



Detroit Achievement Academy  
Audited Financial Statements

June 30, 2023

*Prepared by Taylor & Morgan, P.C.*

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DETROIT ACHIEVEMENT ACADEMY  
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet-Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13-21
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	22
 <u>Uniform Guidance</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23-24
Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	25-27
Schedule of Expenditures of Federal Awards	28
Notes/Reconciliation to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Detroit Achievement Academy

### Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Detroit Achievement Academy (the "Academy") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy'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 major fund, and the aggregate remaining fund information of the Detroit Achievement Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in conformity 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 the Detroit Achievement Academy, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Detroit Achievement Academy'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 will always detect a material misstatement when it exists. The

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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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Detroit Achievement Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Detroit Achievement Academy'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, and the required supplemental information, as indicated by the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Detroit Achievement Academy's basic financial statements. The other supplemental information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the 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 applied 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 supplemental information, including the schedule of

expenditures of federal awards, as identified in the table of contents, 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 15, 2023, on our consideration of Detroit Achievement Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Detroit Achievement Academy's internal control over financial reporting and compliance.

Sincerely,

*Taylor & Morgan, P.C.*

Taylor & Morgan, P.C.  
Certified Public Accountants  
Flint MI

October 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD & A)

**DETROIT ACHIEVEMENT ACADEMY  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of the Detroit Achievement Academy’s (the Academy) annual financial report presents our discussion and analysis of the school’s financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the school’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Government-wide revenues were at \$9,846,381 while expenses were \$9,416,744
- At June 30, 2023, the Academy’s assets exceeded its liabilities by \$1,821,888

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of a series of financial statements that show information for the Academy and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the Academy as a whole and presents a longer-term view of the Academy’s finances. Our fund financial statements are included later in the financial report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements may give you some insights into the Academy’s overall financial health. Fund financial statements also report operations in more detail than the government-wide financial statements by providing information about the most significant fund, the general fund.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are reported in compliance with GASB 34. These statements present information on the Academy’s finances in a manner similar to private sector businesses. One of the most important questions asked about the Academy is, “Is the Academy as a whole better off or worse off financially as a result of the year’s activities?” The Statement of Net Position and Statement of Activities report information on the Academy as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Net Position shows assets and liabilities, with the difference between the two reported as net position. All capital assets, long-term liabilities, and general government functions are shown in the Statement of Net Position. The Statement of Activities shows revenues, expenses, and the change in net position for the Academy as a whole. Revenues and expenses attributable to specific functions are segregated from general revenues, to display the extent to which program revenues support each function.

**FINANCIAL ANALYSIS  
OF THE ACADEMY AS A WHOLE**

The Academy’s combined net position was \$1,821,888 on June 30, 2023. The following is a summary of the Academy’s net position for June 30, 2023, and June 30, 2022.

	Net Position 2023	Net Position 2022	
Current Assets	\$ 2,211,508	\$ 1,320,075	
Capital Assets (Net)	18,772,696	19,517,839	
Total Assets	20,984,204	20,837,914	
Current Liabilities	1,338,342	974,686	
Long-term Liabilities	17,823,974	18,470,977	
Total Liabilities	19,162,316	19,445,663	
Net Position			
Net Invested in Capital Assets	948,722	1,046,862	
Unrestricted	873,166	345,389	
Total Net Position	\$ 1,821,888	\$ 1,392,251	

A large portion of the Academy’s net position reflect investments in capital assets (leasehold improvements, equipment and furniture and “right to use” real estate and equipment), less any related outstanding debt used to acquire those assets. The Academy uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Academy’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources.

The \$873,166 in unrestricted net position of governmental activities represents the Academy's funds that have not been committed contractually or for debt obligations and are available for future use.

