



Detroit Achievement Academy

Audited Financial Statements

June 30, 2021

Prepared by Taylor & Morgan, P.C.

DETROIT ACHIEVEMENT ACADEMY
TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet-Governmental Funds	8
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-19
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	20
 <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>	21-22
Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	23-24
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	25
Schedule of Expenditures of Federal Awards	26
Notes/Reconciliation to Schedule of Expenditures of Federal Awards	27
Reconciliation of "Grant Auditor Report" to the Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29

INDEPENDENT AUDITORS' REPORT

October 29, 2021

Board of Trustees
Detroit Achievement Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund and the aggregate remaining fund information of the Detroit Achievement Academy as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Detroit Achievement Academy as of June 30, 2021 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, 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

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, 2021. Please read it in conjunction with the school's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide revenues were at \$5,963,245 while expenses and losses were \$5,415,033.
- At June 30, 2021, the Academy's assets exceeded its liabilities by \$1,290,052

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 \$1,290,052 on June 30, 2021. The following is a summary of the Academy's net position for June 30, 2021, and June 30, 2020.

	Net Position 2021	Net Position 2020
Current Assets	\$ 1,006,016	\$ 878,804
Capital Assets (Net)	1,537,933	1,566,846
Total Assets	<u>2,543,949</u>	<u>2,445,650</u>
Current Liabilities	666,216	689,529
Long-term Liabilities	<u>587,681</u>	<u>1,014,281</u>
Total Liabilities	1,253,897	1,703,810
Net Position		
Net Invested in Capital Assets	1,021,061	502,646
Unrestricted	<u>339,800</u>	<u>239,194</u>
Total Net Position	<u>\$ 1,290,052</u>	<u>\$ 741,840</u>

A large portion of the Academy's net position reflect investments in capital assets (land, buildings and improvements, equipment, and furniture), 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 \$339,800 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 after pension and OPEB liability has been removed from the calculation.

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 \$4,851,113. 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, 2021, with comparative totals for the year ended June 30, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Federal and state categorical grants	\$ 1,811,516	\$ 585,863
Total Program Revenues	<u>1,811,516</u>	<u>585,8963</u>
General Revenues		
State aid-unrestricted	3,887,542	3,114,927
Other	<u>264,187</u>	<u>321,025</u>
Total General Revenues	<u>4,151,729</u>	<u>3,435,952</u>
Total Revenues	5,963,245	4,021,815
Expenses:		
Instruction	2,488,129	1,613,972
Support Services	2,156,747	2,044,093
Food Services	170,322	166,433
Interest on long-term debt	19,859	53,256
Unallocated depreciation	<u>16,056</u>	<u>12,978</u>
Total Expenses	4,851,113	3,890,732
Loss on transfer of building to pay off debt	<u>563,920</u>	<u>-</u>
Change in net position	548,212	131,083
Net position-July 1	<u>741,840</u>	<u>610,757</u>
Net position-June 30	<u>\$ 1,290,052</u>	<u>\$ 741,840</u>

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the year ended June 30, 2021, the Academy's revenue of \$5,693,245 exceeded its expenses and losses of \$5,415,033 by \$548,212, ending the year with a net position balance of \$1,290,052. 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, 2021 was 468 students, an increase of 85 from the prior year. The Academy's per-pupil state aid allowance was approximately \$8,111.

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.

BUDGET VARIATIONS

Actual revenue exceeded budgeted revenue by \$590,148 and actual expenses exceeded budgeted expenses by \$704,517 this includes actual capital outlay of \$1,208,090. Budgeted other financing sources and uses exceeded actual amounts by \$209,515

CAPITAL ASSETS

The Academy had \$1,537,933 invested in capital assets, net of depreciation, at June 30, 2021. Please refer to the notes to the basic financial statements for further information.

