments	15,560	3,387	18,947
Inventories	-	-	-
Total current assets	1,979,351	2,142,200	4,121,551
Noncurrent assets:			
Capital assets:			
Land	2,000,000	1,298,070	3,298,070
Other capital assets, net of depreciation	16,705,404	17,196,604	33,902,008
Total noncurrent assets	18,705,404	18,494,674	37,200,078
Total assets	\$ 20,684,755	\$ 20,636,874	\$ 41,321,629
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
-			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	460,000	250,000	710,000
Due in more than one year	22,022,529	22,145,000	44,167,529
Total long-term liabilities	22,482,529	22,395,000	44,877,529
Total liabilities	22,482,529	22,395,000	44,877,529
<b>DEFERRED INFLOWS OF RESOURCES</b>			
-			
<b>NET ASSETS</b>			
Net investment in capital assets	(3,777,125)	(3,900,326)	(7,677,451)
Restricted for debt service	1,713,032	2,073,922	3,786,954
Unrestricted	266,319	68,278	334,597
Total net position	\$ (1,797,774)	\$ (1,758,126)	\$ (3,555,900)

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
<b>OPERATING REVENUES</b>			
Before and after school care	\$ 188,243	\$ -	\$ 188,243
Lunch sales	78,436	115,737	194,173
Rental income from school	1,618,795	1,778,795	3,397,590
Dividend and interest income	72,933	80,674	153,607
Total operating revenues	1,958,407	1,975,206	3,933,613
<b>OPERATING EXPENSES</b>			
Salary and related costs	402,741	147,905	550,646
Supplies and materials	27,533	10,032	37,565
Contracted services	170,094	145,276	315,370
Food purchases	24,897	31,930	56,827
Interest expense	1,203,437	1,530,188	2,733,625
Amortization	8,621	-	8,621
Depreciation expense	646,661	740,897	1,387,558
Total operating expenses	2,483,984	2,606,228	5,090,212
Operating income (loss)	(525,577)	(631,022)	(1,156,599)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Indirect costs	(32,139)	-	(32,139)
Federal reimbursements	429,007	285,826	714,833
Total nonoperating revenue (expenses)	396,868	285,826	682,694
Income (loss) before contributions and transfers	(128,709)	(345,196)	(473,905)
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	(128,709)	(345,196)	(473,905)
Total net position - beginning	(1,669,065)	(1,412,930)	(3,081,995)
Total net position - ending	\$ (1,797,774)	\$ (1,758,126)	\$ (3,555,900)

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc.**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2023**

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,958,407	\$ 1,975,206	\$ 3,933,613
Cash paid to employees for services	(402,741)	(147,905)	(550,646)
Cash paid for goods and services	(1,430,054)	(1,718,513)	(3,148,567)
Net cash provided (used) by operating activities	<u>125,612</u>	<u>108,788</u>	<u>234,400</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal reimbursements	413,447	282,439	695,886
Indirect costs	(32,139)	-	(32,139)
Net cash provided (used) by noncapital financing activities	<u>381,308</u>	<u>282,439</u>	<u>663,747</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments on bonds	(440,000)	(230,000)	(670,000)
Proceeds from bonds	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing	<u>(440,000)</u>	<u>(230,000)</u>	<u>(670,000)</u>
Net increase (decrease) in cash and cash equivalents	66,920	161,227	228,147
Balances-beginning of the year	<u>1,896,871</u>	<u>1,977,586</u>	<u>3,874,457</u>
Balances-end of the year	<u>\$ 1,963,791</u>	<u>\$ 2,138,813</u>	<u>\$ 4,102,604</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (525,577)	\$ (631,022)	\$ (1,156,599)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	655,282	740,897	1,396,179
Changes in assets and liabilities:			
(Increase) decrease in prepaids	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(4,093)	(1,087)	(5,180)
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	<u>651,189</u>	<u>739,810</u>	<u>1,390,999</u>
Net cash provided (used) by operating activities	<u>\$ 125,612</u>	<u>\$ 108,788</u>	<u>\$ 234,400</u>

The notes to the financial statements are an integral part of this statement.

**Alliance Preparatory Schools, Inc., North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies

The accounting policies of the Alliance Preparatory Schools, Inc. (“Alliance”) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as Alliance. Because of the authority of the State Board of Education (SBE) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C218.95 with all net assets purchased with the public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Alliance is a North Carolina non-profit corporation incorporated in December 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Alliance has been approved to operate two charter schools: Mallard Creek STEM Academy and Southwest Charlotte STEM Academy (collectively, the “Schools”). The Schools are public schools with Mallard Creek STEM Academy serving approximately 908 students and Southwest Charlotte STEM Academy serving approximately 768 students. Each School operates under a separate charter agreement applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) and authorized by the State Board of Education (“SBE”). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on ground set out at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100). The current charters are effective until June 30, 2026 for Mallard Creek and June 30, 2023 for Southwest Charlotte. Charters may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charters will be renewed in the ordinary course of business.

Alliance has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501 (a) of the Internal Revenue Code as an organization described in section 501(c)(3).

B. Basis of Presentation

Alliance’s financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the “SBFCA”). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include audit requirements established by G.S. 115C-47.

In accordance with GASB Statements No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Alliance Preparatory Schools, Inc. is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

*Government-wide Statements:* The Statement of Net Position and the Statement of Activities display information about the Alliance. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Alliance and for each function of the Alliance's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Alliance's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Alliance reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of Alliance. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

*Special Revenue Funds.* Mallard Creek STEM Academy and Southwest Charlotte STEM Academy Funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

*County and Other Subfund.* The County and Other Subfund includes appropriations from various counties and other support of Alliance's programs.

