



Detroit Achievement Academy

Audited Financial Statements

June 30, 2022

Prepared by Taylor & Morgan, P.C.

DETROIT ACHIEVEMENT ACADEMY
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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, 2022, 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, 2022, 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.

As discussed in Note 1 to the financial statements, in 2022 the Academy adopted new accounting guidance, Governmental Accounting Standards Board Statement No 87, *Leases*, as of July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Detroit Achievement Academy's ability to continue as a

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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 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 19, 2022, 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 19, 2022

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, 2022. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide revenues were at \$7,168,857 while expenses were \$7,066,658.
- At June 30, 2022, the Academy's assets exceeded its liabilities by \$1,392,251

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 \$1,392,251 on June 30, 2022. The following is a summary of the Academy's net position for June 30, 2022, and June 30, 2021.

	<u>Net Position 2022</u>	<u>Net Position 2021</u>	
Current Assets	\$ 1,320,075	\$ 1,006,016	
Capital Assets (Net)	19,517,839	1,537,933	
Total Assets	<u>20,837,914</u>	<u>2,543,949</u>	
Current Liabilities	974,686	666,216	
Long-term Liabilities	18,470,977	587,681	
Total Liabilities	<u>19,445,663</u>	<u>1,253,897</u>	
Net Position			
Net Invested in Capital Assets	1,046,862	1,021,061	
Unrestricted	345,389	339,800	
Total Net Position	<u>\$ 1,392,251</u>	<u>\$ 1,290,052</u>	

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 \$345,389 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 \$7,066,658. 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, 2022, with comparative totals for the year ended June 30, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 40,315	\$ -
Federal and state categorical grants	2,085,042	1,811,516
Total Program Revenues	<u>2,125,357</u>	<u>585,8963</u>
General Revenues		
State aid-unrestricted	4,726,753	3,887,542
Other	316,747	264,187
Total General Revenues	<u>5,043,500</u>	<u>4,151,729</u>
Total Revenues	7,168,857	5,963,245
Expenses:		
Instruction	3,508,658	2,488,129
Support Services	2,954,143	2,156,747
Food Services	334,684	170,322
Interest on long-term debt	224,378	19,859
Unallocated depreciation	45,065	16,056
Total Expenses	<u>7,066,658</u>	<u>4,851,113</u>
Change in net position	102,199	548,212
Net position-July 1	<u>1,290,052</u>	<u>741,840</u>
Net position-June 30	<u>\$ 1,392,251</u>	<u>\$ 1,290,052</u>

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the year ended June 30, 2022, the Academy's revenue of \$7,168,857 exceeded its expenses of \$7,066,658 by \$102,199, ending the year with a net position balance of \$1,392,251. 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, 2022 was 541 students, an increase of 73 from the prior year. The Academy's per-pupil state aid allowance during 2022 was \$8,700.

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 \$8.826 and actual expenditures exceeded budgeted expenditures by \$12,277,716, including actual capital outlay of \$12,594,070. Actual other financing sources and uses exceeded budgeted amounts by \$12,268,210. The majority of the capital outlay additions of \$12,594,070 was related to the assumption of a lease obligation with the Detroit Achievement Academy Support Corporation and was not budgeted as an expenditure as it was not a cash outlay. The lease proceeds revenue of \$12,249,772 was also not included in the adopted budget as it did not result in a cash inflow.

CAPITAL ASSETS

The Academy had \$19,517,839 invested in capital assets, net of depreciation, at June 30, 2022. During the year ended June 30, 2022 the Academy adopted a new accounting principle, GASB No. 87, *Leases*. GASB 87 requires that long-term lease obligations be recorded as a liability, with a corresponding "right to use" (intangible) asset at the government wide level. Under the new accounting standard, \$17,914,025 of capital assets were recorded during the year ended June 30, 2022. This asset was offset by a long term liability also recorded during 2022. 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, 2022, the Academy had a long term advance of \$587,681 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 \$17,914.025 during the year ended June 30, 2022 in accordance with the new accounting standard. 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, investors 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:

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BASIC FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 172,863
Due from Other Governmental Units	988,943
Accounts Receivable	22,638
Prepaid Items	133,861
Deposits	1,770
Capital Assets	
Leasehold Improvements - Building	1,698,508
Right to Use Assets - Buildings	17,843,454
Equipment & Furniture	699,731
Vehicles	24,000
Right to Use Assets - Vehicles	70,571
Less: Accumulated Depreciation and Amortization	(818,425)
Net Capital Assets	19,517,839
Total Assets	20,837,914
Liabilities	
Accounts Payable	220,672
Accrued Salaries and Related Items	241,571
State Aid Note Payable	147,290
Unearned revenue	26,603
Short Term Note Payable - Related Party	338,550
Long-term Obligations	
Due Within One Year	59,141
Due In More Than One Year	18,411,836
Total Liabilities	19,445,663
Net Position	
Net Investment In Capital Assets	1,046,862
Unrestricted	345,389
Total Net Position	\$ 1,392,251

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		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	\$ 2,742,269	\$ -	\$ 58,653	\$ -	\$ (2,683,616)
Added Needs	766,119	-	595,052	-	(171,067)
Support Services	2,954,143	40,315	1,122,267	-	(1,791,561)
Food Service	334,684	-	284,070	25,000	(25,614)
Interest on Long-Term Debt	224,378	-	-	-	(224,378)
Unallocated Depreciation	45,065	-	-	-	(45,065)
Total Governmental Activities	\$ 7,066,658	\$ 40,315	\$ 2,060,042	\$ 25,000	(4,941,301)
General Purpose Revenues					
					4,726,753
					316,747
					5,043,500
					102,199
					1,290,052
					\$ 1,392,251

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

		<u>General Fund</u>
Assets		
Cash and Cash Equivalents	\$	172,863
Due from Other Governmental Units		988,943
Accounts Receivable		22,638
Prepaid Expenses		133,861
Deposits		<u>1,770</u>
Total Assets	\$	<u><u>1,320,075</u></u>
Liabilities & Fund Balance		
Liabilities		
Accounts Payable	\$	220,672
Accrued Salaries and Related Items		241,571
Unearned Revenue		26,603
State Aid Note Payable		147,290
Short Term Note Payable - Related Party		<u>338,550</u>
Total Liabilities		974,686
Fund Balance		
Non-Spendable		135,631
Unassigned		<u>209,758</u>
Total Fund Balance		<u>345,389</u>
Total Liabilities & Fund Balance	\$	<u><u>1,320,075</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, 2022

Total Governmental Fund Balances	\$	345,389
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 20,336,264	
Accumulated Depreciation	<u>(818,425)</u>	19,517,839
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:		
Financing Leases Payable	17,883,296	
Installment Loans	587,681	<u>(18,470,977)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,392,251</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, 2022

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 357,258	\$ -	\$ 357,258
State Sources	5,119,155	9,837	5,128,992
Federal Sources	1,386,447	321,168	1,707,615
Total Revenues	6,862,860	331,005	7,193,865
Expenditures			
Instruction			
Basic Programs	2,391,748	-	2,391,748
Added Needs	766,119	-	766,119
Total Instruction	3,157,867	-	3,157,867
Support Services			
Pupil Services	198,995	-	198,995
Instructional Staff	84,840	-	84,840
General Administration	560,085	-	560,085
School Administration	1,103,329	-	1,103,329
Business Services	89,023	-	89,023
Operation and Maintenance	653,719	-	653,719
Central Services	185,068	-	185,068
Transportation	214,071	-	214,071
Food Services	-	334,684	334,684
Community Services	7,189	-	7,189
Principal Retirement	30,730	-	30,730
Interest and Fiscal Charges	224,378	-	224,378
Total Support Services	3,351,427	334,684	3,686,111
Capital Outlay	12,594,070	-	12,594,070
Total Expenditures	19,103,364	334,684	19,438,048
Excess/(Deficiency) of Revenues over/(under) Expenditures	(12,240,504)	(3,679)	(12,244,183)
Other Financing Sources/(Uses)			
Lease Proceeds	12,249,772	-	12,249,772
Operating Transfers in/(out)	(3,679)	3,679	-
Total Other Financing Sources/(Uses)	12,246,093	3,679	12,249,772
Net Changes in Fund Balance	5,589	-	5,589
Fund Balance - July 1	339,800	-	339,800
Fund Balance - June 30	\$ 345,389	\$ -	\$ 345,389

