

Audited Financial Statements

Detroit Leadership Academy

Detroit, Michigan

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Detroit Leadership Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Detroit Leadership 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, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy, as of June 30, 2022, 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.

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 Detroit Leadership 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.

Adoption of New Accounting Standard

As described in Note 12 to the financial statements, in 2022, the Academy adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is 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 Detroit Leadership Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Detroit Leadership 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 Detroit Leadership 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 budgetary comparison information as detailed in 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Leadership Academy's basic financial statements. The accompanying schedules of revenues and expenditures, and 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 schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of Detroit Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Detroit Leadership Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Leadership Academy's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Detroit Leadership Academy’s (Academy) annual financial report presents our discussion and analysis of the Academy’s financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Academy’s financial statements, which immediately follow this section.

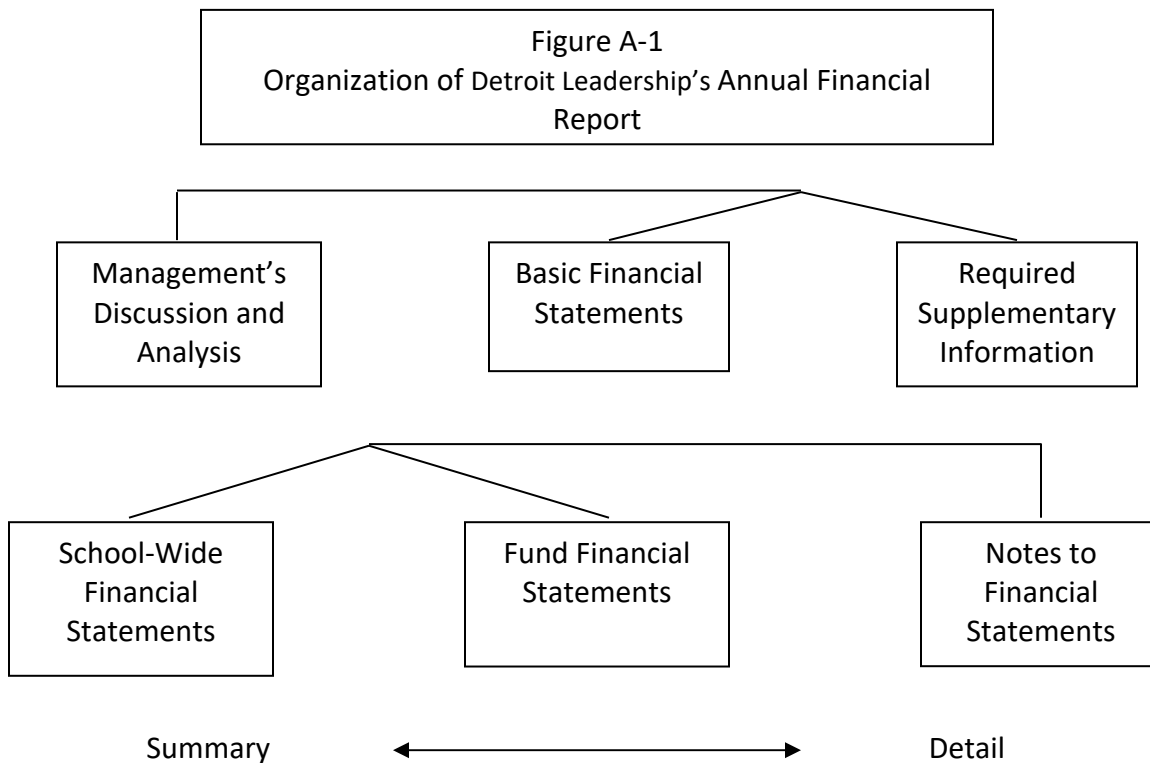
FINANCIAL HIGHLIGHTS

- The Academy’s financial status remained stable; state aid foundation was \$8,700 per student. The school’s blended count was 739 students at year end.
 - The total cost of basic programs was \$2,664,036 and \$1,404,633 for added needs.
- The Academy has a positive fund balance of \$2,504,152 in the general fund with \$2,341,994 being unassigned. The total fund balance ratio against general fund revenues is 23.2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school wide financial statements that provide both short-term and long-term information about the school’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the school’s operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial Statements

	School-Wide Statements	Government Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.
Required Financial Statements	*Statement of net position *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the school’s financial statements, including the portion of the school’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school’s net position and how they have changed. Net position – the difference between the school’s assets and liabilities – are one way to measure the school’s financial health or position.

- Over time, increases or decreases in the school’s assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school’s enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school’s funds, focusing on its most significant or “major” funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- *Governmental activities* – Most of the school’s basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- *Governmental funds* – Most of the school’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See Tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- A strong fund balance has been accumulated over the past five fiscal years.
- The Academy has been able to increase its unrestricted fund balance over the past few fiscal years for projects in the future.
- Student enrollment remaining stable over the course of five years.

