

**HMONG AMERICAN  
PEACE ACADEMY LTD.  
MANAGEMENT ADVISORY LETTER  
WITH RESPONSES  
YEAR ENDED JUNE 30, 2023**



December 14, 2023

To the Board of Directors  
Hmong American Peace Academy Ltd.  
4601 N. 84<sup>th</sup> Street  
Milwaukee, WI 53225

We recently completed our examination of the financial statements of Hmong American Peace Academy Ltd. for the year ended June 30, 2023. As part of our examination, we reviewed and tested the system of internal controls to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Our study and evaluation of the system of internal control would not necessarily disclose all weaknesses in the system; however, it did disclose conditions that we believe should be brought to your attention, and they are commented upon in this report.

These comments deal only with controls and procedures employed and are not intended to reflect upon the performance or capabilities of anyone in the organization, nor do they reflect the many favorable observations we made during our examination.

After you have had an opportunity to review this report, we will be happy to answer any questions you may have.

Sincerely,

*Walkowicz, Boczkiewicz & Co., S.C.*

Walkowicz, Boczkiewicz & Co., S.C.  
Certified Public Accountants

1800 East Main Street, Suite 100  
Waukesha, Wisconsin 53186-3984  
P: 262.548.0444 F: 262.548.0935  
[www.wbcosc.com](http://www.wbcosc.com)

## **Management and General Recommendations**

### **Adjusting Journal Entries**

Adjusting journal entries selected for testing were not supported by adequate documentation at the time of the audit. In addition, there is no process in place for approval of the journal entries. Procedures should be established to provide oversight of the documentation and approval of adjusting journal entries.

#### **Management Response:**

HAPA Ltd is in the process of hiring a new CFO. In addition, we will be hiring an accountant to improve controls and segregation of duties. This should all be in place by March 2024.

### **Bond Compliance Reporting**

According to your bond loan agreement, you must submit a certificate providing borrower data and demonstrating compliance with certain operating covenants within 180 days from the end of the prior fiscal year. The certificate for fiscal year 2022 was not provided within the 180 days.

#### **Management Response:**

Management is putting a reporting schedule in place to help ensure timely reporting and consistent compliance with continuing disclosures under the bond agreement.

### **Fixed Asset System**

The organization currently maintains its fixed assets and depreciation within Excel spreadsheets. We recommend that the Organization utilize a fixed asset software to provide a more efficient and accurate use of depreciation methods.

#### **Management Response:**

The plan is to move fixed assets to a fixed asset software prior to the next year end at June 30, 2024.

### **Receiving Documents**

It was noted during the audit, the date the goods were received was not being documented on the packing slip. We recommend the date be included on the receiving documents to ensure a proper cut-off is made in the accounting software.

#### **Management Response:**

Management agrees with this comment and will communicate the importance of dating receipts to the appropriate personnel.

**HMONG AMERICAN  
PEACE ACADEMY LTD.**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2023 AND 2022**

**Hmong American Peace Academy Ltd.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Hmong American Peace Academy, Ltd.

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Hmong American Peace Academy, Ltd. (a nonprofit organization), and affiliate (Hmong American Peace Academy Foundation, Inc.) which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hmong American Peace Academy, Ltd. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Hmong American Peace Academy Foundation, Inc., which statements reflect total assets constituting four percent of consolidated total assets at June 30, 2023 and total revenues constituting eleven percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hmong American Peace Academy Foundation Inc., is based solely on the report of the other auditors.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Hmong American Peace Academy, Ltd. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, Hmong American Peace Academy, Ltd. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

1800 East Main Street, Suite 100  
Waukesha, Wisconsin 53186-3984  
P: 262.548.0444 F: 262.548.0935  
[www.wbcosc.com](http://www.wbcosc.com)

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hmong American Peace Academy, Ltd.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Hmong American Peace Academy, Ltd.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hmong American Peace Academy, Ltd.'s ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 22 to 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 December 14, 2023, on our consideration of Hmong American Peace Academy, Ltd.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hmong American Peace Academy, Ltd.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hmong American Peace Academy, Ltd.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Walkowicz Boyce & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin  
December 14, 2023



**Hmong American Peace Academy Ltd.**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022</b>
	<b><u>(Consolidated)</u></b>	<b><u>(Unconsolidated)</u></b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21,591,947	\$ 13,992,212
Restricted cash - bond trust accounts	3,410,215	4,180,938
Grants receivable	3,926,751	4,971,297
Accounts receivable - other	23,220	30,932
Prepaid expenses	<u>109,441</u>	<u>107,198</u>
Total Current Assets	29,061,574	23,282,577
<b>Property and Equipment, Net</b>	39,412,195	37,154,584
<b>Other Assets</b>		
Restricted cash - bond trust accounts	1,628,230	1,580,116
Security deposit	18,750	-
Right-of-use assets - operating lease	<u>663,668</u>	<u>-</u>
Total Other Assets	<u>2,310,648</u>	<u>1,580,116</u>
Total Assets	<u><u>\$ 70,784,417</u></u>	<u><u>\$ 62,017,277</u></u>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

