

Detroit Academy of Arts and Sciences

(A Michigan Public School Academy)

Financial Statements

For the Year Ended

June 30, 2023



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
Detroit Academy of Arts and Sciences

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds (General Fund and Debt Fund), and the aggregate remaining fund information of Detroit Academy of Arts and Sciences as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Detroit Academy of Arts and Sciences basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds (General Fund and Debt Fund), and the aggregate remaining fund information of Detroit Academy of Arts and Sciences as of June 30, 2023, 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 the Detroit Academy of Arts and Sciences and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Detroit Academy of Arts and Sciences' 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 the Detroit Academy of Arts and Sciences' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Detroit Academy of Arts and Sciences' 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 on pages 4 and 25 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 the Detroit Academy of Arts and Sciences' basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements 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 October 31, 2023, on our consideration of the Detroit Academy of Arts and Sciences' 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 the Detroit Academy of Arts and Sciences' 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 Academy of Arts and Sciences' internal control over financial reporting and compliance.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan 48226
October 31, 2023

Detroit Academy of Arts and Sciences Management's Discussion and Analysis

This section of the Detroit Academy of Arts and Sciences (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2023. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using the Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the government-wide financial statements by providing information about the Academy's most significant funds – the General Fund and Debt Service Fund, with the other fund presented in one column as the non-major Food Service Fund.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

Other Supplemental Information

Detroit Academy of Arts and Sciences Management's Discussion and Analysis (Continued)

Reporting the Academy as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position - the difference between assets and liabilities, as reported in the Statement of Net Position - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position - as reported in the Statement of Activities - indicate whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, athletics, and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Academy use the following accounting approach:

- **Governmental Funds** - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation.

**Detroit Academy of Arts and Sciences
Management's Discussion and Analysis (Continued)**

The Academy as a Whole

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30, 2023:

	Governmental Activities	
	June 30	
	2023	2022
	(in millions)	
Assets		
Current and other assets	\$5.5	\$4.8
Capital and Right to Use assets	6.2	6.1
	<u>6.2</u>	<u>6.1</u>
Total assets	<u>\$11.6</u>	<u>\$10.9</u>
Liabilities		
Current liabilities	\$2.1	\$1.4
Long-term liabilities	12.6	12.7
	<u>12.6</u>	<u>12.7</u>
Total liabilities	14.7	14.1
Deferred inflows of resources		0.1
Net Position		
Invested in property and equipment - Net of related debt	(6.2)	(6.9)
Restricted	2.0	2.1
Unrestricted	1.2	1.5
	<u>1.2</u>	<u>1.5</u>
Total net position(deficit)	<u>(\$3.1)</u>	<u>(\$3.3)</u>

The above analysis focuses on the net position. The change in the net position of the Academy's governmental activities is discussed below. The Academy's net deficit was \$(3.1) million on June 30, 2023. Capital and Right to Use assets, net of related debt totaling \$(6.2) million, compare the original cost, less depreciation, and amortization of the Academy's capital and rights to use assets, to long-term debt and lease obligation used to finance the acquisition of those assets. Most of the debt and obligation will be repaid from General Fund operations as the debt service and lease payment comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Academy's ability to use those assets for day-to-day operations.

**Detroit Academy of Arts and Sciences
Management's Discussion and Analysis (Continued)**

The \$1.2 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities, which shows the changes in net position for fiscal years 2023 and 2022:

	Governmental Activities	
	Year Ended June 30	
	2023	2022
	(in millions)	
Revenue		
Program revenue:		
Operating grants and contributions	\$6.8	\$5.1
General revenue:		
State foundation allowance	9.4	8.5
	<u>16.2</u>	<u>13.6</u>
Functions/Program Expenses		
Instructions	6.9	6.0
Support Services	6.8	5.6
Food services, community service and athletics	1.0	0.9
Interest and charges on long-term debt	0.7	0.8
Depreciation and amortization (unallocated)	0.6	0.4
	<u>15.9</u>	<u>13.7</u>
Change in Net Position	<u>0.2</u>	<u>(0.1)</u>
Net Position - Beginning of year	<u>(3.3)</u>	<u>(3.2)</u>
Net Position - End of year	<u><u>(\$3.1)</u></u>	<u><u>(\$3.3)</u></u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$15.9 million. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$6.8 million. We paid for the remaining "public benefit" portion of our governmental activities with \$9.4 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

Detroit Academy of Arts and Sciences Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the State and the Academy's taxpayers by each of these functions. Since unrestricted State Aid constitutes the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the Academy and balance those needs with State-prescribed available unrestricted resources.