General Fund Budgetary Analysis

Over the course of the year, the Academy reviewed the annual operating budget at each board meeting. The annual operating budget was amended twice during the fiscal year. The Academy utilized the federal grants to provide additional resources for the Academy.

Financial Outlook

Detroit Leadership Academy's financial forecast is optimistic for the long term.

- Detroit Leadership Academy has received various federal, state, and local grants that have given the Academy financial assistance during the COVID-19 pandemic and beyond.
- Detroit Leadership Academy has a strong fund balance that is above the state requirement of 5%.
- The Academy has five years of financial strength that has been attributed to strong financial management from the Academy's board, administration and management company.
- The Academy recently purchased and refinanced an expanded elementary campus. These funds allow for re-investment into the school expenses and the general fund.
- The Academy continues to have a steady student count with a projected count of 744 K-12 and an additional 64 students in preschool for 2022-2023. The COVID-19 pandemic has given school districts different challenges for the upcoming year and for school years in the future.

**Table A-3
Detroit Leadership Academy's Net Position**

	2022	2021*
Current and other assets	\$ 3,564,980	\$ 2,276,522
Capital assets	1,868,983	1,445,677
Deferred outflows	27,770	-
Total assets and deferred outflows	5,461,733	3,722,199
Current liabilities	1,391,276	988,235
Long-term debt	642,082	686,545
Deferred inflows	11,393	-
Total liabilities and deferred inflows	2,044,751	1,674,780
Net position:		
Net invested in capital assets	725,176	689,953
Restricted	186,161	96,337
Unrestricted	2,505,645	1,261,129
Total net position	\$ 3,416,982	\$ 2,047,419

**Table A-4
Changes in Detroit Leadership Academy's Net Position**

	2022	2021*
Revenues:		
Program revenues:		
Federal and state operating grants	\$ 4,492,535	\$ 3,633,059
General revenues:		
State aid - unrestricted	6,661,125	5,886,873
Miscellaneous	99,297	118,164
Total revenues	11,252,957	9,638,096
Expenses:		
Instruction	4,068,669	3,514,136
Support services	5,192,780	4,938,747
Community services	89	-
Unallocated depreciation / amortization	558,206	65,978
Interest on long-term debt	63,650	19,566
Total expenses	9,883,394	8,538,427
Increase (decrease) in net position	\$ 1,369,563	\$ 1,099,669

* Presentation is not updated for the adoption of GASB 87

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the school had invested \$1,868,983 in capital assets, including computers and software, net of accumulated depreciation/amortization. See Table A-5 below for a listing of capital assets, and the accumulated depreciation/amortization.

Table A-5
Detroit Leadership Academy's Capital Assets

	<u>Balance</u> <u>June 30, 2022</u>	<u>Balance</u> <u>June 30, 2021*</u>
Right to use assets	\$ 896,208	\$ -
Building	1,639,570	1,564,349
Equipment	794,996	784,913
Buses	10,400	10,400
Subtotal	3,341,174	2,359,662
Accumulated depreciation/amortization	1,472,191	913,985
Net book value of assets	<u>\$ 1,868,983</u>	<u>\$ 1,445,677</u>

* Presentation is not updated for the adoption of GASB 87

Long-term Debt

At year end the school had debt of \$1,143,807 which consists of a revenue bond and direct borrowing as described in Note 7 to the financial statements.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Positive student and parent feedback
- Positive staff morale
- State aid foundation increases along with state, federal and local grants
- Building a community environment at the Academy

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at:

Detroit Leadership Academy
13550 Virgil Street
Detroit, MI 48223

DETROIT LEADERSHIP ACADEMY

STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Current Assets

Cash and cash equivalents	\$ 1,868,768
Deposits	18,810
Due from other governmental units	1,534,054
Prepaid expenses	143,348

Total current assets 3,564,980

Capital Assets - Net of Accumulated Depreciation / Amortization

1,868,983

Deferred Outflows

Related to pension	16,963
Related to other post employment benefits	10,807

Total deferred outflows 27,770

Total assets and deferred outflows \$ 5,461,733

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current Liabilities

Accounts payable	\$ 365,944
Notes payable	454,340
Unearned revenue	20,000
Other accrued expenses	34,383
Net pension liability	12,972
Net other post employment benefit liability	1,912
Long-term debt - current portion	501,725

Total current liabilities 1,391,276

Long-Term Debt - Long-Term Portion

642,082

Deferred Inflows

Related to pension	4,255
Related to other post employment benefits	7,138

Total deferred inflows 11,393

Net Position

Net investment in capital assets	725,176
Restricted	186,161
Unrestricted	2,505,645