**Liabilities and Net Assets**

	<b>2023</b>	<b>2022</b>
	<b><u>(Consolidated)</u></b>	<b><u>(Unconsolidated)</u></b>
<b>Current Liabilities</b>		
Accounts payable	\$ 1,052,934	\$ 622,650
Accrued payroll and related liabilities	1,247,110	1,434,976
Accrued interest payable	307,974	313,451
Accrued expenses - other	-	5,188
Due to government agency	162,415	-
Current portion of lease liability - operating lease	218,794	-
Current portion of bonds payable	480,000	465,000
	<hr/>	<hr/>
Total Current Liabilities	3,469,227	2,841,265
 <b>Long-Term Debt</b>		
Lease liabilities - operating lease, less current portion	476,585	-
Bonds payable, less current portion	25,982,322	26,587,601
	<hr/>	<hr/>
Total Long-Term Debt	26,458,907	26,587,601
	<hr/>	<hr/>
Total Liabilities	29,928,134	29,428,866
 <b>Net Assets</b>		
Without donor restrictions		
Undesignated	40,728,621	32,588,411
With donor restrictions	127,662	-
	<hr/>	<hr/>
Total Net Assets	40,856,283	32,588,411
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 70,784,417</u>	<u>\$ 62,017,277</u>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues</b>			
Government grants and contracts			
MPS charter school	\$ 16,511,852	\$ -	\$ 16,511,852
Special education grant	138,177	-	138,177
Government grants	5,425,900	-	5,425,900
Other grants	223,504	-	223,504
Other contributions	3,326,596	127,662	3,454,258
Program service fees	147,906	-	147,906
Investment return, net	567,484	-	567,484
	<u>26,341,419</u>	<u>127,662</u>	<u>26,469,081</u>
<b>Expenses</b>			
Program services	14,936,136	-	14,936,136
Management and general	3,059,139	-	3,059,139
Fundraising	173,703	-	173,703
	<u>18,168,978</u>	<u>-</u>	<u>18,168,978</u>
Change in Net Assets	8,172,441	127,662	8,300,103
Cumulative effect of adoption of ASC842, <i>Leases</i>	(32,231)	-	(32,231)
Net Assets at Beginning of Year	<u>32,588,411</u>	<u>-</u>	<u>32,588,411</u>
Net Assets at End of Year	<u>\$ 40,728,621</u>	<u>\$ 127,662</u>	<u>\$ 40,856,283</u>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Statement of Activities (Unconsolidated)**  
**Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues</b>			
Government grants and contracts			
MPS charter school	\$ 15,842,984	\$ -	\$ 15,842,984
Special education grant	73,424	-	73,424
Government grants	5,336,320	-	5,336,320
Other grants	209,571	-	209,571
Other contributions	476,050	-	476,050
Program service fees	164,832	-	164,832
Other income	60	-	60
Investment return, net	38,658	-	38,658
Net assets released from restrictions	659,500	(659,500)	-
	<u>22,801,399</u>	<u>(659,500)</u>	<u>22,141,899</u>
<b>Expenses</b>			
Program services	13,173,742	-	13,173,742
Management and general	2,024,965	-	2,024,965
Fundraising	104,201	-	104,201
	<u>15,302,908</u>	<u>-</u>	<u>15,302,908</u>
Change in Net Assets	7,498,491	(659,500)	6,838,991
Net Assets at Beginning of Year	<u>25,089,920</u>	<u>659,500</u>	<u>25,749,420</u>
Net Assets at End of Year	<u>\$ 32,588,411</u>	<u>\$ -</u>	<u>\$ 32,588,411</u>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Program Services</b>				<b>Supporting Services</b>			Total 6/30/23
	Program	(Audited) Foundation 7/1/22-12/31/22	(Unaudited) Foundation 1/1/23-6/30/23	Total	Management and General	Fund- raising	Total	
Athletics	\$ 8,163	\$ -	\$ -	\$ 8,163	\$ -	\$ -	\$ -	\$ 8,163
Amortization	20,519	-	-	20,519	2,280	-	2,280	22,799
Bank charges	-	-	-	-	2,102	-	2,102	2,102
Contracted services	93,720	-	-	93,720	-	-	-	93,720
Depreciation and amortization	1,472,821	-	-	1,472,821	163,647	-	163,647	1,636,468
Developmental activities	82,746	-	-	82,746	-	15,185	15,185	97,931
Educational media and supplies	756,726	-	-	756,726	-	-	-	756,726
Field trips and special events	141,949	-	-	141,949	-	-	-	141,949
Insurance	103,415	-	-	103,415	11,491	-	11,491	114,906
Interest expense	-	-	-	-	910,996	-	910,996	910,996
License and fees	-	-	-	-	164,640	-	164,640	164,640
Miscellaneous	-	-	-	-	6,269	-	6,269	6,269
Occupancy	900,947	-	-	900,947	100,105	-	100,105	1,001,052
Office supplies	-	-	-	-	22,517	-	22,517	22,517
Postage	20,381	-	-	20,381	2,265	-	2,265	22,646
Printing and copying	26,978	-	-	26,978	10,920	-	10,920	37,898
Professional fees	125,587	1,778	5,911	133,276	13,954	70,000	83,954	217,230
Repairs and maintenance	341,694	-	-	341,694	37,966	-	37,966	379,660
Salaries, payroll taxes & employee benefits	9,343,079	-	-	9,343,079	1,598,133	88,518	1,686,651	11,029,730
Technology	215,267	-	-	215,267	-	-	-	215,267
Telephone	106,683	-	-	106,683	11,854	-	11,854	118,537
Transportation	1,150,681	-	-	1,150,681	-	-	-	1,150,681
<b>Total Expenses</b>	<b>\$ 14,911,356</b>	<b>\$ 1,778</b>	<b>\$ 5,911</b>	<b>\$ 14,919,045</b>	<b>\$ 3,059,139</b>	<b>\$ 173,703</b>	<b>\$ 3,232,842</b>	<b>\$ 18,151,887</b>
Consolidation Elimination Entries	17,091	-	-	17,091	-	-	-	17,091
<b>Total Consolidated Expenses</b>	<b>\$ 14,928,447</b>	<b>\$ 1,778</b>	<b>\$ 5,911</b>	<b>\$ 14,936,136</b>	<b>\$ 3,059,139</b>	<b>\$ 173,703</b>	<b>\$ 3,232,842</b>	<b>\$ 18,168,978</b>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Statement of Functional Expenses (Unconsolidated)**  
**Year Ended June 30, 2022**