*State Public School Subfund.* The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

*Federal Grants Subfund.* The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

Alliance reports the following major enterprise funds:

*Enterprise Funds.* Mallard Creek STEM Academy and Southwest Charlotte STEM Academy enterprise funds account for the LLC's owned by Alliance, school food service and childcare activities.

*Mallard Creek STEM Academy LLC.* The Mallard Creek STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Mallard Creek STEM Academy.

*Southwest Charlotte STEM Academy LLC.* The Southwest Charlotte STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Southwest Charlotte STEM Academy.

*Before and After School Care Fund.* The Before and After School Care Fund is used to account for the before and after school activities conducted by the School.

*School Lunch Fund.* The School Lunch Fund is used to account for the food service program within the school system.

### C. Measurement Focus and Basis of Accounting

*Government-wide and Proprietary Fund Financial Statement.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

### D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the various Schools at June 30, 2023. All appropriations lapse at year end.

### E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

#### 1. Deposits and Investments

All deposits of the Alliance are made in a local bank, whose accounts are FDIC insured. Also, the Alliance has established time deposit accounts such as money market accounts.

#### 2. Cash and Cash Equivalents

Alliance pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cash restricted to payments of principal and interest on USDA loans is reported separately in the financial statements.

### 3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

### 4. Capital Assets

Alliance's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Alliance to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building and improvements	30
Furniture and office equipment	7

### 5. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Alliance has no items that meet the criterion for this category for the current fiscal year. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Alliance has no items that meet the criterion for this category.

### 6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

### 7. Compensated Absences

Alliance pays its employees in June of the current year for any accumulated time that has accrued during the year. Therefore, no accrual for compensated absences has been made.

## 8. Net Position/Fund Balances

### Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

### Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Alliance's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Alliance Preparatory Schools, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Alliance Preparatory Schools, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Alliance.

9. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$3,284,562 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column.)	\$ 4,274,493
Less accumulated depreciation	(989,931)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Notes payable	-
Total adjustment	\$ 3,284,562

F. Revenues, Expenditures, and Expenses

1. Funding

The Schools are funded by the SBE, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Charlotte-Mecklenburg County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. [G.S. 115C-218.105(b)] Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2023, the Schools received funding from the Boards of Education for Cabarrus, Lincoln, Union, Charlotte-Mecklenburg and Gaston Counties along with Kannapolis and Mooresville Cities.

Furthermore, Alliance Preparatory Schools, Inc. and the Schools have received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

2. Reconciliation Between Government-Wide and Fund Statements

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$836,577 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 1,110,515
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(273,938)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the Statement of Activities, only the Statement of Net Assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	-
Rounding adjustment	-
Compensated absences	-
Total	<u>\$ 836,577</u>

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

Mallard Creek STEM Academy LLC is reporting a deficit in net assets of \$2,064,093 related to the bond proceeds issued. The School is the sole owner of the LLC and plans to absorb the deficit.

Southwest Charlotte STEM Academy LLC is reporting a deficit in net assets of \$1,826,404 related to the bond proceeds issued. The School is the sole owner of the LLC and plans to absorb the deficit.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2023, Alliance had deposits with banks and savings and loans with a carrying amount of \$6,410,158. The bank balances with the financial institutions totaled \$6,468,154, of which \$500,000 was covered by the FDIC at June 30, 2023. The remaining \$5,968,154 is a credit risk at June 30, 2023. Alliance does not have a deposit policy for custodial credit risk.

2. Restricted cash

Alliance has bond proceeds held in trust in a debt service fund of \$3,803,388 at June 30, 2023.

3. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
<u>Mallard Creek STEM Academy</u>				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Building improvements	\$ 1,918,083	\$ 132,345	\$ -	\$ 2,050,428
Furniture and office equipment	711,359	189,468	-	900,827
Total capital assets being depreciated	<u>2,629,442</u>	<u>321,813</u>	-	<u>2,951,255</u>
Less accumulated depreciation for:				
Building improvements	353,079	76,432	-	429,511
Furniture and office equipment	337,352	113,089	-	450,441
Total accumulated depreciation	<u>690,431</u>	<u>\$ 189,521</u>	<u>\$ -</u>	<u>879,952</u>
Total capital assets being depreciated, net	<u>1,939,011</u>			<u>2,071,303</u>
Governmental activity capital assets, net	<u>\$ 1,964,011</u>			<u>\$ 2,096,303</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 170,569
Supporting services	<u>18,952</u>
	<u>\$ 189,521</u>

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
<u>Southwest Charlotte STEM Academy</u>				
Capital assets being depreciated:				
Building improvements	\$ 380,349	\$ 300,773	\$ -	\$ 681,122
Furniture and office equipment	129,187	487,929	-	617,116
Total capital assets being depreciated	<u>509,536</u>	<u>788,702</u>	-	<u>1,298,238</u>
Less accumulated depreciation for:				
Building improvements	10,476	20,653	-	31,129
Furniture and office equipment	15,086	63,764	-	78,850
Total accumulated depreciation	<u>25,562</u>	<u>\$ 84,417</u>	<u>\$ -</u>	<u>109,979</u>
Total capital assets being depreciated, net	<u>483,974</u>			<u>1,188,259</u>
Governmental activity capital assets, net	<u>\$ 483,974</u>			<u>\$ 1,188,259</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 75,975
Supporting services	<u>8,442</u>
	<u>\$ 84,417</u>