Total net position 3,416,982

Total liabilities, deferred inflows and net position \$ 5,461,733

See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Functions	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Government Type Activities</u>
Instruction				
Basic programs	\$ 2,664,036	\$ -	\$ 2,579,829	\$ (84,207)
Added needs	1,404,633	-	828,904	(575,729)
Support services				
Pupil support services	692,543	-	559,903	(132,640)
Instructional staff support services	970,213	-	53,613	(916,600)
General administration	1,071,509	-	-	(1,071,509)
School administration	756,376	-	-	(756,376)
Business support services	73,840	-	-	(73,840)
Operations and maintenance	745,501	-	-	(745,501)
Pupil transportation services	394,220	-	-	(394,220)
Central support services	71,939	-	-	(71,939)
Athletic activities	36,177	-	-	(36,177)
Food services	380,462	-	470,286	89,824
Community services	89	-	-	(89)
Unallocated depreciation / amortization	558,206	-	-	(558,206)
Unallocated interest	63,650	-	-	(63,650)
Total primary government	<u>\$ 9,883,394</u>	<u>\$ -</u>	<u>\$ 4,492,535</u>	<u>(5,390,859)</u>
General Purpose Revenues				
State school aid - unrestricted				6,661,125
Miscellaneous revenues				99,297
Total general purpose revenues				<u>6,760,422</u>
Change in net position				1,369,563
Net position - July 1, 2021				<u>2,047,419</u>
Net position - June 30, 2022				<u>\$ 3,416,982</u>

See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS JUNE 30, 2022

	ASSETS		
	<u>General</u>	<u>Non-Major Special Revenue Food Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,868,768	\$ -	\$ 1,868,768
Deposits	18,810	-	18,810
Due from other governmental units	1,506,592	27,462	1,534,054
Due from other funds	-	158,699	158,699
Prepaid expenses	143,348	-	143,348
	<u>1,868,768</u>	<u>186,161</u>	<u>2,054,929</u>
Total assets	<u>\$ 3,537,518</u>	<u>\$ 186,161</u>	<u>\$ 3,723,679</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 365,944	\$ -	\$ 365,944
Notes payable	454,340	-	454,340
Due to other funds	158,699	-	158,699
Unearned revenue	20,000	-	20,000
Other accrued expenses	34,383	-	34,383
	<u>1,033,366</u>	<u>-</u>	<u>1,033,366</u>
Total liabilities	1,033,366	-	1,033,366

Fund Balance

Nonspendable	162,158	-	162,158
Restricted	-	186,161	186,161
Unassigned	2,341,994	-	2,341,994
	<u>2,504,152</u>	<u>186,161</u>	<u>2,690,313</u>
Total fund balance	2,504,152	186,161	2,690,313
	<u>2,504,152</u>	<u>186,161</u>	<u>2,690,313</u>
Total liabilities and fund balance	<u>\$ 3,537,518</u>	<u>\$ 186,161</u>	<u>\$ 3,723,679</u>

See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

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

Total Governmental Fund Balances		\$ 2,690,313
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,341,174 and the accumulated depreciation / amortization is \$1,472,191.		1,868,983
Deferred Outflows of Resources:		
Related to pensions	\$ 16,963	
Related to OPEB	<u>10,807</u>	27,770
Deferred Inflows of Resources		
Related to pensions	\$ (4,255)	
Related to OPEB	<u>(7,138)</u>	(11,393)
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities.		(12,972)
Net OPEB obligations are not due and payable in the current period and are not reported as fund liabilities.		(1,912)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,143,807)</u>
Net Position of Governmental Activities		<u>\$ 3,416,982</u>

See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Non Major Special Revenue - Food Service</u>	<u>Total</u>
Revenues			
Local sources	\$ 99,297	\$ -	\$ 99,297
State sources	8,085,030	7,255	8,092,285
Federal sources	2,516,943	463,031	2,979,974
Interdistrict sources	<u>81,401</u>	<u>-</u>	<u>81,401</u>
 Total governmental fund revenues	 10,782,671	 470,286	 11,252,957
Expenditures			
Instruction			
Basic programs	2,664,036	-	2,664,036
Added needs	1,404,633	-	1,404,633
Support services			
Pupil support services	694,036	-	694,036
Instructional staff support services	970,213	-	970,213
General administration	1,071,509	-	1,071,509
School administration	756,376	-	756,376
Business support services	73,840	-	73,840
Operations and maintenance	745,501	-	745,501
Pupil transportation services	394,220	-	394,220
Central support services	71,939	-	71,939
Athletic activities	36,177	-	36,177
Food services	-	380,462	380,462
Community services	89	-	89
Capital outlay	129,747	-	129,747
Debt principal and interest	<u>571,775</u>	<u>-</u>	<u>571,775</u>
 Total governmental fund expenditures	 <u>9,584,091</u>	 <u>380,462</u>	 <u>9,964,553</u>
 Excess (deficiency) of revenues over expenditures	 1,198,580	 89,824	 1,288,404
Other Financing Sources (Uses)			
Proceeds from leases	<u>44,443</u>	<u>-</u>	<u>44,443</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 1,243,023	 89,824	 1,332,847
 Fund balance - July 1, 2021	 <u>1,261,129</u>	 <u>96,337</u>	 <u>1,357,466</u>
 Fund balance - June 30, 2022	 <u>\$ 2,504,152</u>	 <u>\$ 186,161</u>	 <u>\$ 2,690,313</u>