The Statement of Activities presented later in the government-wide financial statements provides greater detail on the Academy's annual activity. The cost of the Academy's governmental activities for the year was \$9,416,744. These activities are paid for with state pupil foundation aid, grants, charges for services, contributions, and other miscellaneous revenues.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities. A summary of the Academy's results of operations for the year ended June 30, 2023, with comparative totals for the year ended June 30, 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 74,432	\$ 40,315
Federal and state categorical grants	3,216,530	2,085,042
Total Program Revenues	<u>3,290,962</u>	<u>2,125,357</u>
General Revenues		
State aid-unrestricted	6,019,419	4,726,753
Other	536,000	316,747
Total General Revenues	<u>6,555,419</u>	<u>5,043,500</u>
Total Revenues	9,846,381	7,168,857
Expenses:		
Instruction	4,388,140	3,508,658
Support Services	3,698,831	2,954,143
Food Services	493,424	334,684
Interest on long-term debt	751,746	224,378
Unallocated depreciation	84,603	45,065
Total Expenses	<u>9,416,744</u>	<u>7,066,658</u>
Change in net position	429,637	102,199
Net position-July 1	<u>1,392,251</u>	<u>1,290,052</u>
Net position-June 30	<u>\$ 1,821,888</u>	<u>\$ 1,392,251</u>

#### **ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

During the year ended June 30, 2023, the Academy's revenue of \$9,846,381 exceeded its expenses of \$9,416,744 by \$429,637, ending the year with a net position balance of \$1,821,888. Per pupil funding and student enrollment are the primary factors in determining the revenue and expenses for the Academy. The student count for the year ended June 30, 2023 was 659 students, an increase of 118 from the prior year. The Academy's per-pupil state aid allowance during 2023 was \$9,500.

#### **FUND FINANCIAL STATEMENTS**

Governmental funds account for the same functions and are reported as governmental activities in the government-wide financial statements. Governmental fund reporting focuses on how money flows in and out of funds and the balances left at year end that are available for spending. They are reported using the accounting method called "modified accrual" accounting, which measures cash and all other financial assets that can be readily converted to cash. This information is essential for preparation of and compliance with annual budgets. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the government statements. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.



## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenue exceeded budgeted revenue by \$68,716 and budgeted expenditures exceeded actual expenditures by \$314,777. Actual other financing sources and uses were lower than budgeted amounts by \$96,699. The majority of the capital outlay additions of \$82,532, was related to furniture and equipment acquisitions budgeted for within the other functional categories.

## **CAPITAL ASSETS**

The Academy had \$18,772,696 invested in capital assets, net of depreciation and amortization, at June 30, 2023. Capital assets included leased (right-to-use), capital assets of \$17,914,025 for building and bus leases. These assets were offset by a long term lease liability of \$17,823,974. Please refer to the notes to the basic financial statements for further information on capital asset additions and current year depreciation and amortization expense.

## **OUTSTANDING LONG TERM OBLIGATIONS AT YEAR END**

At June 30, 2023, the Academy had a short term advance of \$558,651 payable to the Detroit Achievement Academy Foundation, a related party. In addition to that long term advance, the Academy recorded three long-term lease obligations for the use of building and equipment totaling \$17,823,974. Total payments made on the building and bus leases during the year ended June 30, 2023 were \$811,968 recognized as principal and interest payments on the government fund statement of revenues, expenditures, and changes in fund balance. During the year, the Academy fully paid a long-term note obligation to the Foundation of \$587,681, paying the debt off one year earlier than anticipated. Please refer to the notes to the basic financial statements for more information.

## **REQUESTS FOR INFORMATION**

Our financial report is designed to provide our parents, teachers, students, and creditors with an overview of the Academy's finances. If you have any questions about this report or need any clarification of information please contact the Detroit Achievement Academy offices, located at:

Ms. Kyle Smitley  
Detroit Achievement Academy  
7000 Outer Dr. W  
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(313) 468-9518