	Beginning	Increases	Decreases	Ending
Business-type activities:				
<u>Mallard Creek STEM Academy</u>				
<u>Mallard Creek STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Capital assets being depreciated:				
Building improvements	19,399,824	-	-	19,399,824
Furniture and office equipment	-	-	-	-
Total capital assets being depreciated	19,399,824	-	-	19,399,824
Less accumulated depreciation for:				
Building improvements	2,047,759	646,661	-	2,694,420
Furniture and office equipment	-	-	-	-
Total accumulated depreciation	2,047,759	\$ 646,661	\$ -	2,694,420
Capital assets being depreciated, net	<u>17,352,065</u>			<u>16,705,404</u>
Governmental activities capital assets, net	<u>\$ 19,352,065</u>			<u>\$ 18,705,404</u>

Business-type activities:				
<u>Southwest Charlotte STEM Academy</u>				
<u>Southwest Charlotte STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ 1,298,070	\$ -	\$ -	\$ 1,298,070
Capital assets being depreciated:				
Building improvements	18,671,918	-	-	18,671,918
Furniture and office equipment	1,185,000	-	-	1,185,000
Total capital assets being depreciated	19,856,918	-	-	19,856,918
Less accumulated depreciation for:				
Building improvements	1,682,417	622,397	-	2,304,814
Furniture and office equipment	237,000	118,500	-	355,500
Total accumulated depreciation	1,919,417	\$ 740,897	\$ -	2,660,314
Capital assets being depreciated, net	<u>17,937,501</u>			<u>17,196,604</u>
Governmental activities capital assets, net	<u>\$ 19,235,571</u>			<u>\$ 18,494,674</u>

## B. Liabilities

### 1. Retirement Plan

Alliance Preparatory Schools, Inc. does not participate in the North Carolina Teacher's and State Employees' Retirement System.

Instead, the School offers a 401(k) Retirement Plan. Under the plan, the School contributes an amount equal to the employees' contributions up to a limit of 3% of the employees' compensation for the calendar year. The employee may make voluntary contributions, pursuant to a salary reduction agreement of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

### 2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a Major Medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

The School carries fidelity bond coverage in the amount of \$250,000. The company that does all outsourced accounting carries fidelity bond coverage in the amount of \$500,000.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

3. Long-Term Obligations

a.) Bonds Payable

**Series 2019 Bonds** – On May 10, 2019, Mallard Creek STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$24,475,000 of tax-exempt education revenue bonds (the “Bonds”) with final maturity on June 15, 2049. The bonds were issued in two series, Series A (Tax-Exempt) was \$24,220,000 and Series B (Taxable) was \$255,000. The proceeds have been loaned to the Mallard Creek STEM Academy LLC. Such proceeds were used to purchase the school facilities that were previously being leased. The LLC is the obligor under the Series 2019 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2019 bonds.

The Series 2019 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2023 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements by having 107 days of cash on hand and a debt service ratio of 2.2 to 1.0 at June 30, 2023.

The 2019 bond issuances involved a total discount of \$728,205. As of June 30, 2023, the unamortized discount was \$693,721 and the carrying amount of the bonds payable on the Statement of Net Position is reduced by this amount.

Future debt maturities are as follows:

	Mallard Creek STEM Academy LLC
Year Ending June 30, 2024	\$ 460,000
Year Ending June 30, 2025	480,000
Year Ending June 30, 2026	505,000
Year Ending June 30, 2027	525,000
Year Ending June 30, 2028	550,000
Years Ending June 30, 2029-2033	3,160,000
Years Ending June 30, 2034-2038	4,040,000
Years Ending June 30, 2039-2043	5,195,000
Years Ending June 30, 2044-2048	6,715,000
Years Ending June 30, 2049	<u>1,546,250</u>
	<u>\$ 23,176,250</u>

**Series 2018 Bonds** – On October 25, 2018, Southwest Charlotte STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$22,835,000 of tax-exempt education revenue bonds (the “Bonds”) with final maturity on May 28, 2053. The bonds were issued in two series, Series A (Tax-Exempt) was \$22,450,000 and Series B (Taxable) was \$385,000. The proceeds have been loaned to the Southwest Charlotte STEM Academy LLC. Such proceeds were used to purchase the school facilities that the School is using. The LLC is the obligor under the Series 2018 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2018 bonds.

The Series 2018 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2023 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements by having 116 days of cash on hand and a debt service ratio of 1.7 to 1.0 at June 30, 2023.

The calculations are as follows:

	<u>MCSA</u>	<u>SCSA</u>
<b>Cash on Hand</b>		
Cash and cash equivalents	\$ 3,809,699	\$ 2,995,929
Total Expenditures per day	\$ 35,495	\$ 25,775
Number of days Cash on Hand	107	116

Required minimum is 50 days of cash on hand. The Schools are in compliance.