See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,332,847
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period:

Capital outlay	\$ 129,747	
Depreciation and amortization expense	(558,206)	(428,459)

Certain employee costs (pension and OPEB) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

1,493

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from leases	\$ (44,443)	
Repayment of loan principal	508,125	463,682

Change in Net Position of Governmental Activities	\$ <u>1,369,563</u>
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See accompanying notes to financial statements

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Detroit Leadership Academy (the “Academy”) conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Detroit Leadership 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, on December 10, 2009, and began operation in July 2009.

In July 2017, the Academy entered into a five-year contract with Central Michigan University Board of Trustees to charter a public school academy through the year ending June 30, 2022. 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. The University’s Board of Trustees 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 Central Michigan University’s Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2022 were approximately \$189,021.

In July 2018, the Academy entered into a five-year agreement with Champion Education Network. Champion Education Network provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay Champion Education Network eleven percent of the Academy’s funds received from the State of Michigan pursuant to the State School Aid Act. The total paid for these services amounted to approximately \$814,087 for the year ended June 30, 2022.

The accompanying 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 significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation – Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on 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 generic fund types in two broad fund categories.

Governmental Funds

A governmental fund is a fund 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 a 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.

Special Revenue Fund (Food Service) - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore, any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

Debt Service Fund - The debt service fund, which the Academy does not currently maintain, is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital projects fund, which the Academy does not currently maintain, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. In creating the government wide financial statements the Academy has eliminated inter-fund transactions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated 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. The Academy held no investments during the year ended June 30, 2022. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not 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, and mutual funds composed of investments as outlined above.

Receivables

Receivables at June 30, 2022 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2022 and are considered current for the purposes of these financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right to use assets of the Academy are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy reports unavailable revenue under a modified accrual basis of accounting, as a deferred inflow of resources in the governmental funds balance sheet. Revenues are considered unavailable if they are not received within 60 days of the Academy's year end.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

Net position represents the difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available. There are no governmental funds with a deficit.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and school service fund budgets. During the year ended June 30, 2022 the budget was amended in a legally permissible manner. See page 32 of these financial statements for the budgetary comparison schedule.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2022, the Academy had no investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2022, \$1,735,566 of the Academy's cash was exposed to this risk. All cash balances were uncollateralized as of June 30, 2022.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Custodial Credit Risk - Investments

For an investment, 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.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Fair Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Academy has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Academy's own data.)

The Academy does not have any investments that are subject to the fair value measurement.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

Local sources	\$ 58,810
State sources	1,300,206
Federal sources	<u>175,038</u>
Total	<u>\$ 1,534,054</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	As Restated Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets subject to depreciation / amortization				
Right to use - assets	\$ 851,765	\$ 44,443	\$ -	\$ 896,208
Building and improvements	1,564,349	75,221	-	1,639,570
Furniture and fixtures	285,389	6,599	-	291,988
Buses	10,400	-	-	10,400
Computer equipment	<u>499,524</u>	<u>3,484</u>	-	<u>503,008</u>
Total asset cost basis	3,211,427	129,747	-	3,341,174
Accumulated depreciation / amortization				
Right to use - assets	-	449,996	-	449,996
Building and improvements	203,910	56,410	-	260,320
Furniture and fixtures	280,247	1,500	-	281,747
Buses	10,400	-	-	10,400
Computer equipment	<u>419,428</u>	<u>50,300</u>	-	<u>469,728</u>
Sub-total	<u>913,985</u>	<u>558,206</u>	-	<u>1,472,191</u>
Total net capital assets	<u>\$ 2,297,442</u>	<u>\$ (428,459)</u>	<u>\$ -</u>	<u>\$ 1,868,983</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6— NOTES PAYABLE

Notes payable as of June 30, 2022 as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 20-21	3.50%	August, 2021	Paid in full
SAAN 21-22	3.69%	August, 2022	Issued to provide Academy with funds for operations; secured by future state aid payments

Loan Activity

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>
SAAN 20-21	\$ 349,523	\$ -	\$ 349,523	\$ -
SAAN 21-22	-	1,800,000	1,345,660	454,340
	<u>\$ 349,523</u>	<u>\$ 1,800,000</u>	<u>\$ 1,695,183</u>	<u>\$ 454,340</u>