## BASIC FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 585,283
Due from Other Governmental Units	1,395,314
Accounts Receivable	77,582
Prepaid Items	151,559
Deposits	1,770
<b>Capital Assets</b>	
Leasehold Improvements - Building	1,698,508
Right to Use Assets - Buildings	17,843,454
Equipment & Furniture	782,263
Vehicles	24,000
Right to Use Assets - Vehicles	70,571
Less: Accumulated Depreciation and Amortization	(1,646,100)
Net Capital Assets	18,772,696
Total Assets	20,984,204
<b>Liabilities</b>	
Accounts Payable	252,713
Accrued Salaries and Related Items	345,473
State Aid Note Payable	142,630
Unearned revenue	38,875
Short Term Note Payable - Related Party	558,651
<b>Long-term Obligations</b>	
Due Within One Year	61,831
Due In More Than One Year	17,762,143
Total Liabilities	19,162,316
<b>Net Position</b>	
Net Investment In Capital Assets	948,722
Unrestricted	873,166
Total Net Position	\$ 1,821,888

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions.		Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental Activities					
Instruction					
Basic Programs	\$ 3,380,839	\$ -	\$ 213,873	\$ 487,100	\$ (2,679,866)
Added Needs	1,007,301	-	1,268,631	-	261,330
Support Services	3,698,831	74,432	689,440	64,690	(2,870,269)
Food Service	493,424	-	492,796	-	(628)
Interest on Long-Term Debt	751,746	-	-	-	(751,746)
Unallocated Depreciation	84,603	-	-	-	(84,603)
Total Governmental Activities	\$ 9,416,744	\$ 74,432	\$ 2,664,740	\$ 551,790	(6,125,782)
General Purpose Revenues					
					6,019,419
					536,000
				Total General Revenue	6,555,419
				Change in Net Position	429,637
				Net Position - July 1	1,392,251
				Net Position - June 30	\$ 1,821,888

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 585,283
Due from Other Governmental Units	1,395,314
Accounts Receivable	77,582
Prepaid Expenses	151,559
Deposits	<u>1,770</u>
 Total Assets	 \$ <u><u>2,211,508</u></u>
Liabilities & Fund Balance	
Liabilities	
Accounts Payable	\$ 252,713
Accrued Salaries and Related Items	345,473
Unearned Revenue	38,875
State Aid Note Payable	142,630
Short Term Note Payable - Related Party	<u>558,651</u>
 Total Liabilities	 1,338,342
Fund Balance	
Non-Spendable	153,329
Restricted	39,659
Unassigned	<u>680,178</u>
 Total Fund Balance	 <u>873,166</u>
 Total Liabilities & Fund Balance	 \$ <u><u>2,211,508</u></u>

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2023

Total Governmental Fund Balances	\$	873,166
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	\$	20,418,796
Accumulated Depreciation		<u>(1,646,100)</u>
		18,772,696
<p>Long-Term Liabilities, including installment loans and leases payable, are not due and payable payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of:</p>		
Financing Leases Payable		<u>(17,823,974)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,821,888</u></u>

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 1,240,627	\$ -	\$ 1,240,627
State Sources	6,773,750	7,327	6,781,077
Federal Sources	1,339,208	485,469	1,824,677
Total Revenues	9,353,585	492,796	9,846,381
Expenditures			
Instruction			
Basic Programs	2,720,331	-	2,720,331
Added Needs	1,007,300	-	1,007,300
Total Instruction	3,727,631	-	3,727,631
Support Services			
Pupil Services	388,927	-	388,927
Instructional Staff	71,285	-	71,285
General Administration	710,719	-	710,719
School Administration	1,101,435	-	1,101,435
Business Services	103,596	-	103,596
Operation and Maintenance	806,905	-	806,905
Central Services	196,783	-	196,783
Transportation	173,213	-	173,213
Food Services	-	493,424	493,424
Community Services	3,521	-	3,521
Principal Retirement	647,003	-	647,003
Interest and Fiscal Charges	751,746	-	751,746
Total Support Services	4,955,133	493,424	5,448,557
Capital Outlay	142,416	-	142,416
Total Expenditures	8,825,180	493,424	9,318,604
Excess/(Deficiency) of Revenues over/(under) Expenditures	528,405	(628)	527,777
Other Financing Sources/(Uses)			
Operating Transfers in/(out)	(628)	628	-
Total Other Financing Sources/(Uses)	(628)	628	-
Net Changes in Fund Balance	527,777	-	527,777
Fund Balance - July 1	345,389	-	345,389
Fund Balance - June 30	\$ 873,166	\$ -	\$ 873,166

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	527,777
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded amortization and depreciation expense in the current period.