	<u>Supporting Services</u>				Total 6/30/22
	<u>Program</u>	Management and General	Fund- raising	Total	
Bank charges	\$ -	\$ 1,652	\$ -	\$ 1,652	\$ 1,652
Contracted services	73,456	-	-	-	73,456
Depreciation and amortization	1,443,500	160,386	-	160,386	1,603,886
Developmental activities	114,174	-	-	-	114,174
Educational media and supplies	600,574	-	-	-	600,574
Field trips and special events	609	-	-	-	609
Insurance	112,661	11,267	-	11,267	123,928
License and fees	-	157,714	-	157,714	157,714
Occupancy	497,966	55,329	-	55,329	553,295
Office supplies	-	2,831	-	2,831	2,831
Postage	18,584	2,065	-	2,065	20,649
Printing and copying	17,056	8,679	-	8,679	25,735
Professional fees	144,071	16,008	84,000	100,008	244,079
Repairs and maintenance	416,282	46,253	-	46,253	462,535
Salaries, payroll taxes & employee benefits	8,244,213	1,555,331	20,201	1,575,532	9,819,745
Technology	470,957	-	-	-	470,957
Telephone	67,054	7,450	-	7,450	74,504
Transportation	952,585	-	-	-	952,585
<b>Total Expenses</b>	<b><u>\$ 13,173,742</u></b>	<b><u>\$ 2,024,965</u></b>	<b><u>\$ 104,201</u></b>	<b><u>\$ 2,129,166</u></b>	<b><u>\$ 15,302,908</u></b>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
	<b><u>(Consolidated)</u></b>	<b><u>(Unconsolidated)</u></b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 8,300,103	\$ 6,838,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,659,267	1,603,886
Amortization of right-of-use asset	(520)	-
Amortization of bond premium	(148,077)	(146,196)
Changes in operating assets and liabilities:		
Grants receivable	1,044,546	(3,432,833)
Accounts receivable - other	7,712	(27,139)
Prepaid expenses	(2,243)	25,737
Security deposit	(18,750)	18,750
Accounts payable	430,284	223,870
Accrued payroll and related liabilities	(187,866)	418,020
Accrued interest payable	(5,477)	(5,241)
Accrued expenses - other	(5,188)	(767,404)
Due to government agency	162,415	-
Construction retainage payable	<u>-</u>	<u>(1,057,506)</u>
Net Cash Provided by Operating Activities	11,236,206	3,692,935
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(3,894,080)</u>	<u>(4,016,441)</u>
Net Cash Used in Investing Activities	(3,894,080)	(4,016,441)
<b>Cash Flows from Financing Activities</b>		
Principal payments	<u>(465,000)</u>	<u>(445,000)</u>
Net Cash Used in Financing Activities	<u>(465,000)</u>	<u>(445,000)</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	6,877,126	(768,506)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>19,753,266</u>	<u>20,521,772</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u><u>\$ 26,630,392</u></u>	<u><u>\$ 19,753,266</u></u>

See notes to financial statements.