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE

Long-term obligations as of June 30, 2022 can be summarized as follows:

Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Revenue bond - 2020	3.62%	September 2025	Provided financing to purchase Virgil building. Required monthly payments of principal and interest guaranteed by State Aid payments.
Direct borrowing - buildings	6.00%	June 2023	
Direct borrowing - copier	6.45%	September 2023	
Direct borrowing - copier	6.45%	October 2023	
Direct borrowing - modular building	6.00%	August 2022	
Direct borrowing - modular building	6.00%	August 2023	

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM OBLIGATIONS PAYABLE - Continued

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2022:

<u>Loan Activity</u>	<u>As Restated Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Revenue bond - 2020	\$ 755,724	\$ -	\$ 69,179	\$ 686,545	\$ 71,762
Direct borrowing - buildings	536,665	-	261,680	274,985	274,985
Direct borrowing - copier	13,600	-	5,844	7,756	6,155
Direct borrowing - copier	17,295	-	7,150	10,145	7,527
Direct borrowing - modular building	-	44,443	36,887	7,556	7,555
Direct borrowing - modular building	284,205	-	127,385	156,820	133,741
	<u>\$ 1,607,489</u>	<u>\$ 44,443</u>	<u>\$ 508,125</u>	<u>\$ 1,143,807</u>	<u>\$ 501,725</u>

Following are maturities of long-term obligations for principal and interest for the next four fiscal years:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 501,725	\$ 39,603
2024	101,682	21,606
2025	77,217	18,547
2026	463,183	4,580

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN – Continued

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2021.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.78 %
Member Investment Plan	3.0 - 7.0	19.78
Pension Plus	3.0 - 6.4	16.82
Pension Plus 2	6.2	19.59
Defined Contribution	0.0	13.39

Required contributions to the pension plan from the Academy were \$1,645 for the year ended Sept. 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Academy reported a liability of \$12,972 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The Academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportion was .0000005479 percent, which was an increase of 100 percent from its proportion measured as of September 30, 2020.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

For the year ending June 30, 2022, the Academy recognized pension expense of \$5,143. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 201	\$ 76
Changes of assumptions	818	-
Net difference between projected and actual earnings on pension plan investments	-	4,170
Changes in proportion and differences between Academy contributions and proportionate share of contributions	12,711	9
Academy contributions subsequent to the measurement date	<u>3,233</u>	<u>-</u>
Total	<u>\$ 16,963</u>	<u>\$ 4,255</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 3,332
2023	2,967
2024	2,685
2025	491

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN – Continued

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	
MIP and Basic Programs	6.80 %
Pension Plus Plan	6.80 %
Pension Plus 2 Plan	6.00 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members

Mortality

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	-0.7
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return / Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	-1.3
Total	100.0 %	

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN - Continued

Sensitivity of the Academy’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Academy’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Academy’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Single Discount	1% Increase
5.80% / 5.80% / 5.00%	Rate Assumption	7.80% / 7.80% / 7.00%
\$ 18,546	\$ 12,972	\$ 8,350

Michigan Public School Employees’ Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System’s financial statements are available on the ORS website at www.michigan.gov/orsschools.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.43 %
Personal Healthcare Fund (PHF)	0.00	7.57

Required contributions to the OPEB plan from The Academy were \$930 for the year ended September 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Academy reported a liability of \$1,912 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportion was .0000012527 percent, which was an increase of 100 percent from its proportion measured as of October 1, 2020.

For the year ending June 30, 2022, the Academy recognized OPEB expense of \$473. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,458
Changes of assumptions	1,598	239
Net difference between projected and actual earnings on OPEB plan investments	-	1,441
Changes in proportion and differences between Academy contributions and proportionate share of contributions	7,910	-
Academy contributions subsequent to the measurement date	<u>1,299</u>	<u>-</u>
Total	<u>\$ 10,807</u>	<u>\$ 7,138</u>

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 100
2023	222
2024	330
2025	413
2026	1,151
Thereafter	154

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75 %
Investment Rate of Return	6.95 %
Projected Salary Increases (including wage inflation at 2.75%):	2.75 - 11.55 %
Healthcare Cost Trend Rate	
	Post-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120
	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120

Mortality

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection sale MP-2017 from 2006.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

Other Assumptions

Opt-Out Assumption: 21% of eligible participants hired before July 1, 2018 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing

Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents

Notes

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.132

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	-0.7
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return / Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	-1.3
Total	100.0 %	

*Long term rates are net of administrative expenses and 2.1% inflation

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Academy's Proportionate Share of the net OPEB Liability to Changes in the Discount Rate

The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$ 3,553	\$ 1,912	\$ 520

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – Continued

Sensitivity of the Academy’s Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the Academy’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Academy’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

<u>1% Decrease</u>		<u>Current Healthcare Cost Trend Rate</u>		<u>1% Increase</u>	
\$	465	\$	1,912	\$	3,540

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 10 - RETIREMENT PLAN

All employees leased by the Academy are eligible to participate in a retirement plan established by Champion Education Network which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy will match up to 6% of the leased employee contributed funds.