Capitalized Assets	\$	82,532	
Depreciation and Amortization Expense		<u>(827,675)</u>	(745,143)

Repayment of note principal and lease obligation payable are expenditures in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. This is the amount of repayments reported as expenditures in the Governmental Funds.

647,003

Change in Net Position of Governmental Activities	\$	<u><u>429,637</u></u>
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See accompanying notes to basic financial statements



## NOTES TO FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**Reporting Entity**

Detroit Achievement Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in July 2014.

In February 2013, the Academy entered into a contract with Grand Valley State University to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. Grand Valley State University is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Grand Valley State University three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2023, were approximately \$180,583.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The Academy receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. However, the Academy is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Basic Financial Statements – Government-wide Statements**

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All the Academy's activities are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in two parts: invested in capital assets net of related debt and unrestricted net position. The Academy first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Academy's functions. General government revenues (certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (state and federal sources, interest income, etc.).

The Academy does not allocate indirect costs.

**Basic Financial Statements - Fund Financial Statements**

The accounts of the Academy are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report; into two generic fund types in one broad fund category as follows:

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**Basic Financial Statements - Fund Financial Statements (continued)**

Governmental Funds

Governmental funds are those funds through which most academy functions typically are financed. The acquisition, use, and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through governmental funds. The Academy has one major governmental fund (the General Fund) and one non-major governmental fund.

General Fund

The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Lunch Special Revenue Fund

The fund is used to account for state and federal revenues restricted for the school lunch program.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Academy considered revenues to be available if they are generally collected within sixty days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities of three months or less. The Academy reports its investments in accordance with Governmental Accounting Standards Board (GASB) *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and *No. 40, Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or federal agency

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

Cash and Cash Equivalents (continued)

obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments outlined above, and investment pools, as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by an academy.

Capital Assets

Capital assets which include leasehold improvements, right to use assets, construction in progress, furniture, and equipment are reported in the government-wide financial statements. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$2,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recoded at their estimated acquisition value at the date of donation.

Construction in progress, if any, is not depreciated. Depreciation on all owned assets is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements and right to use assets are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Estimated lives are as follows:

Buildings (leasehold) improvements	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	3 – 20 years
Right to use - leased transportation equipment	4 years
Right to use – leased buildings	24 – 29 years

Leases as Lessee

The Academy is a lessee for noncancelable leases of equipment and buildings. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Academy recognizes lease liabilities with an initial, individual value of \$2,000 or more.

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Dependency

The Academy receives approximately 69% of its operating revenue from the State of Michigan.

Change in Accounting Principle

The Academy adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements* during the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Academy's financial statements were not impacted by the adoption of the new accounting principle as the Academy does not have any long term SBITA agreements.

Upcoming Accounting Pronouncement

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**Note 2 - Budget and Budgetary Accounting**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General, Special Revenue, and Debt Retirement Funds and an informational study of Capital Project Funds of academies prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the Act.

The Act requires expenditures to be budgeted on a functional basis. An Academy is not considered to be in violation of the Act if reasonable procedures are in use by the Academy to detect violations. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Academy's CEO submits to the Board of Trustees a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The CEO is authorized to transfer budgeted amounts between functions within any fund with the approval of the Board of Education; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
3. Budgets for the General Fund and the Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles.

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Note 2 - Budget and Budgetary Accounting (continued)**

4. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees throughout the year.
5. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A schedule comparing actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

Budgetary information

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Academy's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis.

Excess of expenditures over appropriations in budgeted funds

During the year, the Academy incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Pupil Services	\$ 222,191	\$ 388,927	\$ 166,736
School Administration	1,034,148	1,101,435	67,287
Community Services	-	3,521	3,521

The final amended budget showed revenues greater than expenditures by \$10,461. Actual revenues exceeded expenditures by \$527,799

**Note 3 - Cash and Investments**

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Academy's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer. Cumulatively, portfolios of the Academy may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Academy portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Academy's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Deposits

This is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2023, the Academy had \$303,841 of deposit balances that were not insured or collateralized.