OUTSTANDING LONG TERM DEBT AT YEAR END

At June 30, 2021, the Academy had \$587,681 owed to the Detroit Achievement Academy Foundation. 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:

Ms. Kyle Smitley
Detroit Achievement Academy
7000 Outer Dr. W
Detroit, MI 48235
(313) 468-9518

BASIC FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 159,367
Due from Other Governmental Units	786,046
Accounts Receivable	26,800
Prepaid Expenses	28,283
Deposits	5,520
Capital Assets	
Leasehold Improvements - Building	503,601
Construction in Progress	787,802
Equipment & Furniture	590,303
Vehicles	24,000
Less: Accumulated Depreciation	(367,773)
Net Capital Assets	1,537,933
Total Assets	2,543,949
Liabilities	
Accounts Payable	133,927
Accrued Expenses	61,193
Deferred Revenue	1,500
Short Term Note Payable	469,596
Long-term Liabilities:	
Due within one year	-
Due in more than one year:	587,681
	587,681
Total Liabilities	1,253,897
Net Position	
Net Investment In Capital Assets	950,252
Unrestricted (deficit)	339,800
Total Net Position	\$ 1,290,052

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental Activities				
Instruction				
Basic Programs	\$ 1,989,050	\$ -	\$ 76,865	\$ (1,912,185)
Added Needs	499,079	-	317,366	(181,713)
Support Services	2,156,747	-	1,247,448	(909,299)
Food Service	170,322	-	169,837	(485)
Interest on Long-Term Debt	19,859	-	-	(19,859)
Unallocated Depreciation	16,056	-	-	(16,056)
Total Governmental Activities	\$ 4,851,113	\$ -	\$ 1,811,516	(3,039,597)
General Purpose Revenues				
				3,887,542
				264,187
			Total General Revenue	4,151,729
				(563,920)
				548,212
				741,840
				\$ 1,290,052

See accompanying notes to basic financial statements

DETROIT ACHIEVEMENT ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

		<u>General Fund</u>
Assets		
Cash and Cash Equivalents	\$	159,367
Due from Other Governmental Units		786,046
Accounts Receivable		26,800
Prepaid Expenses		28,283
Deposits		<u>5,520</u>
Total Assets	\$	<u><u>1,006,016</u></u>
Liabilities & Fund Balance		
Liabilities		
Accounts Payable	\$	133,927
Accrued Expenses		61,193
Deferred Revenue		1,500
Short Term Note Payable		<u>469,596</u>
Total Liabilities		666,216
Fund Balance		
Non-Spendable		33,803
Unassigned		<u>305,997</u>
Total Fund Balance		<u>339,800</u>
Total Liabilities & Fund Balance	\$	<u><u>1,006,016</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, 2021

Total Governmental Fund Balances	\$	339,800
<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	\$	1,905,706
Accumulated Depreciation		<u>(367,773)</u>
		1,537,933
<p>Long-Term Liabilities, including installment loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of:</p>		
Installment Loans		<u>(587,681)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,290,052</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, 2021

	General Fund	Non-Major Governmental Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 305,747	\$ -	\$ 305,747
State Sources	4,112,311	5,496	4,117,807
Federal Sources	1,375,350	164,341	1,539,691
Total Revenues	5,793,408	169,837	5,963,245
Expenditures			
Instruction			
Basic Programs	1,860,601	-	1,860,601
Added Needs	499,079	-	499,079
Total Instruction	2,359,680	-	2,359,680
Support Services			
Pupil Services	191,993	-	191,993
Instructional Staff	111,914	-	111,914
General Administration	440,497	-	440,497
School Administration	673,498	-	673,498
Business Services	94,920	-	94,920
Operation and Maintenance	647,258	-	647,258
Central Services	35,281	-	35,281
Transportation	34,162	-	34,162
Athletics	-	-	-
Food Services	-	170,322	170,322
Community Services	11,146	-	11,146
Principal Retirement	74,019	-	74,019
Interest and Fiscal Charges	19,859	-	19,859
Total Support Services	2,334,547	170,322	2,504,869
Capital Outlay	1,208,090	-	1,208,090
Total Expenditures	5,902,317	170,322	6,072,639
Excess/(Deficiency) of Revenues over/(under) Expenditures	(108,909)	(485)	(109,394)
Other Financing Sources/(Uses)			
Loan Proceeds	210,000	-	210,000
Operating Transfers in/(out)	(485)	485	-
Total Other Financing Sources/(Uses)	209,515	485	210,000
Net Changes in Fund Balance	100,606	-	100,606
Fund Balance - July 1	239,194	-	239,194
Fund Balance - June 30	\$ 339,800	\$ -	\$ 339,800