NOTE 11 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker’s compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

DETROIT LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Academy implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB 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 of the beginning of the year balances had no impact on net position. The changes to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long Term Obligations</u>
Balances as of July 1, 2021, as previously stated	\$ 1,445,677	\$ 755,724
Adoption of GASB Statement 87	<u>851,765</u>	<u>851,765</u>
Balances as of July 1, 2021, as restated	<u>\$ 2,297,442</u>	<u>\$ 1,607,489</u>

SUPPLEMENTARY INFORMATION

DETROIT LEADERSHIP ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Local sources	\$ 23,000	\$ 108,000	\$ 99,297	\$ (8,703)
State sources	7,203,445	8,218,103	8,085,030	(133,073)
Federal sources	2,488,788	2,896,761	2,516,943	(379,818)
Interdistrict sources	-	44,221	81,401	37,180
Total general fund revenues	<u>9,715,233</u>	<u>11,267,085</u>	<u>10,782,671</u>	<u>(484,414)</u>
Expenditures				
Instruction				
Basic programs	2,644,891	2,829,331	2,664,036	(165,295)
Added needs	1,415,448	1,594,008	1,404,633	(189,375)
Support services				
Pupil support services	777,401	694,792	694,036	(756)
Instructional staff support services	1,165,259	1,065,338	970,213	(95,125)
General administration	1,040,195	1,081,391	1,071,509	(9,882)
School administration	748,791	829,352	756,376	(72,976)
Business support services	82,061	82,380	73,840	(8,540)
Operations and maintenance	1,128,238	826,200	745,501	(80,699)
Pupil transportation services	250,000	400,000	394,220	(5,780)
Central support services	2,821	51,000	71,939	20,939
Athletic activities	42,900	42,900	36,177	(6,723)
Food services	-	367,993	-	(367,993)
Community services	4,000	2,000	89	(1,911)
Capital outlay	100,580	112,229	129,747	17,518
Debt principal and interest	-	590,764	571,775	(18,989)
Total general fund expenditures	<u>9,402,585</u>	<u>10,569,678</u>	<u>9,584,091</u>	<u>(985,587)</u>
Excess (deficiency) of revenues over expenditures	312,648	697,407	1,198,580	501,173
Other Financing Sources (Uses)				
Proceeds from leases	-	-	44,443	44,443
Operating transfers out	(100,580)	(44,221)	-	44,221
Total other financing sources (uses)	<u>(100,580)</u>	<u>(44,221)</u>	<u>44,443</u>	<u>88,664</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	212,068	653,186	1,243,023	589,837
Fund balance - July 1, 2021	<u>1,261,129</u>	<u>1,261,129</u>	<u>1,261,129</u>	<u>-</u>
Fund balance - June 30, 2022	<u>\$ 1,473,197</u>	<u>\$ 1,914,315</u>	<u>\$ 2,504,152</u>	<u>\$ 589,837</u>

DETROIT LEADERSHIP ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DETROIT LEADERSHIP ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

**Schedule of Academy's Proportionate Share of the Net Pension Liability
Determined As of 9/30 of Each Fiscal Year**

	<u>2021</u>
Academy's proportion of net pension liability (%)	0.00005479%
Academy's proportionate share of net pension liability	\$ 12,972
Academy's covered-employee payroll	\$ 12,285
Academy's proportionate share of net pension liability as a percentage of its covered- employee payroll	105.59%
Plan fiduciary net position as a percentage of total pension liability	72.60%

DETROIT LEADERSHIP ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DETROIT LEADERSHIP ACADEMY'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

**Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year**

	<u>2022</u>
Statutorily required contributions	\$ 3,285
Contributions in relation to statutorily required contributions	<u>3,285</u>
Contribution deficiency/(excess)	-
Academy's covered-employee payroll	\$ 16,315
Contributions as a percentage of covered-employee payroll	20.13%

DETROIT LEADERSHIP ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DETROIT LEADERSHIP ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2021

**Schedule of Academy's Proportionate Share of the Net OPEB Liability
Determined As of 9/30 of Each Fiscal Year**

	<u>2021</u>
Academy's proportion of net OPEB liability (%)	0.00012527%
Academy's proportionate share of net OPEB liability	\$ 1,912
Academy's covered-employee payroll	\$ 12,285
Academy's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	15.56%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%

DETROIT LEADERSHIP ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DETROIT LEADERSHIP ACADEMY'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2022

**Schedule of the Academy's Contributions
Determined as of 6/30 of Each Fiscal Year**

	<u>2022</u>
Statutorily required OPEB contributions	\$ 1,321
OPEB Contributions in relation to statutorily required contributions	<u>\$ 1,321</u>
Contribution deficiency/(excess)	<u>\$ -</u>
Academy's covered-employee payroll	\$ 16,315
OPEB Contributions as a percentage of covered-employee payroll	8.10%

DETROIT LEADERSHIP ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2022

Defined Benefit Pension Plan

Benefit Changes - See Note 8 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 8 to the financial statements for discussion of benefit terms and assumptions.