**Hmong American Peace Academy Ltd.**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u> <u>(Consolidated)</u>	<u>2022</u> <u>(Unconsolidated)</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for		
Interest paid	\$ 916,473	\$ 1,082,350
<b>Supplemental Disclosures of Non-cash Investing and Financing Activity</b>		
Right-of-use asset obtained in exchange for operating lease liability	\$ 862,991	\$ -
 Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 21,591,947	\$ 13,992,212
Restricted cash - bond trust accounts	5,038,445	5,761,054
Total Cash, Cash Equivalents and Restricted Cash	\$ 26,630,392	\$ 19,753,266

See notes to financial statements.



**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

Hmong American Peace Academy Ltd. (the “Organization”) is a non-profit charter school pursuant to a contract with the Milwaukee Board of School Directors. The purpose of the Organization is to serve the Hmong community by providing elementary and high school educational services to students while preserving the Hmong culture and language but embracing American values to provide opportunities for success as American citizens.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and the provisions of Accounting Standards update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities* which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and are available for use in carrying out the activities of the Organization.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and Organization grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Principles of Consolidation**

The June 30, 2023 financial statements include the accounts of Hmong American Peace Academy Ltd. and Hmong American Peace Academy Foundation, Inc. because Hmong American Peace Academy Ltd. has both control and an economic interest in this organization. All significant intercompany transactions and accounts are eliminated in the consolidation process.

**Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Functional Expense Allocation**

Costs of providing program and supporting service activities have been summarized on a functional basis in the statement of activities. Direct costs are charged to each of the activities. Costs that are attributable to both program services and management and general require allocation and are allocated based on estimates of time and effort, including management salaries, benefits, and other management costs. Fundraising costs include direct costs and an allocation of certain management wages and fringe benefits based on estimated time and effort.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents includes amounts on deposit at financial institutions in checking, savings, money market and insured bank sweep accounts.

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Grants Receivable**

Grants receivable includes amounts for revenue from government grants earned, but not yet received, as of year-end. No allowance for doubtful accounts is considered necessary as of June 30, 2023 and 2022. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

**Property and Equipment**

All property and equipment acquisitions in excess of \$5,000 are capitalized, whereas costs of maintenance and repair are charged to expense as incurred. Purchased property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Donated capitalized property is recorded at the estimated fair value at the date of donation.

**Leases**

The Organization determines if an arrangement is an operating or finance lease at inception. Leases are included in right-of-use (“ROU”) assets, current liabilities, and long term liabilities on the Organization’s Statements of Financial Position. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the incremental borrowing rate.

**Revenue Recognition**

The Organization recognizes revenue from exchange transactions when the service is performed. Revenue from performance obligations satisfied at a point in time consists of the following:

Program fees are recorded as revenue in the period that the service is performed. Program service fee revenue is billed and recorded as revenue in the month the services are provided. Those services provided are considered the performance obligation and are satisfied at the point in time the services are performed.

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Revenue from non-exchange transactions consist of the following:

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. Conditional contributions are recognized when all barriers to entitlement are overcome. Unconditional contributions are recognized as revenue when received or promised.

Contributions received with donor-imposed or grantor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions. All other donor-restricted or grantor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Grants and government contracts are recorded as contributions or exchange transactions as determined by the criteria in the contract or grant award. Those that are considered contributions are recognized as revenue in the period when the related expenses are incurred or as the contribution is received. Amounts received in which conditions have not been met are reported as a refundable advance liability. Grants and contracts that are considered exchange transactions are recognized as revenue in the period the service is performed.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with fundraising campaigns and program services.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation.

The Organization follows accounting for uncertainty in income taxes which describes a recognition and measurement of a tax position taken or expected to be taken and also provides guidance on derecognition, interest and penalties, and disclosure. Management has reviewed all tax positions taken, if any, and those expected to be taken in future tax returns. As of June 30, 2023 and 2022, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

The Organization is not subject to U.S. federal income tax examinations for years ending before June 30, 2020.

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**New Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The adoption of Topic 842 did not have a material effect on the Organization's change in net assets or cash flows. Lease disclosures for the year ended June 30, 2022 are made under the prior lease guidance in FASB Accounting Standards Codification *Topic 840, Leases*.

The Organization elected the package of practical expedients available under the new guidance. This package allowed the Organization to account for its leases that commenced before the adoption date without reassessing (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases.

**Note 2 - Prior Period Adjustment**

Grants receivable were overstated in the prior year which resulted in entries being made to decrease previously reported grants receivable and revenue by \$38,386 as of June 30, 2022.

Accounts payable was overstated in the prior year which resulted in entries being made to decrease previously reported accounts payable and expenses by \$199,423 as of June 30, 2022.