Custodial Credit Risk for Investments

This is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Academy through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Note 3 - Cash and Investments (continued)**

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Academy is not authorized to invest in investments that would be subject to this type of risk.

**Note 4 - Capital Assets**

Changes in capital assets for the year ended June 30, 2023, were as follows:

	As restated			
	Balance July 1, 2022	Additions & Reclassification	Disposals & Adjustments	Balance June 30, 2023
Capital Assets:				
Leasehold Improvements	\$ 1,698,508	\$ -	\$ -	\$ 1,698,508
Right to Use - Building	17,843,454	-	-	17,843,454
Furniture, Equipment, & Other	723,731	82,532	-	806,273
Right to Use - Vehicles	70,571	-	-	70,571
Total Capital Assets	20,336,264	82,532	=	20,418,796
Accumulated Depreciation And Amortization:				
Leasehold Improvements	102,372	61,878	-	164,250
Right to Use - Building	281,780	662,105	-	943,885
Furniture, Equipment & Other	417,755	85,674	-	503,429
Right to Use - Vehicles	16,518	18,018	-	34,536
Total Accumulated Depreciation And Amortization	818,425	827,675	-	1,646,100
Net Capital Assets	\$ 19,517,839	\$ (745,143)	\$ -	\$ 18,772,696

Depreciation and amortization expense for the year ended June 30, 2023, was \$827,675 and was allocated as follows on the statement of activities; \$660,508 to instruction, \$82,563 to supporting services, and \$84,604 was unallocated.

**Note 5 - Interfund Transactions**

Interfund transfers consist of the general fund transferring resources to the food service special revenue fund to cover the excess of fund service fund operating expenditures over the fund's revenues.

**Note 6 - Fund Balance**

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Trustees adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash. The Academy had \$153,3291 in non-spendable fund balance as of June 30, 2023.

Restricted fund balances are reported separately to show legal constraints from debt covenants, donor restrictions, and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had \$35,659 of fund balance at June 30, 2023 that is was restricted for capital improvements by a donor.

Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2023.

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Note 6 - Fund Balance Continued)**

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Trustees, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Academy had no amounts assigned at June 30, 2023.

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The Academy applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

**Note 7 – Contingent Liabilities**

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

**Note 8 - Risk Management**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect the Academy from any significant adverse financial impact.

**Note 9 – Long-Term Obligations**

*Loan Payable to Related Party*

On June 30, 2020, the Academy borrowed \$377,681 from the Detroit Achievement Academy Foundation. The loan payback term was for 42 months at an interest rate of 0%. An additional \$210,000 was borrowed during the year ended June 30, 2021, subject to the same terms of the prior note. The entire balance of the loans, \$587,681, was paid during the year ended June 30, 2023.

*Finance Lease Obligations*

The Academy has entered into three finance lease obligations for the usage of buses and real property and buildings. The details on the lease obligations are as follows:

The Academy has an commercial lease obligation for classroom and space which requires quarterly payments of \$43,750 through June 2043. The Academy has recognized a lease liability in accordance with GASB 87 using an estimated incremental borrowing rate of 2.86%. The Academy recognized \$13,417 in principal paid against this obligation during the year ended June 30, 2023. The lease obligation at June 30, 2023 was \$5,637,798.

The Academy entered in to a commercial lease obligation for classroom space which requires quarterly payments of \$148,750 through December 31, 2050. The Academy has recognized a lease liability in accordance with GASB 87 using an estimated incremental borrowing rate of 4.64%. The Academy recognized \$28,178 in principal paid against this obligation during the year ended June 30, 2023. The lease obligation at June 30, 2023 was \$12,148,543.