Capital and Right to Use Assets and Debt Administration

Capital and Right to Use Assets

As of June 30, 2023, the Academy had approximately \$6.2 million invested in net capital and right to use assets, including leasehold improvements, furniture, equipment and intangible right to use building lease. The amount represents a net increase, including additions and depreciation, of approximately \$.2million from last year.

Debt

Debt includes bond obligations of approximately \$12.4 million. The amount represents a decrease of \$.3 million from last year.

Lease Obligation

Lease Obligation includes intangible right to use a building of approximately \$355,436.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$3.8 million, which is an increase of \$.2 million from last year.

In the General Fund, our principal operating fund, the fund balance increased by approximately \$.1million to \$1.8 million. The General Fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were significant revisions made to the 2022-2023 General Fund's original budget. Budgeted revenues were increased \$1.1 million due to an increase in the awarding of various grants.

Detroit Academy of Arts and Sciences Management's Discussion and Analysis (Continued)

Economic Factors Affecting Next Year's Budgets:

The Academy's administration considered many factors when setting the Academy's 2024 fiscal year's budget. One of the most important factors affecting the budget is the continued impact of the outbreak of the coronavirus (COVID-19) on enrollment. In an effort to meet the varied concerns of students and parents, the Academy is offering both in-person instruction and virtual instruction. However, the future effects of coronavirus and its potential variants are unknown.

The State foundation allowance for the 2024 fiscal year is \$9,608. The 2024 budget was adopted in June 2023, based on the estimated number of students that will be enrolled in September 2023. Approximately 67 percent of the total general fund revenue is from the foundation allowance, down from the prior year due to the federal CARES grant funding passed by the US Congress in late 2020 and early 2021. As a result, the Academy funding is primarily dependent on the state's ability to fund local school operations; thus, the Academy is focused on maintaining its historical levels of enrollment. The Academy is also looking to receive more grants and private revenues. This will allow the Academy to place more funds in the classroom and enhance its financial position.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

Detroit Academy of Arts and Sciences
Statement of Net Position- Governmental Activities
June 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 1,077,118
Investments - restricted	1,709,666
Due from other governmental units	2,581,666
Other receivables	27,733
Prepaid expenses	86,438

Total Current Assets	<u>5,482,621</u>
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Noncurrent Assets

Capital and Right to Use Assets, net	<u>6,157,545</u>
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Total Assets	<u><u>\$ 11,640,166</u></u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	\$ 514,405
Accrued payroll	497,272
Unearned revenue	351,703
Other accrued liabilities	58,672
Notes Payable	217,154
Lease obligation	174,388
Long-term debt	320,000

Total Current Liabilities	<u>2,133,594</u>
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Noncurrent Liabilities

Lease obligation	181,048
Long term debt	<u>12,395,000</u>

Total Liabilities	14,709,642
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Net Position

Investments in capital assets - net of related debt	(6,237,455)
Restricted	
Debt service	1,936,829
Food service	27,218
Unrestricted	<u>1,203,932</u>

Total Net Position	(3,069,476)
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Total Liabilities and Net Position	<u><u>\$ 11,640,166</u></u>
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See accompanying notes to financial statements