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	5,589
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded amortization and depreciation expense in the current period.</p>		
Capitalized Assets	\$ 12,766,303	
Depreciation and Amortization Expense	<u>(450,652)</u>	12,315,651
		(12,249,772)
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.		<u>30,731</u>
Change in Net Position of Governmental Activities	\$	<u><u>102,199</u></u>

See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022, were approximately \$141,120.

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, 2022

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, 2022

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 recorded 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, 2022

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 71% of its operating revenue from the State of Michigan.

Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. 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 is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

Change in Accounting Principle

For the year ended June 30, 2022, the Academy implemented GASB Statement No. 87, *Leases* which was issued in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement as of the beginning of the year had no impact on net position. The change in capital assets and long term liabilities due to the implementation at July 1, 2021 was as follows:

	Capital Assets, net	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ 1,537,933	\$ 587,681
Adoption of GASB No. 87	5,664,254	5,664,254
Balances as of July 1, 2021, as restated	\$ 7,202,187	\$ 6,251,935

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.

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Budget and Budgetary Accounting (continued)

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.
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>
Basic Programs	\$ 2,370,227	\$ 2,391,748	\$ 21,521
Pupil Services	134,241	198,995	64,754
Instructional Staff	-	84,840	84,840
Transportation	155,607	214,671	58,464
Community Services	-	7,189	7,189
Capital Outlay	-	12,594,070	12,594,070
			0

The final amended budget showed revenues greater than expenditures by \$5,869. Actual revenues exceeded expenditures by \$5,589.

Capital outlay is over budget due to the implementation of GASB No. 87, *Leases*. See Footnote 1.

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.

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 3 - Cash and Investments (continued)

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, 2022, the Academy had no deposit balances uninsured and or uncollateralized.

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.

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, 2022, were as follows:

	As restated			
	Balance July 1, 2021	Additions & Reclassification	Disposals & Adjustments	Balance June 30, 2022
Capital Assets:				
Leasehold Improvements	\$ 503,601	\$ 1,194,907	\$ -	\$ 1,698,508
Right to Use - Building	5,664,254	12,179,200	-	17,843,454
Construction in Progress - Not Depreciated	787,802	-	787,802	-
Furniture, Equipment, & Other	614,303	109,427	-	723,731
Right to Use - Vehicles	-	70,571	-	70,571
Total Capital Assets	<u>7,569,960</u>	<u>13,554,105</u>	<u>787,802</u>	<u>20,336,264</u>
Accumulated Depreciation And Amortization:				
Leasehold Improvements	62,414	39,958	-	102,372
Right to Use - Building	-	281,780	-	281,780
Furniture, Equipment & Other	305,359	112,396	-	417,755
Right to Use - Vehicles	-	16,518	-	16,518
Total Accumulated Depreciation And Amortization	<u>367,773</u>	<u>450,652</u>	<u>-</u>	<u>818,425</u>
Net Capital Assets	<u>\$ 7,202,187</u>	<u>\$ 13,103,454</u>	<u>\$ 787,802</u>	<u>\$ 19,517,839</u>

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4 - Capital Assets (continued)

Depreciation and amortization expense for the year ended June 30, 2022, was \$450,652 and was allocated as follows on the statement of activities; \$360,522 to instruction, \$45,065 to supporting services, and \$45,065 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 \$135,681 in non-spendable fund balance as of June 30, 2022.

Restricted fund balances are reported separately to show legal constraints from debt covenants and legislation that limits the Academy's ability to use that fund balance for day-to-day operations. The Academy had no amounts restricted at June 30, 2022.

Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2022.

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, 2022.

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 is 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 loan is due as a balloon payment in December 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:

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9 – Long-Term Obligations (continued)

The Academy has an existing commercial lease obligation for classroom and space as of July 1, 2021. The lease requires quarterly payments of \$43,750 through June 2043. As of July 1, 2022, the Center has recognized a lease liability totaling \$,664,254 for this obligation pursuant to GASB 87 using an estimated incremental borrowing rate of 2.86%. The Center recognized \$13,039 in principal paid against this obligation during the year ended June 30, 2022.

The Center entered in to a commercial lease obligation for classroom space as of June 1, 2022. The lease requires quarterly payments of \$148,750 through December 31, 2050. The Center has recognized a lease liability totaling \$12,179,200 for this obligation pursuant to GASB 87 using an estimated incremental borrowing rate of 4.64%. The Academy recognized \$2,480 in principal paid against this obligation during the year ended June 30, 2022.

The Center entered in to a commercial lease obligation for transportation equipment as of August 1, 2021. The lease requires monthly payments of \$1,645 through June 2025. The Academy has recognized a lease liability totaling \$70,570 for this obligation pursuant to GASB 87 using an estimated incremental borrowing rate of 4.64%. The Academy recognized \$15,388 in principal paid against this obligation during the year ended June 30, 2022. The following is a summary of long-term obligations transactions for the year ended June 30, 2022:

	Finance Leases Payable	DAAF Loan	Total
Balance July 1, 2021	\$ 5,664,254	\$ 587,681	\$ 6,251,935
Additions	12,249,772	-	12,249,772
Less: Retirements & Payments	(30,730)	-	(30,730)
Balance June 30, 2022	17,883,296	587,681	18,470,977
Less: Current Portion	59,143	-	59,143
Total Due after One Year	\$ 17,824,153	\$ 587,681	\$ 18,411,834

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

Year	Finance Leases		Related Party Loan		Total
	Principal	Interest	Principal	Interest	
2023	\$ 59,143	\$ 730,597	\$ -	\$ -	\$ 789,740
2024	61,831	728,041	587,681	-	1,377,553
2025	64,369	725,371	-	-	789,740
2026	173,341	721,659	-	-	895,000
2027	275,989	715,011	-	-	991,000
2028-2032	2,722,085	3,332,915	-	-	6,055,000
2033-2037	3,643,200	2,712,800	-	-	6,356,000
2038-2042	4,458,992	1,931,008	-	-	6,390,000
2043-2047	3,658,469	1,063,531	-	-	4,722,000
2047-2050	2,765,877	247,670	-	-	3,013,547
	<u>\$ 17,883,296</u>	<u>\$ 12,908,603</u>	<u>\$ 587,681</u>	<u>\$ -</u>	<u>\$ 31,379,580</u>

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 10 – Due From Other Governmental Units

The total amounts due from other governmental units is \$988,943 and consists of \$941,286 due from the State of Michigan and \$47,657 due from the federal government.

Note 11 – Purchased Services

The Academy leases substantially all employee services from Axios. Salaries, retirement, social security, health insurance, worker’s compensation and unemployment taxes are the responsibility of Axios.

Note 12 – Related Parties

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

<u>Related Party</u>	<u>Significant Transactions</u>
Detroit Achievement Academy Foundation	Loan to the Academy in the amount of \$587,681
Detroit Achievement Academy Foundation	Short-term loan to the Academy in the amount of \$338,550
Detroit Prep QALICB	Lease Payable in the amount of \$5,651,215
DAASC	Lease Payable in the amount of \$12,176,720

The Detroit Achievement Academy Foundation is a non-profit organization established to receive donations and contributions that could be used for the benefit of 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. The foundation and the Academy share personnel. The long term loan owed to the Foundation of \$587,681 was for capital improvements and is due in one balloon payment in December 2023. There is no interest being charged on the note. The amount of the short term loan outstanding at June 30, 2022 was \$338,550 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 is a non-profit organization established to hold the building located at 8411 Sylvester St. in Detroit, Michigan. The QALICB does not meet the definition of a component unit but is considered a related party of the Detroit Achievement Academy. The QALICB and Academy share personnel.