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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 100,606

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 depreciation exceeded capital outlay in the current period.

Capitalized Assets	\$ 1,308,068	
Depreciation Expense	<u>(160,561)</u>	1,147,507

During the year, a long term loan payable was forgiven through the transfer
of capital assets. The book value of the assets transferred exceeded the
debt forgiven by \$563,920. This transaction involved long term
assets and liabilities only and was not recorded in the governmental funds

Carrying value of building assets transferred	(1,176,420)	
Debt balance forgiven	<u>612,500</u>	(563,920)

Proceeds from loans is an Other Financing Source in the Governmental
Funds, but not in the Statement of Activities (where it is Long-Term Debt). (210,000)

Repayment of note principal is an expenditure 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. 74,019

Change in Net Position of Governmental Activities \$ 548,212

See accompanying notes to basic financial statements

NOTES TO FINANCIAL STATEMENTS

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, were approximately \$112,881.

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, 2021

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. 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 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

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 - Budget and Budgetary Accounting (continued)

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	\$ 1,614,083	\$ 1,860,601	\$ 246,518
Added Needs	465,123	499,079	33,956
Pupil Services	114,746	191,993	77,247
Instructional Staff	-	111,914	111,914
School Administration	600,229	673,498	73,269
Business Services	79,332	94,920	15,588
Central Services	-	35,281	35,281
Community Services	-	11,146	11,146
Capital Outlay	721,800	1,208,090	486,290
Debt Service	-	93,878	93,878

The final amended budget showed revenues greater than expenditures by \$5,460. Actual revenues exceeded expenditures by \$100,606, a variance of \$95,146.

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.

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

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

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The Academy's policy is to capitalize assets with a cost that equals or exceeds \$2,000.

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives (or the lease term, if shorter, for leasehold improvements) as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	3 – 20 years

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.

Upcoming Accounting and Reporting Changes

Governmental Accounting Standards Board Statement No. 87, *Leases* increases the usefulness of the Academy's 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 an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use- a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing activities. The requirements of the statement are effective for the fiscal year ending June 30, 2022. Management has not yet determined the potential effects of the new standard on the financial statements, if any.

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.

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 - Cash and Investments (continued)

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, 2021, 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, 2021, were as follows:

	Balance July 1, 2020	Additions	Disposals & Adjustments	Balance June 30, 2021
Capital Assets:				
Leasehold Improvements	\$ 1,517,726	\$ -	\$ 1,014,125	\$ 503,601
Construction in Progress	-	1,163,816	376,014	787,802
Furniture, Equipment, & Other	470,051	144,252	-	614,303
Total Capital Assets	1,987,777	1,308,068	1,390,139	1,905,706
Accumulated Depreciation				
Leasehold Improvements	213,719	62,414	213,719	62,414
Furniture, Equipment, & Other	207,212	98,147	-	305,359
Total Accumulated Depreciation	420,931	160,561	213,719	367,773
Net Capital Assets	\$ 1,566,846	\$ 1,147,507	\$ 1,176,420	1,537,933

Depreciation expense for the year ended June 30, 2021, was \$160,561 and was allocated as follows on the statement of activities; \$128,449 to instruction, \$16,056 to supporting services, and \$15,056 was unallocated.