Detroit Academy of Arts and Sciences
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Program Revenues		Governmental Activities Net(Expenses) and Changes in Net Assets	
	Expenses	Charges for Services		Operating Grants/ Contributions
Primary government - Government activities				
Instruction	\$ 6,876,778	\$ -	\$ 3,568,611	\$ (3,308,167)
Support services	6,789,120	-	1,928,256	(4,860,864)
Community services	1,100	-	-	(1,100)
Welfare services	3,091	-	-	(3,091)
Custody care	22,764	-	-	(22,764)
Food services	1,017,719	-	996,740	(20,979)
Interest and charges on long-term debt	775,814	-	-	(775,814)
Depreciation/Amortization (unallocated)	583,462	-	-	(583,462)
Total governmental activities	<u>\$ 16,069,848</u>	<u>\$ -</u>	<u>\$ 6,493,607</u>	<u>(9,576,241)</u>
General Revenues:				
				9,354,558
State aid not restricted to specific purposes				406,615
Other income				<u>9,761,173</u>
Total general revenues				
Change in Net Position				<u>184,932</u>
Net Position (Deficit) - Beginning of year				<u>(3,254,408)</u>
Net Position (Deficit) - End of Year				<u>\$ (3,069,476)</u>

See accompanying notes to financial statements

Detroit Academy of Arts and Sciences
Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Debt Service Fund	Other Nonmajor Fund Food Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,077,118	\$ -	\$ -	\$ 1,077,118
Investments - restricted	-	1,709,666	-	1,709,666
Due from other governmental units	2,532,005	-	49,661	2,581,666
Other receivables	27,733	-	-	27,733
Prepaid expenses	86,438	-	-	86,438
Due from other funds	-	227,163	21,127	248,290
Total assets	\$ 3,723,294	\$ 1,936,829	\$ 70,788	\$ 5,730,911
Liabilities				
Accounts payable	\$ 478,982	\$ -	\$ 35,423	\$ 514,405
Accrued payroll	497,272	-	-	497,272
Unearned revenue	343,556	-	8,147	351,703
Other accrued liabilities	58,672	-	-	58,672
Notes payable	217,154	-	-	217,154
Due to other funds	248,290	-	-	248,290
Total liabilities	1,843,926	-	43,570	1,887,496
Fund Balances				
Nonspendable				
Prepaid expenses	86,438	-	-	86,438
Restricted				
Debt service	-	1,936,829	-	1,936,829
Food service	-	-	27,218	27,218
Unassigned	1,792,930	-	-	1,792,930
Total fund balance	<u>1,879,368</u>	<u>1,936,829</u>	<u>27,218</u>	<u>3,843,415</u>
Total liabilities and fund balance	<u>\$ 3,723,294</u>	<u>\$ 1,936,829</u>	<u>\$ 70,788</u>	<u>\$ 5,730,911</u>

See accompanying notes to financial statements

**Detroit Academy of Arts and Sciences
Reconciliation of the Total Governmental
Fund Balance to Net Position of Governmental Activities
Year Ended June 30, 2023**

Fund Balance - Total governmental funds		\$ 3,843,415
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and Right to Use assets used in governmental activities are not financial resources are not reported in governmental funds:		
Cost of capital and right to use assets	\$ 17,208,410	
Accumulated depreciation	<u>(11,050,865)</u>	
		6,157,545
Lease obligations		(355,436)
Bonds Payable		<u>(12,715,000)</u>
Net Position - Governmental activities		<u>\$ (3,069,476)</u>

See accompanying notes to financial statements

Detroit Academy of Arts and Sciences
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2023