**Note 3 - Restricted Cash - Bond Trust Accounts**

As discussed in Note 6, the bond proceeds were deposited into accounts at Wells Fargo Bank, National Association as Trustee, along with the setup of additional trust funds required by the loan agreement as follows:

	Balance June 30, 2023	Balance June 30, 2022
Project Fund - Funds to be used for project costs.	\$ 1,522,597	\$ 2,715,154
Project Fund Subaccount - Fund established with equity contribution from the Organization in the amount of \$6,186,803. Used to pay project expenses.	721,664	700,691

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 3 - Restricted Cash - Bond Trust Accounts (continued)**

	<u>Balance</u> <u>June 30, 2023</u>	<u>Balance</u> <u>June 30, 2022</u>
Debt Service Reserve Fund - Funds to be used to make up deficiencies in the interest account and principal account (in that order) in the event that other amounts are insufficient to cover the amounts due at a payment date.	1,551,434	1,530,101
Repair and Replacement Fund - the Organization must deposit \$5,000 into this fund on the next business day after each charter contract debt payment until the fund is equal to or greater than \$100,000. This fund may be used upon a written acquisition to pay for maintenance of the project or capital expenditures related to the project.	76,796	50,015
Bond Interest Account - Funds to be used solely for the payment of the interest on the bonds as they become due.	796,544	532,378
Bond Principal Account - Funds to be used solely for the payment of principal on bonds as they become due.	<u>369,410</u>	<u>232,715</u>
	5,038,445	5,761,054
Less: current portion	<u>(3,410,215)</u>	<u>(4,180,938)</u>
Long-term restricted cash	<u><u>\$ 1,628,230</u></u>	<u><u>\$ 1,580,116</u></u>

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 4 - Property and Equipment**

Property and equipment consists of the following:

	2023	2022
Land and improvements	\$ 570,526	\$ 570,526
Building and improvements	40,621,722	38,621,620
Construction in progress	-	103,553
Furniture, fixtures and equipment	4,381,052	2,681,949
	45,573,300	41,977,648
Less: accumulated depreciation	(6,161,105)	(4,823,064)
Net Property and Equipment	\$ 39,412,195	\$ 37,154,584

**Note 5 - Operating Lease**

The Organization has an operating lease for one of their facilities. The lease has a remaining lease term of three years. The following summarizes the line items in the statements of financial position which include amounts for the operating lease as of June 30:

	2023
Right-of-use-asset - Operating Lease	\$ 663,668
Lease Liability - Operating Lease	\$ 695,379

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2023
Weighted Average Remaining Lease Term	3 years
Weighted Average Discount Rate	5.00%

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 5 - Operating Lease (continued)**

The maturities of lease liabilities as of June 30, 2023 are as follows:

	Year Ending June 30,	Amount
	2024	\$ 248,646
	2025	250,896
	2026	250,896
Total lease payments		750,438
Less: Interest		(55,059)
Present value of lease liabilities		\$ 695,379

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2023:

	2023
Operating lease cost	\$ 240,096
Less: Amortization of right-of-use asset	(520)
Occupancy expense	\$ 239,576

Lease expense for the year ended June 30, 2022 was \$236,500.

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

	2023
Cash paid for amounts included in the measurement of operating lease liability	\$ 240,096
Right-of-use asset obtained in exchange for operating lease liability	\$ 862,991

**Note 6 - Bonds Payable**

In February 2020, the Organization entered into a loan agreement and promissory note with the Wisconsin Health and Educational Facilities Authority (WHEFA) in order to acquire, construct and equip a new school facility for grades 9-12 in Milwaukee, Wisconsin. Funds for this project are financed by WHEFA through the sale of \$24,110,000 Revenue Bonds of WHEFA, *Series 2020 (Hmong American Peace Academy, Ltd. Project)*. The bonds are issued under and secured by a bond trust indenture established between WHEFA and Wells Fargo Bank, National Association as “Trustee” whereby, WHEFA has pledged and assigned the note and its rights under the loan agreement as security for the bonds to the Trustee.

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 6 - Bonds Payable (continued)**

The balance in bonds payable consists of the following:

	2023	2022
Bonds payable - face value	\$ 23,200,000	\$ 23,665,000
Add: bond premium	3,693,331	3,841,409
Less: bond issuance costs	(431,009)	(453,808)
Bonds payable, net	26,462,322	27,052,601
Less: current portion	(480,000)	(465,000)
Bonds payable - long term	\$ 25,982,322	\$ 26,587,601

The bond premium and bond issuance costs are being amortized over the life of the bonds payable using the effective interest rate method with a rate of 3.47%.

The interest is due on the bonds payable on March 15 and September 15 of each year commencing September 15, 2020 at a rate of 4% until the year 2050 when the rate increases to 5%. The Series 2020 Bonds begin to mature on March 15, 2022 and continue through 2050 in varying amounts as follows:

Maturity Date March 15	Principal Amount
2024	\$ 480,000
2025	500,000
2026-2030	2,820,000
2031-2040	7,605,000
2041-2050	11,795,000
	\$ 23,200,000

The bonds maturing after March 15, 2040 are callable for early redemption by WHEFA in whole or part on or after March 15, 2030 at the direction of the Organization.