Note 5 - 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 \$33,803 in non-spendable fund balance as of June 30, 2021.

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, 2021.

Committed fund balance represents constrained amounts imposed by board resolution. The Academy had no amounts committed at June 30, 2021.

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 - 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, 2021.

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 6 - Contingencies and Commitments

The Academy has received federal and state grants for specific purposes. These grants are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 7 - 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 8 – Long-Term Debt

On December 10, 2015, the Academy borrowed \$876,033 from IFF, an Illinois nonprofit corporation. The original payback term was for five years at an interest rate of 5.375% with monthly payments of \$7,100. The funds were used to retire the remaining balance of the land contract agreement with Greenfield Peace Lutheran Church. The remaining funds from the transaction were used to renovate the building in which the Academy operates. The loan was paid off during the year ended June 30, 2021.

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.

The following is a summary of long-term debt transactions for the year ended June 30, 2021:

	<u>IFF</u>	<u>DAAF</u>	<u>Total</u>
Balance July 1, 2020	\$ 686,519	\$ 377,681	\$ 1,064,200
Additions	-	210,000	210,000
Less: Retirements & Payments	<u>(686,519)</u>	-	<u>(686,519)</u>
Balance June 30, 2021	-	587,681	587,681
Less: Current Portion	<u>-</u>	<u>-</u>	<u>-</u>
Total Due after One Year	<u>\$ -</u>	<u>\$ 587,681</u>	<u>\$ 587,681</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ -	\$ -
2023	<u>587,681</u>	<u>-</u>	<u>587,681</u>
	<u>\$ 587,681</u>	<u>\$ -</u>	<u>\$ 377,681</u>

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9 – Leases

On November 21, 2018, the Academy executed an operating lease agreement for a facility located at 8411 Sylvester St. in Detroit, Michigan, with a related party. The lease is in effect through June 30, 2043.

On December 17, 2020, the Academy executed an operating lease for a facility located at 7000 W. Outer Drive with a related party. The lease is in effect from June 1, 2022, through December 31, 2050.

Future minimum lease payments under these two related party lease agreements are as follows:

2022	\$	175,000
2023		770,000
2024		770,000
2025		770,000
2026		895,000
2027-2031		5,785,000
2032-2036		6,339,000
2037-2041		6,390,000
2042-2046		5,139,000
2047-2050		<u>3,874,500</u>
	\$	<u>30,907,500</u>

Rent expenditures for related party leases were \$175,000 for the year ended June 30, 2021.

On July 6, 2020, the Academy executed an operating lease agreement with an unrelated third party for a facility located at 19321 West Chicago, Detroit, Michigan. The lease was in effect from August 1, 2020, through July 30, 2021. The facility is meant to serve as an auxiliary classroom space as the academy commences construction and remodeling of existing facilities.

Future minimum payments under this agreement are as follows:

2022	\$	3,750
------	----	-------

Note 10 – Due From Other Governmental Units

The total amounts due from other governmental units is \$786,046 and consists of \$749,759 due from the State of Michigan and \$36,287 due from the federal government.

Note 11 – Purchased Services

The Academy leases 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:

Related Party	Significant Transactions
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 \$318,781
Detroit Prep QALICB	Lease Expense in the amount of \$175,000
DAASC	Sold building to DAASC with net carrying value of \$1,176,420 for \$612,500 of debt relief

DETROIT ACHIEVEMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12 – Related Parties (continued)

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. During the fiscal year ended June 30, 2021, the foundation loaned the Academy \$587,681 for capital outlay and \$381,781 to cover operating expenses.

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. During the fiscal year ended on June 30, 2021, the Academy paid the QALICB \$175,000 in rent.

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. A lease for the rental of the property has been entered into as of year end, but payments on the lease do not begin until July 1, 2022.