	General Fund	Debt Services Fund	Other Nonmajor Fund Food Service	Total Governmental Funds
Revenue				
Local sources	\$ 1,748,031	\$ 15,867	\$ -	\$ 1,763,898
State sources	10,392,471	-	-	10,392,471
Federal sources	3,101,671	-	996,740	4,098,411
Total revenue	<u>15,242,173</u>	<u>15,867</u>	<u>996,740</u>	<u>16,254,780</u>
Expenditures				
Current				
Instruction				
Basic programs	4,379,524	-	-	4,379,524
Added needs	2,594,680	-	-	2,594,680
Total instruction	<u>6,974,204</u>	<u>-</u>	<u>-</u>	<u>6,974,204</u>
Support services				
Pupil	752,344	-	-	752,344
Instructional	1,286,078	-	-	1,286,078
General administration	989,666	-	-	989,666
School administration	723,030	-	-	723,030
Business services	297,925	-	-	297,925
Operation and maintenance	1,619,944	-	-	1,619,944
Pupil transportation and services	910,250	-	-	910,250
Cental services	377,678	-	-	377,678
Total Support Services	<u>6,956,915</u>	<u>-</u>	<u>-</u>	<u>6,956,915</u>
Community services	1,100	-	-	1,100
Welfare services	3,091	-	-	3,091
Custody care	22,764	-	-	22,764
Food services	-	-	1,017,719	1,017,719
Capital outlay - building leases	523,231	-	-	523,231
Debt service				
Interest	-	772,900	-	772,900
Principal payments	-	300,000	-	300,000
Bond expenses	-	2,915	-	2,915
Total expenditures	<u>14,481,305</u>	<u>1,075,815</u>	<u>1,017,719</u>	<u>16,574,839</u>
Excess of Revenue Over(Under)				
Expenditures	760,868	(1,059,948)	(20,979)	(320,059)
Other Financing Sources (Uses)				
Change in lease obligation	523,231	-	-	523,231
Transfers in	-	1,135,815	800	1,136,615
Transfers out	<u>(1,136,615)</u>	<u>-</u>	<u>-</u>	<u>(1,136,615)</u>
Total other financing sources (uses)	(613,384)	1,135,815	800	523,231
Net Change in Fund Balances	147,484	75,867	(20,179)	203,172
Fund Balances - Beginning of year	<u>1,731,884</u>	<u>1,860,962</u>	<u>47,397</u>	<u>3,640,243</u>
Fund Balances - End of year	<u>\$ 1,879,368</u>	<u>\$ 1,936,829</u>	<u>\$ 27,218</u>	<u>\$ 3,843,415</u>

See accompanying notes to financial statements

**Detroit Academy of Arts and Sciences
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023**

Net Change in Fund Balance - Total governmental funds \$ 203,172

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

Governmental funds report capital outlay as expenditures;
in the Statement of Activities, these costs are allocated over
their estimated useful lives as depreciation or amortization:

Depreciation and amortization expense	\$ (583,462)	
Capital outlay	<u>97,426</u>	(486,036)

Payments on contractual obligations are an expenditure in the governmental funds, but not in the Statement of Activities (where they reduce long-term debt)		<u>467,796</u>
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Change in Net Position of Governmental Activities \$ 184,932

See accompanying notes to financial statements

Detroit Academy of Arts and Sciences
Notes to Financial Statements
June 30, 2023

NOTE 1 - NATURE OF OPERATIONS

Reporting Entity

The Academy was formed as a charter 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.

On August 6, 2012, the Academy entered into a contract with the Oakland University Board of Trustees to charter Detroit Academy of Arts and Sciences that expires June 30, 2027. 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 Oakland University 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 the Oakland University Board of Trustees 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2023, paid the Oakland University Board of Trustees were approximately \$310,175.

Administrative Services

On July 1, 2021 the Academy entered into a management agreement with Academy Management Company, a nonprofit organization, that expires June 30, 2025. Under the terms of the agreement, Academy Management is responsible for complete management, operations, administration and educational program of the Academy. The Academy reimburses Academy Management at cost only.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Detroit Academy of Arts and Sciences (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Measurement Focus, Basis Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributors; and (3) capital grants and contributors. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state and federal aid.

Net position is 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis Accounting and Financial Statement Presentation (Continued)

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. The Academy’s major governmental fund is the General Fund.

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

- 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 available if they are collected within sixty days of the end of the current fiscal period.
- Payments for inventorable types of supplies, which are not significant at year-end, are recorded as expenditures at the time of purchase.
- The State of Michigan utilizes a foundation allowance funding approach, which provides for a 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. Income 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 by state law. A significant portion of the Academy’s revenue is derived from this state aid. As such, the academy is economically dependent on this aid. The Academy’s existence is dependent upon the qualification of such aid.