	<u>MCSA</u>	<u>SCSA</u>
<b>Coverage Ratio</b>		
Pledged revenues	\$ 12,822,579	\$ 11,264,874
<b>Operating Expenses</b>		
Total expenses	\$ (12,955,702)	\$ (11,273,200)
Add Back:		
Depreciation and Amortization	\$ 844,803	\$ 777,573
Capital expenditures	\$ 321,813	\$ -
Exclude:		
Interest payments on bond	\$ 1,203,437	\$ 1,530,188
Principal payments on bond	440,000	230,000
Total Expenses	<u>\$ (10,145,649)</u>	<u>\$ (8,735,439)</u>
<b>Net Income Available</b>	<u>\$ 2,676,930</u>	<u>\$ 2,529,435</u>
<b>Maximum Debt Service</b>	<u>\$ 1,643,437</u>	<u>\$ 1,760,188</u>
Net Income		
Maximum Debt Service	<u>1.6</u>	<u>1.4</u>

Future debt maturities are as follows:

	Southwest Charlotte STEM Academy LLC
Year Ending June 30, 2024	\$ 250,000
Year Ending June 30, 2025	265,000
Year Ending June 30, 2026	285,000
Year Ending June 30, 2027	300,000
Year Ending June 30, 2028	320,000
Years Ending June 30, 2029-2033	1,965,000
Years Ending June 30, 2034-2038	2,730,000
Years Ending June 30, 2039-2043	3,775,000
Years Ending June 30, 2044-2048	5,240,000
Years Ending June 30, 2049-2053	7,265,000
	\$ 22,395,000

b.) Changes in General Long-Term Obligations

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Business-type activities:					
2019 Revenue Bond Direct Placement	\$ 23,616,250	\$ -	\$ 440,000	\$ 23,176,250	\$ 460,000
2018 Revenue Bond Direct Placement	22,625,000	-	230,000	22,395,000	250,000
Less Bond Discount	(702,342)	-	(8,621)	(693,721)	-
Total Business-Type Activities	\$ 45,538,908	\$ -	\$ 661,379	\$ 44,877,529	\$ 710,000

C. Fund Balance

Alliance Preparatory Schools, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation.

<b>Total fund balance</b>	<b>\$5,830,995</b>
<b>Less:</b>	
<b>Reserve for prepaid items</b>	72,903
<b>Remaining Fund Balance</b>	<b>\$5,758,092</b>

IV. Transfers

Mallard Creek STEM Academy's LLC received \$1,618,795 from Mallard Creek STEM Academy's state and local funds as rent to repay bond proceeds. Southwest Charlotte STEM LLC received \$1,778,795 from Southwest Charlotte STEM Academy's state and local funds as rent to repay bond proceeds.

## V. Summary Disclosure of Significant Contingencies

### Federal and State Assisted Programs

Alliance has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

### VI. Subsequent Events – Date of Management’s Review

Alliance has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor’s Report. Alliance has not evaluated subsequent events after that date.

**Alliance Preparatory Schools, Inc.**  
**School Resources by Governmental Subfund**  
**June 30, 2023**

	<b>Mallard Creek STEM Academy</b>			
	<b>County and Other</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Fund Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,558,940	\$ -	\$ -	\$ 3,558,940
Restricted cash	16,434	-	-	16,434
Due from other governments	31,744	-	-	31,744
Accounts receivable - other	20,295	-	-	20,295
Prepaid items	67,408	-	-	67,408
Security deposits	-	-	-	-
Total assets	3,694,821	-	-	3,694,821
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable - trade	72,690	-	-	72,690
Accrued salaries payable	222,825	-	-	222,825
Total liabilities	295,515	-	-	295,515
<b>DEFERRED INFLOWS OF RESOURCES</b>				
-				
Fund balances:				
Nonspendable:				
Reserve for prepaid items	67,408	-	-	67,408
Unassigned	3,331,898	-	-	3,331,898
Total fund balances	3,399,306	-	-	3,399,306
Total liabilities, deferred inflows of resources, and funds balances	\$ 3,694,821	\$ -	\$ -	\$ 3,694,821

**Alliance Preparatory Schools, Inc.**  
**School Revenues, Expenditures and Changes in Governmental Subfund Balances**  
**For the Year Ended June 30, 2023**

**Mallard Creek STEM Academy**

	<b>County and Other</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Fund Total</b>
<b>Revenues</b>				
State of North Carolina	\$ -	\$ 6,482,263	\$ -	\$ 6,482,263
Local education agencies	3,067,426	-	-	3,067,426
U.S. Government	-	-	579,273	579,273
Fines and forfeitures	-	-	-	-
Contributions and donations	1,842	-	-	1,842
Other	336,500	-	-	336,500
Total revenues	<u>3,405,768</u>	<u>6,482,263</u>	<u>579,273</u>	<u>10,467,304</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional programs	2,624,421	3,183,668	579,273	6,387,362
Athletics, arts and clubs	27,430	18,228	-	45,658
Support services	505,206	3,179,384	-	3,684,590
Community services	32,295	-	-	32,295
<b>Capital outlay:</b>	220,830	100,983	-	321,813
<b>Debt service:</b>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>3,410,182</u>	<u>6,482,263</u>	<u>579,273</u>	<u>10,471,718</u>
Excess (deficiency) of revenues over expenditures	<u>(4,414)</u>	<u>-</u>	<u>-</u>	<u>(4,414)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
Indirect costs	32,139	-	-	32,139
Total other financing sources (uses)	<u>32,139</u>	<u>-</u>	<u>-</u>	<u>32,139</u>
Net change in fund balance	27,725	-	-	27,725
Fund balances-beginning	3,371,581	-	-	3,371,581
Fund balances-ending	<u>\$ 3,399,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,399,306</u>