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

Note 13 – State Aid Anticipation Loans

The Academy was issued a State Aid Anticipation Loan through Michigan Finance Authority in the amount of \$840,000 on August 18, 2021 there was a balance owed of \$147,290, including interest at June 30, 2022. This loan was paid in full on August 22, 2022.

Note 14 - Subsequent Events

Management has reviewed subsequent events through October 17, 2022, 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 \$800,000 on September 1, 2022. This loan has an interest rate of 3.30% and matures in August 2022.

REQUIRED SUPPLEMENTAL INFORMATION

DETROIT ACHIEVEMENT ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Sources	\$ 40,247	\$ 361,988	\$ 357,258	\$ (4,730)
State Sources	4,961,333	5,104,983	5,119,155	14,172
Federal Sources	<u>1,152,758</u>	<u>1,387,063</u>	<u>1,386,447</u>	<u>(616)</u>
Total Revenues	6,154,338	6,854,034	6,862,860	8,826
Expenditures				
Education				
Instruction				
Basic Programs	2,305,005	2,370,227	2,391,748	(21,521)
Added Needs	728,552	879,855	766,119	113,736
Supporting Services				
Pupil Services	210,515	134,241	198,995	(64,754)
Instructional Staff	-	-	84,840	(84,840)
General Administration	571,995	800,306	560,085	240,221
School Administration	893,843	1,106,513	1,103,329	3,184
Business Services	94,085	89,573	89,023	550
Operation and Maintenance	571,394	1,029,326	838,787	190,539
Transportation	149,242	155,607	214,071	(58,464)
Community Services	-	-	7,189	(7,189)
Capital Outlay	-	-	12,594,070	(12,594,070)
Debt Service	<u>260,000</u>	<u>260,000</u>	<u>255,108</u>	<u>4,892</u>
Total Expenditures	5,784,631	6,825,648	19,103,364	(12,277,716)
Other Financing Sources/(Uses)				
Interfund Transfers	(56,672)	(7,415)	(3,679)	3,736
Lease Proceeds	-	-	12,249,772	12,249,772
Other Financing Uses	<u>(20,574)</u>	<u>(15,102)</u>	<u>-</u>	<u>15,102</u>
Total Other Financing Sources/(Uses)	<u>(77,246)</u>	<u>(22,517)</u>	<u>12,246,093</u>	<u>12,268,610</u>
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	292,461	5,869	5,589	(280)
Fund Balance - July 1	<u>339,800</u>	<u>339,800</u>	<u>339,800</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 632,261</u>	<u>\$ 345,669</u>	<u>\$ 345,389</u>	<u>\$ (280)</u>

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 19, 2022

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, 2022, 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 19, 2022.

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

October 19, 2022

Board of Trustees
Detroit Achievement Academy

Report on Compliance for Each Major Federal Program

We have audited Detroit Achievement Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Detroit Achievement Academy's major federal programs for the year ended June 30, 2022. Detroit Achievement Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Detroit Achievement Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Detroit Achievement Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Detroit Achievement Academy's compliance.

Opinion on Each Major Federal Program

In our opinion Detroit Achievement Academy's 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, 2022.

Report on Internal Control over Compliance

Management of Detroit Achievement Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Detroit Achievement Academy's internal control over compliance with the

types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Detroit Achievement Academy's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