The Academy reports the following major governmental funds:

General Fund – The General Fund is the Academy’s primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

Additionally, the Academy reports the following fund type:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy’s Special Revenue Fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Restricted Investments – The Academy reports restricted investments in the Debt Service Fund.

Due to/from other funds – In general, outstanding balances between funds are reported as “due to/from other funds”.

Receivables– Receivables on June 30, 2023, consist primarily of state school aid and grant revenue due from the State of Michigan and the Federal Government, respectively.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets –The restricted assets represent amounts held in the Debt Service Fund for future principal and interest payments.

Capital and Right to Use Assets – Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Buildings, equipment, and furniture are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 40 years
Furniture and other equipment	3 to 10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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 leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments 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 assets and liability if certain changes occur that are expected to affect the amount of the lease liability significantly.

Lease assets are reported with other capital and right to assets, and lease liabilities are reported with lease obligations on the Statement of Net Position.

Net Position – Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position consists of the following:

Net investment in capital assets – Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – Consists of restricted assets less any accrued interest.

Unrestricted net position – Consists of all other assets that do not meet the definition of “restricted” or “Net investment in capital assets”.

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Unassigned: The residual classification of the General Fund includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Use of Estimates - The preparation of general purpose 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of the amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner; the Academy amended the budget to reflect changes in funding from federal and state sources.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Academy is in compliance with the Uniform Budget and Accounting Act.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government's repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has designated one bank for the deposit of its funds.

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS(continued)

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of \$1,077,118 was not fully insured by the FDIC. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it will not always be practical to insure all deposits. The Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments – Custodial credit risk 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's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Academy will do business using the criteria established in the investment policy.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer an investment's maturity, the greater its fair value sensitivity to changes in market interest rates. The Academy's investment restricts investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The Academy's policy minimizes interest rate risk by requiring the structuring of 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 to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices.

Fair Value Measurement– The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Academy has the following recurring fair value measurements as of June 30, 2023: Level 1 inputs – Mutual Funds of \$1.7 million valued using quoted market prices.

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 5 - RECEIVABLES

Receivables as of year-end were as follows:

State of Michigan	\$	1,955,742
Federal		<u>625,924</u>
	\$	<u>2,581,666</u>

The management of the Academy evaluates its receivables for collectability annually. At June 30, 2023, management believes all receivables were collectible, and no allowance was necessary.

NOTE 6 – CAPITAL AND RIGHT TO USE ASSETS

Capital and Right to Use Assets activity of the Academy’s governmental activities was as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Capital assets				
Land	\$ 440,420	\$ -	\$ -	\$ 440,420
Buildings and improvements	13,119,140	-	-	13,119,140
Furniture and equipment	<u>3,028,193</u>	<u>97,426</u>	-	<u>3,125,619</u>
Subtotal	16,587,753	97,426	-	16,685,179
Right to use assets				
Intangible right to use, building	<u>-</u>	<u>523,231</u>	-	<u>523,231</u>
Total capital and right to use assets	16,587,753	620,657	-	17,208,410
Accumulated depreciation				
Buildings and improvements	7,560,887	326,972	-	7,887,859
Furniture and equipment	2,906,516	82,079	-	2,988,595
Intangible right to use, building	<u>-</u>	<u>174,411</u>	-	<u>174,411</u>
Subtotal	<u>10,467,403</u>	<u>583,462</u>	-	<u>11,050,865</u>
Net capital assets being depreciated/amortization	<u>\$ 6,120,350</u>	<u>\$ 37,195</u>	<u>\$ -</u>	<u>\$ 6,157,545</u>

Depreciation and amortization expense for the fiscal year ended June 30, 2023, was \$583,462. 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 Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 7 - TRANSFERS IN AND OUTS