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 September 3, 2020. This loan had an interest rate of 3.45% and matures on August 20, 2021. At June 30, 2020, there was a balance owed of 150,813, including interest. This loan was paid in full on August 20, 2021.

Note 14 - Subsequent Events

Management has reviewed subsequent events through October 29, 2021, 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 \$820,000 on September 2, 2021. This loan has an interest rate of 3.30% and matures on August 20, 2022.

The Covid-19 pandemic continues to affect day-to-day operations of the Academy. While Detroit Achievement Academy Schools will continue to feel the effects of the pandemic, it is impossible to estimate the financial impact, if any, the pandemic will have upon the school district.

REQUIRED SUPPLEMENTAL INFORMATION

DETROIT ACHIEVEMENT ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Sources	\$ 699,951	\$ 196,474	\$ 305,747	\$ 109,273
State Sources	4,108,569	4,154,189	4,112,311	(41,878)
Federal Sources	618,829	852,597	1,375,350	522,753
Total Revenues	5,427,349	5,203,260	5,793,408	590,148
Expenditures				
Education				
Instruction				
Basic Programs	1,566,972	1,614,083	1,860,601	(246,518)
Added Needs	421,708	465,123	499,079	(33,956)
Supporting Services				
Pupil Services	105,969	114,746	191,993	(77,247)
Instructional Staff	-	-	111,914	(111,914)
General Administration	587,582	596,747	440,497	156,250
School Administration	603,214	600,229	673,498	(73,269)
Business Services	80,980	79,332	94,920	(15,588)
Operation and Maintenance	1,545,735	967,183	647,258	319,925
Central Services	-	-	35,281	(35,281)
Transportation	55,715	38,557	34,162	4,395
Community Services	-	-	11,146	(11,146)
Capital Outlay	-	721,800	1,208,090	(486,290)
Debt Service	45,561	-	93,878	(93,878)
Total Expenditures	5,013,436	5,197,800	5,902,317	(704,517)
Other Financing Sources/(Uses)				
Loan Proceeds	-	-	210,000	210,000
Other Financing Uses	-	-	(485)	(485)
Total Other Financing Sources/(Uses)	-	-	209,515	209,515
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	413,913	5,460	100,606	95,146
Fund Balance - July 1	239,194	239,194	239,194	-
Fund Balance - June 30	\$ 653,107	\$ 244,654	\$ 339,800	\$ 95,146

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 29, 2021

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, 2021, 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 29, 2021.

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*.

FLINT, MI OFFICE
G-2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

TROY, MI OFFICE
3150 LIVERNOIS RD., SUITE 175
TROY, MI 48532
OFFICE # (248) 688-9399 FAX # (248) 688-9397

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 29, 2021

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, 2021. 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, 2021.

FLINT, MI OFFICE

2302 STONEBRIDGE DR., BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

CHARLOTTE, NC OFFICE

1213 W. MOREHEAD ST., 5th FLOOR
CHARLOTTE, NC 28208
OFFICE # (704) 926-7570 FAX # (704) 247-6433

TROY, MI OFFICE

3150 LIVERNOIS RD., SUITE 175
TROY, MI 48063
OFFICE # (248) 688-9399 FAX # (248) 688-9397

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

REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

INDEPENDENT AUDITORS' REPORT

October 29 , 2021

Board of Education
Detroit Achievement Academy

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Detroit Achievement Academy as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued on report thereon dated October 29, 2021, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 29, 2021.