Postemployment Benefits Other Than Pensions (OPEB)

Benefit Changes - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

Changes in Assumptions - See Note 9 to the financial statements for discussion of benefit terms and assumptions.

DETROIT LEADERSHIP ACADEMY

SCHEDULE OF REVENUES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Local Sources

Other local revenues	\$ 99,297
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State Sources

At risk	559,903
Great start readiness program	362,599
Special education	501,403
State aid	<u>6,661,125</u>

Total state sources	8,085,030
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Federal Sources

IDEA	246,100
Title I	488,090
Title II A	53,613
Other program revenue	<u>1,729,140</u>

Total federal sources	2,516,943
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Interdistrict Sources

<u>81,401</u>

Total general fund revenues	<u><u>\$ 10,782,671</u></u>
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DETROIT LEADERSHIP ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

Basic Programs

Purchased services	\$ 2,471,079
Supplies and materials	175,481
Other expenditures	<u>17,476</u>
Total basic programs	2,664,036

Added Needs

Purchased services	1,397,814
Supplies and materials	<u>6,819</u>
Total added needs	1,404,633

Pupil Support Services

Guidance services	148,516
Health services	20,675
Psychological services	115,386
Social work services	<u>409,459</u>
Total pupil support services	694,036

Instructional Staff Support Services

Purchased services	968,673
Rentals	1,205
Supplies and materials	<u>335</u>
Total instructional staff support services	970,213

General Administration

Purchased services	1,068,651
Other expenditures	<u>2,858</u>
Total general administration	1,071,509

School Administration

Purchased services	724,039
Supplies and materials	31,437
Other expenditures	<u>900</u>
Total school administration	756,376

DETROIT LEADERSHIP ACADEMY

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued FOR THE YEAR ENDED JUNE 30, 2022

Business Support Services	
Purchased services	13,199
Other expenditures	<u>60,641</u>
Total business support services	73,840
Operations and Maintenance	
Purchased services	436,589
Repairs and maintenance	137,130
Rentals	30,257
Supplies and materials	<u>141,525</u>
Total operations and maintenance	745,501
Pupil Transportation Services	
Purchased services	394,220
Central Support Services	
Purchased services	56,656
Repairs and maintenance	6,936
Supplies and materials	<u>8,347</u>
Total central support services	71,939
Athletic Activities	
Purchased services	18,593
Supplies and materials	<u>17,584</u>
Total athletic activities	36,177
Community Services	
Supplies and materials	89
Capital Outlay	129,747
Debt Principal and Interest	<u>571,775</u>
Total general fund expenditures	<u><u>\$ 9,584,091</u></u>

APPENDIX

Federal Awards Report



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

**To the Board of Directors
of Detroit Leadership 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 Detroit Leadership Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Detroit Leadership Academy's basic financial statements, and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Detroit Leadership Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Detroit Leadership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Detroit Leadership 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Detroit Leadership 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Croskey Lanni, PC

Rochester, Michigan
November 1, 2022



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

**To the Board of Directors
of Detroit Leadership Academy**

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

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

In our opinion, Detroit Leadership Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Detroit Leadership Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Detroit Leadership Academy's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Croskey Lanni, PC". The signature is written in a cursive style.