	<u>General Fund</u>	<u>Debt Service</u>	<u>Food Service</u>	<u>Total</u>
Transfers in from:				
General Fund	\$ -	\$ 1,135,815	\$ 800	\$ 1,136,615
Transfer Out	<u>(1,136,615)</u>	<u>-</u>	<u>-</u>	<u>(1,136,615)</u>
Total	<u>\$ (1,136,615)</u>	<u>\$ 1,135,815</u>	<u>\$ 800</u>	<u>\$ -</u>

NOTE 8 - NOTES PAYABLE

The Academy participated in the State Aid Borrowing Program and borrowed \$1,218,000 at an interest rate of 5.40 percent. The borrowing was utilized for working capital. The interest paid was \$30,703.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State Aid Borrowing - 21/22	\$ 180,161	\$ -	\$ 180,161	\$ -
State Aid Borrowing - 22/23	<u>-</u>	<u>1,218,000</u>	<u>1,000,846</u>	<u>217,154</u>
Total	<u>\$ 180,161</u>	<u>\$ 1,218,000</u>	<u>\$ 1,181,007</u>	<u>\$ 217,154</u>

NOTE 9 - LONG-TERM DEBT

The Academy issued serial bonds through the Michigan Municipal Bond Authority to restructure the 2001 Bond Series with Series 2013 Bonds in the amount of \$14,880,000. The Academy's bond holders agreed to refund by virtue of an exchange all of the outstanding 2001 series bond in the amount of \$25,400,000.

The Academy's contractual obligations consist of a \$14,880,000 financing obligation in annual installments of \$190,000 to \$1,020,000 through October 31, 2044, at an interest rate of 6.0 percent.

Long-term contractual obligations can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2013 Series Bonds, Refunding	<u>\$ 13,015,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 12,715,000</u>	<u>\$ 320,000</u>

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 9 - LONG-TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 320,000	\$ 753,300	\$ 1,073,300
2025	335,000	733,650	1,068,650
2026	355,000	712,950	1,067,950
2027	380,000	690,900	1,070,900
2028	400,000	667,500	1,067,500
2029-2033	2,395,000	2,934,750	5,329,750
2034-2038	3,215,000	2,099,250	5,314,250
2039-2044	5,315,000	1,010,850	6,325,850
	<u>\$ 12,715,000</u>	<u>\$ 9,603,150</u>	<u>\$ 22,318,150</u>

NOTE 10 – LEASE OBLIGATION

On July 1, 2022, the Academy entered into a 3-year lease for the property that serves as the school building. The lease liability is the present value of the lease payments over the period of time discounted at 3.85% which represents the rate charged by the lessor. On July 1, 2022, the Academy recorded a right to use asset as \$523,231. As of June 30, 2023, the value of the lease obligation is \$355,436.

The following is a summary of lease obligations for the Academy during the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One year</u>
Lease obligation - building	<u>\$ -</u>	<u>\$ 523,231</u>	<u>\$ 167,795</u>	<u>\$ 355,436</u>	<u>\$ 174,387</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 174,387	\$ 17,256	\$ 191,643
2025	181,049	3,812	184,861
	<u>\$ 355,436</u>	<u>\$ 21,068</u>	<u>\$ 376,504</u>

NOTE 11 - LEASED EMPLOYEES

The Academy leases substantially its entire staff from the Academy Management Company (AMC). AMC is responsible for providing personnel to the Academy and the Academy shall reimburse AMC for its payment of all such compensation as approved by the Board and provided for in the budget.

NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The risk of employee injuries and medical benefits for employees of the management company is covered by insurance held by the employee leasing company. The Academy has purchased commercial insurance for all other claims.

Detroit Academy of Arts and Sciences
Notes to Financial Statements (Continued)
June 30, 2023

NOTE 13 - CONTINGENCIES

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

NOTE 14 - SUBSEQUENT EVENTS

On August 10, 2023, the Academy participated in the State Aid Borrowing Program and borrowed \$1,012,000 at a rate of 6.25% percent.

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued. Events occurring after the date have not been evaluated to determine whether a change in the financial statements would be required.