The Academy entered in to a commercial lease obligation for transportation equipment which requires monthly payments of \$1,645 through June 2025. The Academy recognized a lease liability for this obligation in accordance with GASB 87 using an estimated incremental borrowing rate of 4.64%. The Academy recognized \$ in principal paid against this obligation during the year ended June 30, 2023. The lease liability at June 30, 2023 was \$37,633..



DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Note 9 – Long-Term Obligations (continued)**

The following is a summary of long-term obligations transactions for the year ended June 30, 2023:

	Finance Leases Payable	DAAF Loan	Total
Balance July 1, 2022	\$ 17,883,296	\$ 587,681	\$ 18,470,977
Less: Retirements & Payments	59,322	587,681	647,003
Balance June 30, 2023	<u>17,823,974</u>	<u>-</u>	<u>17,823,974</u>
Less: Current Portion	<u>61,831</u>	<u>-</u>	<u>61,831</u>
Total Due after One Year	<u>\$ 17,762,143</u>	<u>\$ -</u>	<u>\$ 17,762,143</u>

Future principal and interest requirements for the obligations are as follows:

Year	Finance Leases		Total
	Principal	Interest	
2024	\$ 43,318	\$ 726,682	\$ 770,000
2025	45,117	724,883	770,000
2026	173,340	721,660	895,000
2027	275,988	715,012	991,000
2028	377,637	705,863	1,083,500
2029-2033	3,008,125	3,224,375	6,232,500
2034-2038	3,803,555	2,569,445	6,373,000
2039-2043	4,635,610	1,754,390	6,390,000
2044-2048	3,440,486	864,514	4,305,000
2049-2051	2,020,798	131,702	2,152,500
	<u>\$ 17,823,974</u>	<u>\$ 12,138,526</u>	<u>\$ 29,962,500</u>

**Note 10 – Due From Other Governmental Units**

The total amounts due from other governmental units is \$1,395,314 and consists of \$1,228,659 due from the State of Michigan, \$156,964 due from the federal government, and \$9,691 due from a local government.

**Note 11 – Related Parties**

The following schedule presents significant transactions between the Academy and the related parties:

Related Party	Significant Transactions
Detroit Achievement Academy Foundation	Short-term operating loan to the Academy in the amount of \$683,651 at June 30, 2023
Detroit Prep QALICB	Lease Payable in the amount of \$5,637,798 at June 30, 2023
DAASC	Lease Payable in the amount of \$12,148,543 at June 30, 2023

DETROIT ACHIEVEMENT ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**Note 11 – Related Parties (continued)**

The Detroit Achievement Academy Foundation (the “Foundation”) is a non-profit organization established to receive donations and contributions that are used for the benefit of Detroit schoolchildren, including students at the Detroit Achievement Academy. The Foundation does not meet the definition of a component unit but is considered a related party of the Detroit Achievement Academy due to common management. The Foundation and the Academy share personnel.

The long-term loan owed to the Foundation of \$587,681 at July 1, 2022 was for capital improvements and was fully paid in 2023. There was no interest charged on the note. The amount of the short term operating loan outstanding at June 30, 2023 was \$683,651 and was used for operating purposes. There are no repayment terms for the short term loan nor is interest being charged on the advances made by the Foundation to the Academy.

The Detroit Prep QALICB (the “QALICB”) is a non-profit organization established to hold the building located at 8411 Sylvester St. in Detroit, Michigan and lease the building to the Academy. The QALICB does not meet the definition of a component unit but is considered a related party of the Detroit Achievement Academy due to common management. The QALICB and Academy share personnel.

The Detroit Achievement Academy Support Corporation (DAASC) is a non-profit organization established to hold the building located at 7000 West Outer Driver, in Detroit, Michigan and lease the building to the Academy. The entity does not meet the definition of a component unit but is considered a related party of the Detroit Achievement Academy due to common management. The DAASC and Academy share personnel.

**Note 12 – State Aid Anticipation Loan**

The Academy was issued a State Aid Anticipation Loan through the Michigan Finance Authority in the amount of \$800,000 on September 1, 2022. The amount outstanding at June 30, 2023 including accrued interest was \$142,630. This loan had an interest rate of 5.4% and was paid in full on August 21, 2023.