**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 7 - Net Assets With Donor Restrictions**

The Organization has net assets with donor restrictions for the following purpose:

	2023	2022
Mental Health Training	\$ 25,000	\$ -
Museum of History and Culture	75,000	-
Clinic for Primary and Behavioral Health Care	19,886	-
Character Education Program	7,776	-
	\$ 127,662	\$ -

**Note 8 - Liquidity and Availability**

Growth in student enrollment and the quality of educational opportunities for our students is a significant goal of the Organization. To facilitate growth in enrollment and quality, particular emphasis has been made by management and the board of directors to grow working capital and resources. Growth in working capital is required to cover operational expenses in the event of a delay in the receipt of contract payments or other interruptions of cash flow. Minimally, the Organization expects to maintain cash and cash equivalents to cover 45 to 60 days of expenses. Ideally, the Organization will maintain cash and cash equivalents to cover three to six months of expenses. Working capital is generated through the receipt of quarterly allocations of per pupil aid funds as well as cost reimbursement funds during the course of the operational year.

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 21,591,947	\$ 13,992,212
Grants receivable	3,926,751	5,009,683
Accounts receivable-other	23,220	30,932
Subtotal financial assets	25,541,918	19,032,827
Less amount unavailable for general expenditures within one year:		
Net assets with donor restrictions	(127,662)	-
Financial assets available to meet general expenditures within one year	\$ 25,414,256	\$ 19,032,827

**Hmong American Peace Academy Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 9 - Conditional Federal Grants**

Certain federal grants may be considered conditional contributions upon which the revenue is recorded as the allowable qualifying expenses are incurred. For the years ended June 30, 2023 and 2022, the conditional federal grants are as follows:

	2023	2022
Conditional grant amount	\$ 17,311,686	\$ 17,311,686
Previously recognized	(4,487,772)	-
Currently recognized	(4,527,757)	(4,487,772)
Remaining Conditional Balance	\$ 8,296,157	\$ 12,823,914

**Note 10 - Retirement Plan**

The Organization has established a 403(b) retirement plan for its employees. The Organization will contribute up to 5% of accrued annual compensation after one year of employment. After each five year period of employment, the Organization will contribute two times the current contribution percentage of accrued compensation into the plan. As of June 30, 2023 and 2022, \$404,469 and \$368,546 has been accrued and expensed for the 403(b) contribution, respectively.

**Note 11 - Related Party Transactions**

A board member of the Organization is employed at a law firm that provides legal services for the Organization. Legal expenses paid to this firm for the years ended June 30, 2023 and 2022 were \$6,292 and \$11,992, respectively.

The Organization paid a company owned by a board member \$955 and \$166,950 for the years ended June 30, 2023 and 2022, respectively, for wireless access points and switches for the new school and technology services.

**Note 12 - Concentration of Cash**

The Organization maintains depository relationships with various financial institutions, and the Organization's balances at times exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At June 30, 2023 and 2022 the Organization's uninsured cash balances totaled \$23,302,764 and \$18,725,346, respectively.

**Note 13 - Concentration of Revenues**

During the years ended June 30, 2023 and 2022, the Organization received 94% and 96%, respectively, of its total support and revenue from its charter school contract with the Milwaukee Board of School Directors.

**Note 14 - Subsequent Events**

The Organization has evaluated subsequent events through December 14, 2023, the date which the financial statements were available to be issued.

**Hmong American Peace Academy Ltd.**  
**Consolidating Statement of Financial Position**  
**Year Ended June 30, 2023**

		(Unaudited) Hmong American Peace Academy Foundation, Inc.	Consolidation Eliminations	Consolidated
	<u>Hmong American Peace Academy Ltd.</u>	<u>Hmong American Peace Academy Foundation, Inc.</u>	<u>Consolidation Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 18,403,256	\$ 3,188,691	\$ -	\$ 21,591,947
Restricted cash - bond trust accounts	3,410,215	-	-	3,410,215
Grants receivable	3,926,751	-	-	3,926,751
Accounts receivable - other	23,220	-	-	23,220
Due from affiliated organizations	154,625	-	(154,625) (A)	-
Prepaid expenses	109,441	-	-	109,441
	<u>26,027,508</u>	<u>3,188,691</u>	<u>(154,625)</u>	<u>29,061,574</u>
<b>Property and Equipment, Net</b>	39,412,195	-	-	39,412,195
<b>Other Assets</b>				
Restricted cash - bond trust accounts	1,628,230	-	-	1,628,230
Security deposit	18,750	-	-	18,750
Right-of-use assets - operating leases	663,668	-	-	663,668
	<u>2,310,648</u>	<u>-</u>	<u>-</u>	<u>2,310,648</u>
<b>Total Assets</b>	<u>\$ 67,750,351</u>	<u>\$ 3,188,691</u>	<u>\$ (154,625)</u>	<u>\$ 70,784,417</u>

Notes: (A) - Eliminate inter-organizational loans.