**Alliance Preparatory Schools, Inc.**  
**School Net Position by Proprietary Subfund**  
**June 30, 2023**

	<b>Mallard Creek STEM Academy</b>			
	<b>Enterprise Activities</b>			
	<b>Mallard Creek STEM Academy, LLC</b>	<b>School Food Service</b>	<b>Before and After School Care</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 183,463	\$ 67,296	\$ 250,759
Cash - restricted debt service fund	1,713,032	-	-	1,713,032
Due from local governments	-	15,560	-	15,560
Inventories	-	-	-	-
Total current assets	1,713,032	199,023	67,296	1,979,351
Noncurrent assets:				
Capital assets:				
Land	2,000,000	-	-	2,000,000
Other capital assets, net of depreciation	16,705,404	-	-	16,705,404
Total noncurrent assets	18,705,404	-	-	18,705,404
Total assets	\$ 20,418,436	\$ 199,023	\$ 67,296	\$ 20,684,755
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
-				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable - trade	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total current liabilities	-	-	-	-
Long-term liabilities:				
Due within one year	460,000	-	-	460,000
Due in more than one year	22,022,529	-	-	22,022,529
Total long-term liabilities	22,482,529	-	-	22,482,529
Total liabilities	22,482,529	-	-	22,482,529
<b>DEFERRED INFLOWS OF RESOURCES</b>				
-				
<b>NET ASSETS</b>				
Net investment in capital assets	(3,777,125)	-	-	(3,777,125)
Restricted for debt service	1,713,032	-	-	1,713,032
Unrestricted	-	199,023	67,296	266,319
Total net position	\$ (2,064,093)	\$ 199,023	\$ 67,296	\$ (1,797,774)

**Alliance Preparatory Schools, Inc.**  
**School Revenues, Expenses and Changes in Subfund Net Position**  
**For the Year Ended June 30, 2023**

	Mallard Creek STEM Academy			
	Enterprise Activities			
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	Total
<b>OPERATING REVENUES</b>				
Before and after school care	\$ -	\$ -	\$ 188,243	\$ 188,243
Lunch sales	-	78,436	-	78,436
Rental income from school	1,618,795	-	-	1,618,795
Dividend and interest income	72,933	-	-	72,933
Total operating revenues	<u>1,691,728</u>	<u>78,436</u>	<u>188,243</u>	<u>1,958,407</u>
<b>OPERATING EXPENSES</b>				
Salary and related costs	-	187,492	215,249	402,741
Supplies and materials	-	24,075	3,458	27,533
Contracted services	-	169,504	590	170,094
Food purchases	-	20,667	4,230	24,897
Interest expense	1,203,437	-	-	1,203,437
Amortization	8,621	-	-	8,621
Depreciation expense	646,661	-	-	646,661
Total operating expenses	<u>1,858,719</u>	<u>401,738</u>	<u>223,527</u>	<u>2,483,984</u>
Operating income (loss)	<u>(166,991)</u>	<u>(323,302)</u>	<u>(35,284)</u>	<u>(525,577)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Indirect costs to local fund	-	(32,139)	-	(32,139)
Federal reimbursements	-	429,007	-	429,007
Total nonoperating revenue (expenses)	<u>-</u>	<u>396,868</u>	<u>-</u>	<u>396,868</u>
Income (loss) before contributions and transfers	<u>(166,991)</u>	<u>73,566</u>	<u>(35,284)</u>	<u>(128,709)</u>
Transfers (to) from other funds	-	-	-	-
Change in net position	<u>(166,991)</u>	<u>73,566</u>	<u>(35,284)</u>	<u>(128,709)</u>
Total net position - beginning	<u>(1,897,102)</u>	<u>125,457</u>	<u>102,580</u>	<u>(1,669,065)</u>
Total net position - ending	<u>\$ (2,064,093)</u>	<u>\$ 199,023</u>	<u>\$ 67,296</u>	<u>\$ (1,797,774)</u>

**Alliance Preparatory Schools, Inc.**  
**School Statement of Cash Flows by Proprietary Subfund**  
**For the Year Ended June 30, 2023**

	<b>Mallard Creek STEM Academy</b>			
	<b>Enterprise Activities</b>			
	<b>Mallard Creek STEM Academy, LLC</b>	<b>School Food Service</b>	<b>Before and After School Care</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,691,728	\$ 78,436	\$ 188,243	\$ 1,958,407
Cash paid to employees for services	-	(187,492)	(215,249)	(402,741)
Cash paid for goods and services	(1,203,437)	(218,339)	(8,278)	(1,430,054)
Net cash provided (used) by operating activities	<u>488,291</u>	<u>(327,395)</u>	<u>(35,284)</u>	<u>125,612</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Federal reimbursements	-	413,447	-	413,447
Indirect costs	-	(32,139)	-	(32,139)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>381,308</u>	<u>-</u>	<u>381,308</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments on bonds payable	(440,000)	-	-	(440,000)
Bond discount	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash (used) by capital and related financing	<u>(440,000)</u>	<u>-</u>	<u>-</u>	<u>(440,000)</u>
Net increase (decrease) in cash and cash equivalents	48,291	53,913	(35,284)	66,920
Balances-beginning of the year	<u>1,664,741</u>	<u>129,550</u>	<u>102,580</u>	<u>1,896,871</u>
Balances-end of the year	<u>\$ 1,713,032</u>	<u>\$ 183,463</u>	<u>\$ 67,296</u>	<u>\$ 1,963,791</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ (166,991)	\$ (323,302)	\$ (35,284)	\$ (525,577)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	655,282	-	-	655,282
Changes in assets and liabilities:				
(Increase) decrease in prepaids	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	(4,093)	-	(4,093)
Increase (decrease) in deferred inflows of resources	-	-	-	-
Total adjustments	<u>655,282</u>	<u>(4,093)</u>	<u>-</u>	<u>651,189</u>
Net cash provided (used) by operating activities	<u>\$ 488,291</u>	<u>\$ (327,395)</u>	<u>\$ (35,284)</u>	<u>\$ 125,612</u>