Required Supplemental Information

**Detroit Academy of Arts and Sciences
Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 311,250	\$ 1,344,014	\$ 1,748,031	\$ 404,017
State sources	9,984,677	10,211,242	10,392,471	181,229
Federal sources	3,736,924	3,636,136	3,101,671	(534,465)
Total revenue	14,032,851	15,191,392	15,242,173	50,781
Expenditures				
Current				
Instruction:				
Basic programs	4,379,229	4,337,351	4,379,524	42,173
Added needs	2,559,592	2,597,162	2,594,680	(2,482)
Total instruction	6,938,821	6,934,513	6,974,204	39,691
Support services:				
Pupil	568,635	754,075	752,344	(1,731)
Instructional	967,668	1,283,351	1,286,078	2,727
General administration	909,294	987,015	989,666	2,651
School administration	685,764	724,269	723,030	(1,239)
Business services	218,739	297,395	297,925	530
Operation and maintenance	1,369,078	1,621,962	1,619,944	(2,018)
Pupil transportation services	770,818	920,860	910,250	(10,610)
Central services	329,345	360,723	377,678	16,955
Total support services	5,819,341	6,949,650	6,956,915	7,265
Community services	10,519	3,019	1,100	(1,919)
Welfare services	-	-	3,091	3,091
Custody care	-	-	22,764	-
Athletic services	18,180	17,393	-	(17,393)
Total expenditures	12,786,861	13,904,575	13,958,074	30,735
Other Financing Sources (Uses)				
Transfers Out	(1,135,510)	(1,136,615)	(1,136,615)	-
Total Expenditures	13,922,371	15,041,190	15,094,689	30,735
Net Change in Fund Balance	110,480	150,202	147,484	20,046
Fund Balance - June 30, 2022	1,731,884	1,731,884	1,731,884	-
Fund Balance - June 30, 2023	\$ 1,842,364	\$ 1,882,086	\$ 1,879,368	\$ 20,046

Single Audit



THE CLAIRMOUNT GROUP, PLC
Certified Public Accountants

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 Academy of Arts and Sciences

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 Academy of Arts and Sciences (the "Academy"), for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, 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 the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan
October 31, 2023



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 Academy of Arts and Sciences

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Detroit Academy of Arts and Sciences (the "Academy") 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 The Academy's major federal programs for the year ended June 30, 2023. The 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, The Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of The 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 The 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 The 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 The 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 The 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 The 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 The 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 The 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.

The Clairmount Group, PLC

The Clairmount Group, PLC
Detroit, Michigan
October 31, 2023

**Detroit Academy of Arts and Sciences
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Program Title/Project Number Subrecipient Name	Assistance Listing	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
Clusters:								
Child Nutrition Cluster:								
U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Non-Cash Assistance (Commodities):								
Entitlement commodities - 2022-2023	10.555	\$ 51,540	\$ 48,893	\$ -	\$ -	\$ 40,838	\$ 40,838	\$ -
Child Nutrition Cluster:								
National School Breakfast Program:								
Project Number 231970	10.553	380,215	310,558	-	-	329,427	348,063	18,636
Project Number 221970		-	-	32,151	-	32,151	-	-
Total School Breakfast Program		380,215	310,558	32,151	-	361,578	348,063	18,636
National School Lunch Program:								
Project Number 231960	10.555	664,279	558,293	-	-	576,838	607,839	31,001
Project Number 221960		-	-	56,312	-	56,312	-	-
Total School Lunch Program		664,279	558,293	56,312	-	633,150	607,839	31,001
Total Child Nutrition Cluster		1,096,034	917,744	88,463	-	1,035,566	996,740	49,637
Pandemic EBT Local Level Costs	10.649	628	-	-	-	628	628	-
Special Education Cluster:								
U.S. Department of Education:								
Passed through the Wayne County ISD - IDEA:								
Project number 20220050450	84.027	149,766	-	25,320	-	25,320	-	-
Project number 20230050450		161,051	149,766	-	-	-	159,363	159,363
Total IDEA Special Education		310,817	149,766	25,320	-	25,320	159,363	159,363
Total Special Education Cluster		310,817	149,766	25,320	-	25,320	159,363	159,363