**Hmong American Peace Academy Ltd.**  
**Consolidating Statement of Financial Position**  
**Year Ended June 30, 2023**

		(Unaudited) Hmong American Peace Academy Foundation, Inc.		Consolidated
	<u>Hmong American Peace Academy Ltd.</u>	<u>Peace Academy Foundation, Inc.</u>	<u>Consolidation Eliminations</u>	<u>Consolidated</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,052,934	\$ -	\$ -	\$ 1,052,934
Accrued payroll and related liabilities	1,247,110	-	-	1,247,110
Accrued interest payable	307,974	-	-	307,974
Due to government agency	162,415	-	-	162,415
Due to affiliated organizations	-	154,625	(154,625) (A)	-
Current portion of lease liability - operating lease	218,794	-	-	218,794
Current portion of bonds payable	480,000	-	-	480,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	3,469,227	154,625	(154,625)	3,469,227
<b>Long-Term Debt</b>				
Lease liabilities - operating lease, less current portion	476,585	-	-	476,585
Bonds payable, less current portion	25,982,322	-	-	25,982,322
	<hr/>	<hr/>	<hr/>	<hr/>
Total Long-Term Debt	26,458,907	-	-	26,458,907
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	29,928,134	154,625	(154,625)	29,928,134
<b>Net Assets</b>				
Without donor restrictions				
Undesignated	37,694,555	3,034,066	-	40,728,621
With donor restrictions				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Assets	37,822,217	3,034,066	-	40,856,283
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 67,750,351	\$ 3,188,691	\$ (154,625)	\$ 70,784,417
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes: (A) - Eliminate inter-organizational loans.

**Hmong American Peace Academy Ltd.**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2023**

	<b>Hmong American Peace Academy Ltd.</b>	<b>(Audited) Hmong American Peace Academy Foundation, Inc. 7/1/22-12/31/22</b>	<b>(Unaudited) Hmong American Peace Academy Foundation, Inc. 1/1/23-6/30/23</b>	<b>Consolidation Eliminations</b>	<b>Consolidated</b>
<b>Support and Revenues</b>					
Government grants and contracts					
MPS charter school	\$ 16,511,852	\$ -	\$ -	\$ -	\$ 16,511,852
Special education grant	138,177	-	-	-	138,177
Government grants	5,425,900	-	-	-	5,425,900
Other grants	223,504	-	-	-	223,504
Other contributions	442,258	3,000,000	12,000	-	3,454,258
Program service fees	147,906	-	-	-	147,906
Investment return, net	520,638	3,950	42,896	-	567,484
	<u>23,410,235</u>	<u>3,003,950</u>	<u>54,896</u>	<u>-</u>	<u>26,469,081</u>
<b>Expenses</b>					
Program services	14,911,356	1,778	5,911	17,091 (B)	14,936,136
Management and general	3,059,139	-	-	-	3,059,139
Fundraising	173,703	-	-	-	173,703
	<u>18,144,198</u>	<u>1,778</u>	<u>5,911</u>	<u>17,091</u>	<u>18,168,978</u>
Change in Net Assets	5,266,037	3,002,172	48,985	(17,091)	8,300,103
Cumulative effect of adoption of ASC842, <i>Leases</i>	(32,231)	-	-	-	(32,231)
Foundation Net Assets at the Beginning of Year	-	(17,091)	-	17,091 (B)	-
Net Assets at Beginning of Year	<u>32,588,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,588,411</u>
Net Assets at End of Year	<u>\$ 37,822,217</u>	<u>\$ 2,985,081</u>	<u>\$ 48,985</u>	<u>\$ -</u>	<u>\$ 40,856,283</u>

Notes: (B) - Eliminate inter-organizational transactions.

**Hmong American Peace Academy Ltd.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued (Deferred) Revenue 7/1/22</u>	<u>Cash Received</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/23</u>
<b><u>U.S. Department of Education</u></b>						
Wisconsin Department of Public Instruction						
Milwaukee Public Schools						
<i>Title I Grants to Local Educational Agencies</i>	84.010	-	\$ 197,336	\$ 613,350	\$ 782,029	\$ 366,015
<i>Special Education Cluster (IDEA)</i>						
<i>Special Education - Grants to States</i>	84.027	-	-	-	81,920	81,920
			Total Special Education Cluster (IDEA)	-	81,920	81,920
<i>English Language Acquisition State Grants</i>	84.365	-	15,050	15,050	35,427	35,427
<i>Elementary and Secondary School Emergency Relief - COVID 19</i>	84.425D	-	4,560,384	6,016,790	1,293,991	(162,415)
<i>Elementary and Secondary School Emergency Relief - COVID 19</i>	84.425U	-	-	-	3,233,766	3,233,766
			Total U.S. Department of Education	4,772,770	6,645,190	5,427,133
			Total Expenditures of Federal Awards	\$ 4,772,770	\$ 6,645,190	\$ 5,427,133
				\$ 6,645,190	\$ 5,427,133	\$ 3,554,713

See notes to schedule of expenditures of federal awards.

**Hmong American Peace Academy Ltd.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

*Note A - Basis of Presentation*

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

*Note B - Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Note C - Indirect Cost Rate*

Hmong American Peace Academy Ltd. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of  
Hmong American Peace Academy, Ltd.