**Note 13 - Subsequent Events**

Management has reviewed subsequent events through October 15, 2023, the date of the auditor’s report, which is the date the financial statements were available to be issued.

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$1,058,000 on August 31, 2023. This loan has an interest rate of 6.25% and matures in August 2024.

REQUIRED SUPPLEMENTAL INFORMATION

DETROIT ACHIEVEMENT ACADEMY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Local Sources	\$ 463,334	\$ 1,072,237	\$ 1,166,195	\$ 93,958
State Sources	6,296,376	6,812,079	6,773,750	(38,329)
Federal Sources	1,417,858	1,326,121	1,339,208	13,087
Activity Sources	55,891	37,286	74,432	-
Total Revenues	8,233,459	9,247,723	9,353,585	68,716
<b>Expenditures</b>				
Education				
Instruction				
Basic Programs	2,562,646	2,799,385	2,791,594	7,791
Added Needs	1,035,970	1,104,450	1,007,300	97,150
Supporting Services				
Pupil Services	295,287	222,191	388,927	(166,736)
General Administration	922,768	1,015,186	710,719	304,467
School Administration	1,039,318	1,034,148	1,101,435	(67,287)
Business Services	113,463	103,756	103,596	160
Operation and Maintenance	1,524,420	2,628,496	2,544,875	83,621
Transportation	100,197	232,323	173,213	59,110
Community Services	-	-	3,521	(3,521)
Total Expenditures	7,594,069	9,139,935	8,825,180	314,755
<b>Other Financing Sources/(Uses)</b>				
Interfund Transfers	(110,573)	(79,115)	(628)	78,487
Other Financing Uses	(18,212)	(18,212)	-	18,212
Total Other Financing Sources/(Uses)	(128,785)	(97,327)	(628)	96,699
<b>Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)</b>				
	510,605	10,461	527,777	480,170
Fund Balance - July 1	345,389	345,389	345,389	-
Fund Balance - June 30	\$ 855,994	\$ 355,850	\$ 873,166	\$ 480,170

## OTHER INFORMATION

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

October 15, 2023

Board of Trustees  
Detroit Achievement Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Detroit Achievement Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Detroit Achievement Academy's basic financial statements, and have issued our report thereon dated October 15, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Detroit Achievement Academy'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 Detroit Achievement Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Detroit Achievement Academy's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Taylor & Morgan, P.C.*

TAYLOR & MORGAN, P.C.  
Certified Public Accountants

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

Board of Trustees  
Great Lakes Learning Academy

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

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

We have audited Great Lakes Learning Academy'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 Great Lakes Learning Academy's major federal programs for the year ended June 30, 2023. Great Lakes Learning Academy'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, Great Lakes Learning Academy 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 Great Lakes Learning Academy 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 Great Lakes Learning Academy 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 Great Lakes Learning Academy'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 Great Lakes Learning Academy'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 Great Lakes Learning Academy'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 Great Lakes Learning Academy'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 Great Lakes Learning Academy'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 Great Lakes Learning Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