**Alliance Preparatory Schools, Inc.**  
**School Resources by Governmental Subfund**  
**June 30, 2023**

	<b>Southwest Charlotte STEM Academy</b>			
	<b>County and Other</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Fund Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,535,568	\$ -	\$ -	\$ 2,535,568
Restricted cash	-	-	-	-
Due from other governments	36,745	-	-	36,745
Accounts receivable - other	35,028	-	-	35,028
Prepaid items	5,495	-	-	5,495
Security deposits	-	-	-	-
Total assets	2,612,836	-	-	2,612,836
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable - trade	50,757	-	-	50,757
Accrued salaries payable	130,390	-	-	130,390
Total liabilities	181,147	-	-	181,147
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	5,495	-	-	5,495
Unassigned	2,426,194	-	-	2,426,194
Total fund balances	2,431,689	-	-	2,431,689
Total liabilities, deferred inflows of resources, and funds balances	\$ 2,612,836	\$ -	\$ -	\$ 2,612,836

**Alliance Preparatory Schools, Inc.**  
**School Revenues, Expenditures and Changes in Governmental Subfund Balances**  
**For the Year Ended June 30, 2023**

**Southwest Charlotte STEM Academy**

	<b>County and Other</b>	<b>State Public School</b>	<b>Federal Grants</b>	<b>Fund Total</b>
<b>Revenues</b>				
State of North Carolina	\$ -	\$ 5,504,846	\$ -	\$ 5,504,846
Local education agencies	2,634,257	-	-	2,634,257
U.S. Government	-	-	565,892	565,892
Fines and forfeitures	-	-	-	-
Contributions and donations	4,275	-	-	4,275
Other	294,572	-	-	294,572
Total revenues	<u>2,933,104</u>	<u>5,504,846</u>	<u>565,892</u>	<u>9,003,842</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional programs	1,746,926	2,467,154	495,029	4,709,109
Athletics, arts and clubs	58,324	22,453	-	80,777
Support services	678,234	2,734,757	70,863	3,483,854
Community services	-	-	-	-
<b>Capital outlay:</b>	508,220	280,482	-	788,702
<b>Debt service:</b>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,991,704</u>	<u>5,504,846</u>	<u>565,892</u>	<u>9,062,442</u>
Excess (deficiency) of revenues over expenditures	<u>(58,600)</u>	<u>-</u>	<u>-</u>	<u>(58,600)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	-	-
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(58,600)	-	-	(58,600)
Fund balances-beginning	2,490,289	-	-	2,490,289
Fund balances-ending	<u>\$ 2,431,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,431,689</u>

**Alliance Preparatory Schools, Inc.**  
**School Net Position by Proprietary Subfund**  
**June 30, 2023**

	<b>Southwest Charlotte STEM Academy</b>		
	<b>Enterprise Activities</b>		
	<b>Southwest Charlotte STEM Academy, LLC</b>	<b>School Food Service</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 64,891	\$ 64,891
Cash - restricted debt service fund	2,073,922	-	2,073,922
Due from local governments	-	3,387	3,387
Inventories	-	-	-
Total current assets	2,073,922	68,278	2,142,200
Noncurrent assets:			
Capital assets:			
Land	1,298,070	-	1,298,070
Other capital assets, net of depreciation	17,196,604	-	17,196,604
Total noncurrent assets	18,494,674	-	18,494,674
Total assets	\$ 20,568,596	\$ 68,278	\$ 20,636,874
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
-			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	250,000	-	250,000
Due in more than one year	22,145,000	-	22,145,000
Total long-term liabilities	22,395,000	-	22,395,000
Total liabilities	22,395,000	-	22,395,000
<b>DEFERRED INFLOWS OF RESOURCES</b>			
-			
<b>NET ASSETS</b>			
Net investment in capital assets	(3,900,326)	-	(3,900,326)
Restricted for debt service	2,073,922	-	2,073,922
Unrestricted	-	68,278	68,278
Total net position	\$ (1,826,404)	\$ 68,278	\$ (1,758,126)

**Alliance Preparatory Schools, Inc.**  
**School Revenues, Expenses and Changes in Subfund Net Position**  
**For the Year Ended June 30, 2023**

	<b>Southwest Charlotte STEM Academy</b>		
	<b>Enterprise Activities</b>		
	<b>Southwest Charlotte STEM Academy, LLC</b>	<b>School Food Service</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Rental income from school	\$ 1,778,795	\$ -	\$ 1,778,795
Lunch sales	-	115,737	115,737
Dividend and interest income	80,674	-	80,674
Total operating revenues	<u>1,859,469</u>	<u>115,737</u>	<u>1,975,206</u>
<b>OPERATING EXPENSES</b>			
Salary and related costs	-	147,905	147,905
Supplies and materials	-	10,032	10,032
Contracted services	-	145,276	145,276
Food purchases	-	31,930	31,930
Interest expense	1,530,188	-	1,530,188
Depreciation expense	740,897	-	740,897
Total operating expenses	<u>2,271,085</u>	<u>335,143</u>	<u>2,606,228</u>
Operating income (loss)	<u>(411,616)</u>	<u>(219,406)</u>	<u>(631,022)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal reimbursements	-	285,826	285,826
Total nonoperating revenue (expenses)	<u>-</u>	<u>285,826</u>	<u>285,826</u>
Income (loss) before contributions and transfers	(411,616)	66,420	(345,196)
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	<u>(411,616)</u>	<u>66,420</u>	<u>(345,196)</u>
Total net position - beginning	<u>(1,414,788)</u>	<u>1,858</u>	<u>(1,412,930)</u>
Total net position - ending	<u>\$ (1,826,404)</u>	<u>\$ 68,278</u>	<u>\$ (1,758,126)</u>