DETROIT ACHIEVEMENT ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL ALN NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2021	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2022
<u>U.S. DEPARTMENT OF EDUCATION</u>							
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	\$ -	\$ 194,686	\$ 192,413	\$ 2,273
Total Title I Grants			194,686	-	194,686	192,413	2,273
Title II Part A - Teacher/Principal Training & Recruiting							
Title II, Part A Teacher/Principal Training & Recruiting (21-22)	84.367	220520-2122	26,064	-	26,064	17,490	8,574
Total Title II Grants			26,064	-	26,064	17,490	8,574
Title IV Grants							
Title IV, Part A SSAE (21-22)	84.424A	220750-2122	14,324	-	14,324	14,324	-
Total Title IV Grants			14,324	-	14,324	14,324	-
Education Stabilization Fund							
Governor's Emergency Education Relief (GEER II) Funds - COVID	84.425C	201200-2021	28,930	-	6,937	-	6,937
ESSER II Formula Funds-COVID	84.425D	213712-2021	678,521	20,580	460,234	480,814	-
American Rescue Plan - ESSER III Formula - COVID	84.425U	213713-2122	1,524,945	-	582,456	552,583	29,873
Total Education Stabilization Funds			2,232,396	20,580	1,049,627	1,033,397	36,810
Total Passed Through Michigan Department of Education			2,467,470	20,580	1,284,701	1,257,624	47,657
Passed Through Wayne Regional Educational Service Agencies							
Special Education - Grants to States							
IDEA Flowthrough (21-22) -Special Education Cluster	84.027A	210450-2021	\$ 81,268	\$ -	\$ 81,268	\$ 81,268	\$ -
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			2,548,738	20,580	1,365,969	1,338,892	47,657
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Child Nutrition Cluster - Non Cash Award							
Food Distribution - Entitlement Commodities - Lunch Program	10.555	N/A	3,064	-	3,064	3,064	-
Passed Through Michigan Department of Education:							
Child Nutrition Cluster - Cash Awards							
Supply Chain Assistance - COVID	10.555	220910-2022	14,593	-	14,593	14,593	-
Seamless Summer Option (SSO) - Breakfast	10.553	221971-822	78,800	-	78,800	78,800	-
Seamless Summer Option (SSO) - Lunch	10.555	221961-222	216,245	25,242	191,003	216,245	-
Fresh Fruits and Vegetables Program	10.582	210950	9,177	2,592	1,680	4,272	-
Total Passed Through Michigan Department of Education			318,815	27,834	286,076	313,910	-
Total Child Nutrition Cluster			321,879	27,834	289,140	316,974	-
Emergency Operations - CACFP Meals	10.558	221920-822	12,754	2,662	10,092	12,754	-
Food Equipment Grant	10.579	220-950	25,000	-	25,000	25,000	-
Pandemic EBT Local Level Costs - COVID	10.649	210980-2021	628	-	614	614	-
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			360,261	30,496	324,846	355,342	-
<u>FEDERAL COMMUNICATIONS COMMISSION</u>							
Passed Through Universal Service Administrative Co.							
Emergency Connectivity Fund - COVID	32.009	N/A	16,800	-	16,800	16,800	-
<u>TOTAL FEDERAL AWARDS</u>			\$ 2,925,799	\$ 51,076	\$ 1,707,615	\$ 1,711,034	\$ 47,657

DETROIT ACHIEVEMENT ACADEMY
NOTES/RECONCILIATION TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>1,707,615</u>
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FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund	1,386,447
Special Revenue Fund	<u>321,168</u>
	\$ <u>1,707,615</u>

- 1) The beginning accounts receivable for the Department of Agriculture programs at July 1, 2021 was increased \$14,789 to reflect a corrected total accounts receivable at 7-1-2021.
- 2) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 3) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation.
- 4) The Academy has elected to not use the 10% de minimis indirect cost rate.

DETROIT ACHIEVEMENT ACADEMY
RECONCILIATION OF GRANT AUDITOR REPORT
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Current Payments Per the Grant Auditor Report	\$ 1,609,902
<u>Add:</u> Grants Passed Through the Wayne Country RESA	81,268
USDA Entitlement Commodities	3,064
Emergency Connectivity Fund	<u>16,800</u>
Total Additions	<u>101,132</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>1,711,034</u></u>

DETROIT ACHIEVEMENT ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

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
84.425D	ESSER II-COVID
84.425U	ESSER III-COVID

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.