Croskey Lanni, PC

Rochester, Michigan
November 1, 2022

DETROIT LEADERSHIP ACADEMY

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

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
Clusters:										
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:										
Noncash Assistance (Commodities):										
National Lunch Program Commodities 2021-2022	N/A	10.555	\$ 38,732	\$ -	\$ -	\$ -	\$ 14,687	\$ 14,687	\$ -	\$ -
Cash Assistance										
COVID-19 - Seamless Summer Option Lunch (SSO) - Lunch 2021-2022	211961/ 221961	10.555	230,786	-	-	-	210,871	230,786	19,915	-
COVID-19 - Emergency Operations - SNP Meals 2021	211965	10.555	100,234	-	-	-	100,234	100,234	-	-
NSLP - After School Snack 2021-2022	211980/ 221980	10.555	3,512	-	-	-	3,343	3,512	169	-
COVID-19 - Supply Chain Assistance 2022	220910	10.555	18,475	-	-	-	18,475	18,475	-	-
Total Cash and Noncash Assistance		10.555	391,739	-	-	-	347,610	367,694	20,084	-
COVID-19 - Seamless Summer Option (SSO) - Breakfast 2021-2022	211971/ 221971	10.553	94,723	-	-	-	87,346	94,723	7,377	-
Extended Summer Food Service Program 2021-2022	210904	10.559	171,058	171,058	14,884	-	14,884	-	-	-
Total Child Nutrition Cluster			657,520	171,058	14,884	-	449,840	462,417	27,461	-
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA:										
IDEA Special Education - Formula Grants to ISDs:										
IDEA Flowthrough 2021	210450	84.027A	168,880	168,880	13,401	-	13,401	-	-	-
IDEA Flowthrough 2122	220450	84.027A	246,100	-	-	-	237,193	246,100	8,907	-
Total Special Education Cluster			414,980	168,880	13,401	-	250,594	246,100	8,907	-
Other Federal Awards:										
U.S. Department of Agriculture - Passed through Michigan Department of Education:										
Pandemic EBT Local Level Costs:										
COVID-19 - Pandemic EBT Local Level Costs 2021	210980	10.649	614	-	-	-	614	614	-	-

See accompanying notes to schedule of expenditures of federal awards

DETROIT LEADERSHIP ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2022

Program Title/Project Number Subrecipient Name	Grant/ Project Number	Federal ALN	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Current Year Cash Transferred To Subrecipient
Other Federal Awards (Continued):										
U.S. Department of Education -										
Passed through Michigan Department of Education:										
Title I, Part A: Improving Basic Programs Operated by LEAS:										
Title I Part A 2122	221530	84.010A	488,251	-	-	-	430,964	488,089	57,125	-
Passed through the Wayne County RESA:										
Title I, Part A Regional Assistance Grant (RAG):										
Title I RAG 2021	N/A	84.010A	262,187	-	-	-	262,187	262,187	-	-
Total Title I Part A		84.010A	750,438	-	-	-	693,151	750,276	57,125	-
Title II, Part A, Supporting Effective Instruction:										
Title II Part A 2021	220520	84.367	53,613	-	-	-	48,695	53,613	4,918	-
Title IV, Part A, Student Support and Academic Enrichment:										
Title IV 2021	220750	84.424A	35,635	-	-	-	32,596	34,517	1,921	-
Education Stabilization Fund:										
COVID-19 - Supplemental Elementary and Secondary School Emergency Relief (ESSER II) 2021	213712	84.425D	1,315,794	573,687	-	-	720,800	742,107	21,307	-
COVID-19 - ESSER III Formula – American Rescue Plan (ARP-ESSER) 2122	213713	84.425U	971,029	-	-	-	636,931	690,330	53,399	-
Total Education Stabilization Fund		84.425	2,286,823	573,687	-	-	1,357,731	1,432,437	74,706	-
Total Federal Awards			<u>\$4,199,623</u>	<u>\$ 913,625</u>	<u>\$ 28,285</u>	<u>\$ -</u>	<u>\$2,833,221</u>	<u>\$2,979,974</u>	<u>\$ 175,038</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

DETROIT LEADERSHIP ACADEMY

RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE AND RECEIVABLES WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Revenue to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements
(includes all funds):

General Fund	\$ 2,516,943
Special Revenue Fund - Food Service	<u>463,031</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,979,974</u>

DETROIT LEADERSHIP ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Detroit Leadership Academy under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Detroit Leadership Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Detroit Leadership Academy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Detroit Leadership Academy has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

NOTE 5 - GRANT AUDITOR REPORT

Management has utilized the Grant Auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 6 – TITLE I RAG EXPENDITURES

Included in the expenditures’ column of the SEFA for Title I, Part A RAG are \$262,187 of fiscal year 2020-2021 expenditures. The Academy did not receive the grant award notification until July 2021. The grant’s period of performance was October 2020 through September 30, 2021. These expenditures were included as part of the major program determination for fiscal year ended June 30, 2022, and therefore, not included in the prior year expenditures column of the schedule of expenditures of federal awards.

DETROIT LEADERSHIP ACADEMY

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

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes none reported

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 2 CFR section 200.516(a)?

yes no

Identification of major programs:

Assistance Listing Number(s)
84.010

Name of Federal Program or Cluster
Title I, Part A

Dollar threshold used to distinguish between Type A and Type B program as described in 2 CFR section 200.518(b):

\$750,000

Auditee qualified as low-risk auditee?

yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

November 1, 2022

To the School Board and Management of
Detroit Leadership Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Leadership Academy for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Detroit Leadership Academy are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Detroit Leadership Academy changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, Leases, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by Detroit Leadership Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Academy's financial statements was (were):

Management's estimate of depreciation is based on management's best judgement of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Detroit Leadership Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Detroit Leadership Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, and budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on schedules of revenues and expenditures and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Detroit Leadership Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Croskey Lanni, PC