**Alliance Preparatory Schools, Inc.**  
**School Statement of Cash Flows by Proprietary Subfund**  
**For the Year Ended June 30, 2023**

	<b>Southwest Charlotte STEM Academy</b>		
	<b>Enterprise Activities</b>		
	<b>Southwest Charlotte STEM Academy, LLC</b>	<b>School Food Service</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,859,469	\$ 115,737	\$ 1,975,206
Cash paid to employees for services	-	(147,905)	(147,905)
Cash paid for goods and services	(1,530,188)	(188,325)	(1,718,513)
Net cash provided (used) by operating activities	<u>329,281</u>	<u>(220,493)</u>	<u>108,788</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal reimbursements	-	282,439	282,439
Transfer (to) from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>282,439</u>	<u>282,439</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Repayment of bonds payable	(230,000)	-	(230,000)
Bond discount	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing	<u>(230,000)</u>	<u>-</u>	<u>(230,000)</u>
Net increase (decrease) in cash and cash equivalents	99,281	61,946	161,227
Balances-beginning of the year	<u>1,974,641</u>	<u>2,945</u>	<u>1,977,586</u>
Balances-end of the year	<u>\$ 2,073,922</u>	<u>\$ 64,891</u>	<u>\$ 2,138,813</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (411,616)	\$ (219,406)	\$ (631,022)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	740,897	-	740,897
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	(1,087)	(1,087)
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	<u>740,897</u>	<u>(1,087)</u>	<u>739,810</u>
Net cash provided (used) by operating activities	<u>\$ 329,281</u>	<u>\$ (220,493)</u>	<u>\$ 108,788</u>

**Alliance Preparatory Schools, Inc.**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Mallard Creek STEM Academy**  
**All Fund Types except LLC**  
**Year Ended June 30, 2023**

	2023		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 6,553,339	\$ 6,482,263	\$ (71,076)
Boards of Education	3,015,265	3,067,426	52,161
Fines and forfeitures	-	-	-
U.S. Government	248,755	579,273	330,518
Before and after school	200,000	188,243	(11,757)
Lunch sales	-	78,436	78,436
Contributions and donations	-	1,842	1,842
Others	-	336,500	336,500
Total revenues	<u>10,017,359</u>	<u>10,733,983</u>	<u>716,624</u>
Expenditures			
Salaries and bonuses	3,941,637	4,613,760	(672,123)
Benefits	862,803	895,815	(33,012)
Books and supplies	257,500	249,266	8,234
Technology	150,000	27,782	122,218
Equipment and leases	40,000	44,736	(4,736)
Contracted student services	401,623	226,662	174,961
Staff development	117,674	252,248	(134,574)
Administrative services	768,043	921,396	(153,353)
Insurances	90,000	78,077	11,923
Rents and debt service	1,647,535	2,010,130	(362,595)
Facilities	345,080	518,563	(173,483)
Utilities	83,600	125,200	(41,600)
Transportation and travel	404,146	509,884	(105,738)
Before and after school	247,192	393,249	(146,057)
Nutrition and food	136,000	230,215	(94,215)
Other	100,000	-	100,000
Total expenditures	<u>9,592,833</u>	<u>11,096,983</u>	<u>(1,504,150)</u>
Other financing sources (uses):			
Federal reimbursements	250,000	429,007	179,007
Proceeds from notes payable	-	-	-
Total other financing sources	<u>250,000</u>	<u>429,007</u>	<u>179,007</u>
Excess of revenues over expenditures	<u>\$ 674,526</u>	<u>\$ 66,007</u>	<u>\$ (608,519)</u>

**Alliance Preparatory Schools, Inc.**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Southwest Charlotte STEM Academy**  
**All Fund Types**  
**Year Ended June 30, 2023**

	2023		
	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
State of North Carolina	\$ 5,617,459	\$ 5,504,846	\$ (112,613)
Boards of Education	2,675,940	2,634,257	(41,683)
Fines and forfeitures	-	-	-
U.S.Government	373,513	565,892	192,379
Before and after school	-	-	-
Lunch sales	-	115,737	115,737
Contributions and donations	-	4,275	4,275
Others	-	294,572	294,572
Total revenues	<u>8,666,912</u>	<u>9,119,579</u>	<u>452,667</u>
<b>Expenditures</b>			
Salaries and bonuses	2,999,875	3,133,610	(133,735)
Benefits	685,626	647,423	38,203
Books and supplies	227,500	263,869	(36,369)
Technology	103,000	14,864	88,136
Equipment and leases	28,000	19,149	8,851
Contracted student services	405,307	598,172	(192,865)
Staff development	89,169	131,993	(42,824)
Administrative services	672,015	695,188	(23,173)
Insurances	50,000	46,305	3,695
Rents and debt service	1,949,645	2,271,156	(321,511)
Facilities	315,000	447,446	(132,446)
Utilities	76,600	88,176	(11,576)
Transportation and travel	205,000	269,676	(64,676)
Nutrition and food	327,392	375,088	(47,696)
Contingency	100,000	-	100,000
Total expenditures	<u>8,234,129</u>	<u>9,002,115</u>	<u>(767,986)</u>
<b>Other financing sources (uses):</b>			
Federal reimbursements	250,000	285,826	35,826
Proceeds from notes payable	-	-	-
Total other financing sources	<u>250,000</u>	<u>285,826</u>	<u>35,826</u>
Excess of revenues over expenditures	<u>\$ 682,783</u>	<u>\$ 403,290</u>	<u>\$ (279,493)</u>

COMPLIANCE SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2023



**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***

Board of Directors  
Alliance Preparatory Schools, Inc.  
Charlotte, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alliance Preparatory Schools, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises Alliance Preparatory Schools, Inc.'s basic financial statements and have issued our report thereon dated October 19, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Alliance Preparatory Schools, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control.