The accompanying schedule of federal awards, notes to the schedule of federal awards, and reconciliations of the basic financial statements and grant auditors report with the schedule of federal awards are presented for the purpose of additional analysis, as required by the Uniform Guidance, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

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, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2020	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2021
U.S. DEPARTMENT OF EDUCATION							
Passed Through Michigan Department of Education:							
Title I Grants to Local Education Agencies							
Title I, Part A Improving Basic Programs (20-21))	84.010	211530-2021	196,755	-	196,755	196,755	-
Total Title I Grants			196,755	-	196,755	196,755	-
Title II Part A - Teacher/Principal Training & Recruiting							
Title II, Part A Teacher/Principal Training & Recruiting (20-21))	84.367	210520-2021	27,727	-	27,727	27,727	-
Total Title II Grants			27,727	-	27,727	27,727	-
Title IV Grants							
Title IV, Part A SSAE (20-21)	84.424A	210750-2021	13,426	-	13,426	13,426	-
Total Title IV Grants			13,426	-	13,426	13,426	-
Education Stabilization Fund							
Governor's Emergency Education Relief (GEER) Funds	84.425C	201200-2021	28,930	-	28,930	28,930	-
ESSER II Formula Funds-Covid	84.425D	213712-2021	295,836	-	218,287	197,707	20,580
ESSER I Formula Funds-Covid	84.425D	203720-1920	116,866	-	116,866	116,866	-
ESSER Equity	84.425D	203720-1920	17,529	-	17,529	17,529	-
Total ESSER Funds			459,161	-	381,612	361,032	20,580
Total Passed Through Michigan Department of Education			697,069	-	619,520	598,940	20,580
Passed Through Wayne Regional Educational Service Agencies							
Special Education - Grants to States							
IDEA Flowthrough (20-21)	84.027A	210450-2021	92,884	-	92,884	92,884	-
Total Special Education - Grants to States			92,884	-	92,884	92,884	-
TOTAL U.S. DEPARTMENT OF EDUCATION			789,953	-	712,404	691,824	20,580
U.S. DEPARTMENT OF AGRICULTURE							
Passed Through Michigan Department of Education:							
National School Lunch Program (20-21) SFSP Childcare COVID-1							
Fresh Fruits and Vegetables Program	10.558	211920	12,127	-	25,242	12,127	13,115
National School Lunch Program (20-21) SFSP COVID-19	10.582	210950	7,776	-	7,776	5,184	2,592
Total National School Lunch Program Cash Assistance	10.559	210904	116,534	-	116,534	116,534	-
Total National School Lunch Program Cash Assistance			136,437	-	149,552	133,845	15,707
TOTAL U.S. DEPARTMENT OF AGRICULTURE			136,437	-	149,552	133,845	15,707
U.S. DEPARTMENT OF TREASURY							
Passed Through Michigan Department of Education:							
Coronavirus Relief Funds							
Coronavirus Relief Funds	21.019	N/A	134,029	(134,029)	134,029	-	-
District COVID-19 Costs	21.019	N/A	4,717	(4,717)	4,717	-	-
Total Coronavirus Relief Funds			138,746	(138,746)	138,746	-	-
TOTAL U.S. DEPARTMENT OF TREASURY			138,746	(138,746)	138,746	-	-
TOTAL FEDERAL AWARDS			\$ 1,065,136	\$ (138,746)	\$ 1,000,702	\$ 825,669	\$ 36,287

DETROIT ACHIEVEMENT ACADEMY
 NOTES/RECONCILIATION TO THE SCHEDULE OF
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL REVENUE RECOGNIZED PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>1,000,702</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	1,375,350
Special Revenue Fund	164,341
Less:	
Paycheck Protection Program Grant not reported on SEFA	(524,200)
CRF Childcare funds not reported on SEFA as Academy is a beneficiary of the program rather than a subrecipient	<u>(14,789)</u>
	\$ <u>1,000,702</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. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation.
- 3) 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, 2021

Current Payments Per the Grant Auditor Report	\$ 732,785
<u>Add:</u> Grants Passed Through the Wayne Country RESA	92,884
Total Additions	<u>92,884</u>
 TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>825,669</u></u>

DETROIT ACHIEVEMENT ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2021

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:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	<i>Coronavirus Relief Funds</i>
84.425C	<i>Governor's Emergency Education Relief (GEER) Funds</i>
84.425D	<i>ESSER</i>

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.