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

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

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

Sincerely,

*Taylor & Morgan, P.C.*

TAYLOR & MORGAN, P.C.  
Certified Public Accountants  
Flint, MI

October 15, 2023

DETROIT ACHIEVEMENT ACADEMY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ALN NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2022	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2023
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed Through Michigan Department of Education:							
Title I Grants to Local Education Agencies							
Title I, Part A Improving Basic Programs (21-22)	84.010	221530-2122	\$ 194,686	\$ 2,273	\$ -	\$ 2,273	\$ -
Title I, Part A Improving Basic Programs (22-23)	84.010	221530-2223	289,953	-	282,362	264,854	17,508
Total Title I Grants			484,639	2,273	282,362	267,127	17,508
Title II Part A - Teacher/Principal Training & Recruiting							
Title II, Part A Teacher/Principal Training & Recruiting (22-23)	84.367	220520-2223	34,943	-	34,943	33,550	1,393
Title II, Part A Teacher/Principal Training & Recruiting (21-22)	84.367	220520-2122	26,064	8,574	-	8,574	-
Total Title II Grants			61,007	8,574	34,943	42,124	1,393
Title IV Grants							
Title IV, Part A SSAE (21-22)	84.424A	230750-2223	18,452	-	18,452	18,452	-
Total Title IV Grants			18,452	-	18,452	18,452	-
Education Stabilization Fund							
Governor's Emergency Education Relief (GEER II) Funds - COVID 19	84.425C	201200-2021	28,930	6,937	-	6,937	-
ESSER II Formula Funds-98c Learning Loss (COVID 19)	84.425D	213782-2223	28,110	-	22,310	22,310	-
American Rescue Plan - Homeless II	84.425W	211012-2122	5,052	-	4,046	4,046	-
American Rescue Plan - ESSER III Formula - COVID 19	84.425U	213713-2122	1,524,945	29,873	784,731	768,099	46,505
Total Education Stabilization Funds			1,587,037	36,810	811,087	801,392	46,505
Total Passed Through Michigan Department of Education			2,151,135	47,657	1,146,844	1,129,095	65,406
Passed Through Wayne Regional Educational Service Agencies							
Title I - Technical Assistance Grant (TAG)	84.010	231580	20,000	-	20,000	-	20,000
Special Education - Grants to States							
IDEA Flowthrough (21-22) -Special Education Cluster	84.027A	210450-2021	81,368	-	21,385	21,385	-
IDEA Flowthrough (22-23) -Special Education Cluster	84.027A	210450-2022	150,351	-	150,352	138,775	11,577
Passed Through Wayne Regional Educational Service Agencies			231,719	-	171,737	160,160	11,577
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>2,402,854</b>	<b>47,657</b>	<b>1,338,581</b>	<b>1,289,255</b>	<b>96,983</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Passed Through Michigan Department of Education:							
Child Nutrition Cluster - Cash Awards							
Supply Chain Assistance - COVID 19	10.555	231960	25,676	-	25,675	25,675	-
Seamless Summer Option (SSO) - Lunch	10.555	231960	305,525	-	305,526	305,525	-
Seamless Summer Option (SSO) - Breakfast	10.553	231970	104,798	-	104,798	104,798	-
SFSPC Operating	10.559	220900-1022	8,614	-	8,614	8,614	-
Fresh Fruits and Vegetables Program	10.582	230950-2022-01	9,177	-	5,814	5,814	-
Fresh Fruits and Vegetables Program	10.582	230950-2023-1	12,545	-	6,364	6,364	-
Total Child Nutrition Cluster Passed Through Michigan Department of Education			466,335	-	456,791	456,790	-
Emergency Operations - CACFP Meals							
Pandemic EBT Local Level Costs - COVID 19	10.649	220980-2022	28,676	-	28,677	28,677	-
			628	-	628	628	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>495,639</b>	<b>-</b>	<b>486,096</b>	<b>486,095</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 2,898,493</b>	<b>\$ 47,657</b>	<b>\$ 1,824,677</b>	<b>\$ 1,775,350</b>	<b>\$ 96,983</b>

DETROIT ACHIEVEMENT ACADEMY  
NOTES/RECONCILIATION TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>1,824,677</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	1,339,208
Special Revenue Fund	<u>485,469</u>
	\$ <u>1,824,677</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
- 3) The Academy has elected to not use the 10% de minimis indirect cost rate.

DETROIT ACHIEVEMENT ACADEMY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<i>No</i>
Audit findings required to be reported in accordance with sections 510(a) of the Uniform Guidance	<i>No</i>

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? *No*

Identification of major programs:

<u>Federal ALN(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C	Governor's Emergency Education Relief (GEER) Funds - COVID 19
84.425D	ESSER II-COVID 19
84.425U	ESSER III-COVID 19

Dollar threshold used to distinguish between Type A and Type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *No*

Section II - Financial Statement Findings

*No matters were noted.*

Section III - Federal Award Findings and Questioned Costs

*No matters were noted.*