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

Our consideration of the internal control over financial reporting 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 have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alliance Preparatory Schools, Inc.'s financial statements are free of 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 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



---

Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

October 19, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Alliance Preparatory Schools, Inc.  
Charlotte, North Carolina

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

***Opinion on Each Major Federal Program***

We have audited Alliance Preparatory Schools, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Alliance Preparatory Schools, Inc.'s major federal program for the year ended June 30, 2023. Alliance Preparatory Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act.<sup>2</sup> Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Alliance Preparatory Schools, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alliance Preparatory Schools, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud

is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alliance Preparatory Schools, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

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

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

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

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

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



---

Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

October 19, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors  
Alliance Preparatory Schools, Inc.  
Charlotte, North Carolina

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

We have audited Alliance Preparatory Schools, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2023. Alliance Preparatory Schools, Inc.'s major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its major State program.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alliance Preparatory Schools, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing stands, *Government Auditing Standards*, and the Uniform Guidance will always detect material

noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alliance Preparatory Schools, Inc.'s compliance with the requirements of each major state program as a whole.

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

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

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

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

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

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

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

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

*Rebekah Barr, CPA PC*

---

Rebekah Barr, CPA PC  
Certified Public Accountant  
Wilson, North Carolina

October 19, 2023

ALLIANCE PREPARATORY SCHOOLS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2023

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> no
--	-----------	-------------------

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____ yes	_____ <u>X</u> no
---	-----------	-------------------

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA Number</u>
Education Stabilization Funds	84.425D

Dollar threshold used to distinguish between Type A and Type B Programs	\$ <u>750,000</u>
---	-------------------

Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
--	-----------	-------------------

ALLIANCE PREPARATORY SCHOOLS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

State Awards

Internal control over major state programs:

Material weakness(es) identified?                           yes                      X   no

Significant deficiency(ies) identified  
that are not considered to be  
material weaknesses?                           yes                      X   none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with State Single Audit  
Implementation Act                           yes                      X   no

Identification of major state programs:

Program Name  
State Public School Funds (PRC036 - Charter School Funds)

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

ALLIANCE PREPARATORY SCHOOLS, INC.  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

ALLIANCE PREPARATORY SCHOOLS, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023

There were no prior year audit findings.

ALLIANCE PREPARATORY SCHOOLS, INC.  
MALLARD CREEK STEM ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina			
Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	\$ 74,699
Improving Teacher Quality	84.367A	PRC 103	19,955
Student Support and Academic Enrich	84.424A	PRC 108	10,000
Education Stabilization Funds:			
ESSER II - Supplemental K12 Emergency	84.425D	PRC 171	53,474
ESSER II - Learning Loss Fund	84.425D	PRC 176	19,457
ESSER II - Summer Career ACC	84.425D	PRC 177	4,175
ESSER III - K12 Emergency Relief	84.425D	PRC 181	168,277
ESSER III - ARP - Summer Career	84.425D	PRC 188	2,175
ESSER III - ARP - Instructional Learning	84.425D	PRC 189	7,589
ESSER III - ARP - COVID-19 Student	84.425D	PRC 202	21,600
Total Education Stabilization Funds			<u>276,747</u>
Special Education Cluster:			
ESSER III - ARP - Idea 611 Grants	84.425D	PRC 185	11,136
Idea VI-B Handicapped	84.027-CL	PRC 060	186,736
Total Special Education Cluster			<u>197,872</u>
<u>US Department of Agriculture</u>			
Passed Through the NC Department			
of Public Instruction:			
National School Lunch Program	10.555	PRC 035	398,907
			<u>398,907</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>978,180</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	42,050
Charter Schools		PRC 036	6,440,213
TOTAL NC STATE CASH ASSISTANCE			<u>6,482,263</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 7,460,443</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.

ALLIANCE PREPARATORY SCHOOLS, INC.  
SOUTHWEST CHARLOTTE STEM ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL ASSISTANCE LIVING NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina			
Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	\$ 79,674
Improving Teacher Quality	84.367A	PRC 103	17,946
Student Support and Academic Enrich	84.424A	PRC 108	10,000
NC Advancing Charter Collaboration	84.282	PRC 160	70,864
Education Stabilization Funds:			
GEER - Supplemental Instructional	84.425D	PRC 170	5,501
ESSER II - Supplemental K12 Emergency	84.425D	PRC 171	188,356
ESSER II - Learning Loss Fund	84.425D	PRC 176	10,408
ESSER II - Summer Career	84.425D	PRC 177	6,008
ESSER III - ARP - Instructional Year	84.425D	PRC 189	8,524
Total Education Stabilization Funds			<u>218,797</u>
Special Education Cluster:			
Idea VI-B Handicapped	84.027-CL	PRC 060	<u>168,611</u>
Total Special Education Cluster			168,611
<u>US Department of Agriculture</u>			
Passed Through the NC Department			
of Public Instruction:			
National School Lunch Program	10.555	PRC 035	<u>285,826</u>
			<u>285,826</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>851,718</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	25,794
Behavioral Support		PRC 029	2,275
Charter Schools		PRC 036	5,469,700
Principal and Teacher Performance Bonuses		PRC 048	<u>7,077</u>
TOTAL NC STATE CASH ASSISTANCE			<u>5,504,846</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 6,356,564</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.