**Detroit Academy of Arts and Sciences
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Program Title/Project Number Subrecipient Name	Assistance Listing	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2022	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
Other Federal Awards								
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Title I, Part A								
Project number 221550 2022	84.010	753,839	851,932	38,776	-	203,592	164,816	-
Project number 231550 2023		<u>725,737</u>	<u>753,839</u>	-	-	<u>523,830</u>	<u>600,228</u>	<u>76,398</u>
Total Title I, Part A		1,479,576	1,605,771	38,776	-	727,422	765,044	76,398
Passed through the Michigan Department of Education:								
Title II, Part A								
Project number 220520 2022	84.367	68,105	107,690	1,289	-	1,289	-	-
Project number 230520 2023		<u>76,762</u>	<u>68,105</u>	-	-	<u>57,970</u>	<u>76,762</u>	<u>18,792</u>
Total Title II, Part A		<u>144,867</u>	<u>175,795</u>	<u>1,289</u>	-	<u>59,259</u>	<u>76,762</u>	<u>18,792</u>
Passed through the Michigan Department of Education:								
ESSER II - Formula								
Project number 213712 - 21-22	84.425 D	2,041,749	-	208,382	-	208,382	-	-
Project number 213712 - 22-23						<u>144,275</u>	<u>156,005</u>	<u>11,730</u>
Passed through the Michigan Department of Education:								
ESSER III - Formula								
Project number 213713 - 21-22	84.425U	4,588,740	-	29,742	1,254	30,996	-	-
Project number 213713 - 22-23		-				<u>1,578,668</u>	<u>1,887,672</u>	<u>309,004</u>
Total		<u>6,630,489</u>	-	<u>238,124</u>	<u>1,254</u>	<u>1,962,321</u>	<u>2,043,677</u>	<u>320,734</u>
Passed through the Michigan Department of Education:								
Title IV, Part A								
Project number 220750	84.424	57,769	-	-	-	43,329	43,329	-
Project number 230750		<u>84,180</u>	-	-	-	<u>12,495</u>	<u>13,495</u>	<u>1,000</u>
		<u>141,949</u>	-	-	-	<u>55,824</u>	<u>56,824</u>	<u>1,000</u>
Total other federal awards		<u>6,772,438</u>	-	<u>238,124</u>	<u>1,254</u>	<u>2,018,145</u>	<u>2,100,501</u>	<u>321,734</u>
Total federal awards		<u>\$ 9,804,360</u>	<u>\$ 2,849,076</u>	<u>\$ 391,972</u>	<u>\$ 1,254</u>	<u>\$ 3,866,340</u>	<u>\$ 4,099,038</u>	<u>\$ 625,924</u>

Detroit Academy of Arts and Sciences
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards (the "Schedule") includes the federal grant activity of Detroit Academy of Arts and Sciences under programs of the federal government for the year ended June 30, 2023. Expenditures reported on the Schedule are reported on the same basis of accounting as the general purpose financial statements. The information in the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Because the Schedule presents only a selected portion of the operations of Detroit Academy of Arts and Sciences, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Detroit Academy of Arts and Sciences. Pass-through entity identifying numbers are presented where available.

NOTE 2 - GRANT AUDITOR'S REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor's Report in preparing the schedule of expenditure of federal awards. There were no exceptions due to the timing of cash receipts.

NOTE 3 - NONCASH ASSISTANCE

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

NOTE 4 - INDIRECT COST RATE

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

**Detroit Academy of Arts and Sciences
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Noted

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 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
10.553 and 10.555	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief (ESSERS II)
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)

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

Auditee qualified as low-risk auditee? X Yes No

**Detroit Academy of Arts and Sciences
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023**

Section II - Financial Statement Findings

There were none.

Section III - Federal Award Findings and Questioned Costs

There were none.

Section IV - Summary Schedule of Prior Audit Findings

There were none.