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 consolidated financial statements of Hmong American Peace Academy, Ltd. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Hmong American Peace Academy, Ltd.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hmong American Peace Academy, Ltd.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hmong American Peace Academy, Ltd.'s internal control.

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

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



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

As part of obtaining reasonable assurance about whether Hmong American Peace Academy, Ltd.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a flourish.

Waukesha, Wisconsin  
December 14, 2023



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

To the Board of Directors of  
Hmong American Peace Academy, Ltd.

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

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

We have audited Hmong American Peace Academy, Ltd.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hmong American Peace Academy, Ltd.'s major federal programs for the year ended June 30, 2023. Hmong American Peace Academy, Ltd.'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, Hmong American Peace Academy, Ltd. 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). 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 Hmong American Peace Academy, Ltd. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hmong American Peace Academy, Ltd.'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 Hmong American Peace Academy, Ltd.'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 Hmong American Peace Academy, Ltd.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hmong American Peace Academy, Ltd.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hmong American Peace Academy, Ltd.'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 Hmong American Peace Academy, Ltd.'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 Hmong American Peace Academy, Ltd.'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin  
December 14, 2023

**Hmong American Peace Academy Ltd.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

The prior year audit disclosed no findings.

**Hmong American Peace Academy Ltd.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

**A. Summary of Auditor's Results**

Financial Statements

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

Federal Awards

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weakness(es) identified?  | No            |
| b. Significant deficiency (ies) identified?   | None reported |
| 5. Type of auditors' report issued on compliance for major programs:  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No            |
| 7. Identification of major federal programs:  |               |

**Assistance Listing**

<b>Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.425	Elementary and Secondary School Emergency Relief Fund - COVID 19

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee?                                   | Yes       |

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None



INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF  
CHARTER SCHOOL REVENUES AND EXPENDITURES

The Board of Directors of Hmong American Peace Academy, Ltd.  
and Milwaukee Public Schools

We have audited the accompanying schedule of charter school revenues and expenditures (as defined in the contract dated June 28, 2018 between MPS and Hmong American Peace Academy, Ltd. for the year ended June 30, 2023. This schedule is the responsibility of Hmong American Peace Academy, Ltd.'s management. Our responsibility is to (1) express an opinion on this schedule based on our audit and (2) express an opinion on Hmong American Peace Academy, Ltd.'s compliance with the contract requirement that Hmong American Peace Academy, Ltd. expend MPS charter school contract revenues consistent with the provisions of the contract and the 2022-2023 charter school operating budget approved by MPS Contracted Schools Services.

We conducted the audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of charter school revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of charter school revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by the management of Hmong American Peace Academy, Ltd. as well as the management of MPS. We believe that our audit provides a reasonable basis for our opinion.

*Government Auditing Standards* also require that we consider internal controls over financial reporting and compliance with requirements of laws, regulations, contracts, and grants. The management of Hmong American Peace Academy, Ltd. is responsible for establishing and maintaining effective internal controls. In planning and performing our audit, we considered Hmong American Peace Academy, Ltd.'s internal control over compliance with requirements that could have a direct and material effect on the financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the schedules of charter school revenues and expenditures. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control over financial reporting and its operation that we consider to be material weaknesses.

In our opinion, (1) the schedule of charter school revenues and expenditures referred to above presents fairly, in all material respects, the expenditure and revenue activities of Hmong American Peace Academy, Ltd. for the year ended June 30, 2023, as defined in the contract referred to in the first paragraph and (2) the expenditures reported for the year ended June 30, 2023, comply with the expenditure and annual operating budget requirements as defined in the contract referred to in the first paragraph.

*Walshorn Boyer & Co. S.C.*

Waukesha, Wisconsin  
December 14, 2023



**Hmong American Peace Academy Ltd.**  
**Schedule of Contract Revenues and Expenditures**  
**Year Ended June 30, 2023**

	<b>Contract Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
MPS Charter School	\$ 16,543,161	\$ 16,511,852	\$ (31,309)
<b>Expenses</b>			
<b>Instructional and Instructional Support</b>			
Salaries	6,454,287	4,707,067	(1,747,220)
Benefits	2,511,213	1,755,336	(755,877)
Purchased services	130,000	118,072	(11,928)
Supplies	717,174	492,220	(224,954)
Total Expenses - Instructional and Instructional Support	9,812,674	7,072,695	(2,739,979)
<b>Non-Instructional Support</b>			
Salaries	2,951,056	1,071,011	(1,880,045)
Benefits	1,169,627	580,843	(588,784)
Purchased services	2,445,304	1,190,196	(1,255,108)
Supplies	104,500	100,958	(3,542)
Other	60,000	69,157	9,157
Total Expenses - Non-Instructional Support	6,730,487	3,012,165	(3,718,322)
Total Expenses	16,543,161	10,084,860	(6,458,301)
Revenues in Excess of Expenditures	\$ -	\$ 6,426,992	\$ 6,426,992