

BARACK OBAMA LEADERSHIP ACADEMY

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2020

BARACK OBAMA LEADERSHIP ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2020

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Barack Obama Leadership Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barack Obama Leadership Academy (the "Academy") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

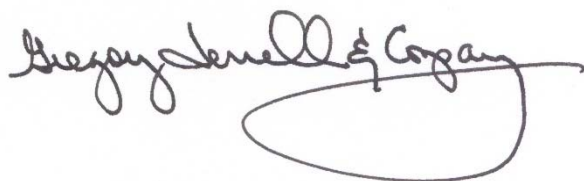
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 13–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2020 on our consideration of the 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 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 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 the Academy's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gregory Terrell & Company". The signature is written in a cursive style and is positioned above a large, empty oval shape.

GREGORY TERRELL & COMPANY

Certified Public Accountants
Detroit, Michigan

November 30, 2020

BARACK OBAMA LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

For the Fiscal Year Ended June 30, 2020

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Barack Obama Leadership Academy (the "Academy") financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, which include revenue streams, as well as the quantity and direction of spending. Furthermore, these statements reveal how services were financed in the short term and what remains for future spending.

The Academy has two funding sources: General Fund and School Service Fund. General Fund revenues come from federal and state governmental agencies; they include per pupil allocation State Aid, Federal Title grants and other governmental sources. The School Service Fund primarily includes the lunch program.

Academy-Wide Financial Statements

One of the most important questions asked about the Academy, "As a whole, what is the Academy's financial condition as a result of last year's activities?" The statements of net position and activities, which appear first in the Academy financial statements, report information on the Academy as a whole and its activities in a way that helps to answer this question. We prepare the statements to include assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash was 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 – are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses produces the Academy's operating results.

The Academy's goal is to provide educational services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, 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 the Academy's services, including instruction and support services.

BARACK OBAMA LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant fund – General Fund – and not the Academy as a whole. Governmental Fund reporting shows how money flows into and out of the fund and the balance left at year end that is available for spending. The Governmental Fund is 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 general activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

Barack Obama Leadership Academy as a Whole

As discussed above, the Statement of Net position provides information of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2020 and 2019:

Table 1- Summary of the Academy 's Net Position

	Governmental Activities	
	June 30	
	2020	2019
Assets		
Current and Other Assets	\$ 1,061,819	\$ 1,222,864
Capital Assets, net of		
Accumulated Depreciation	839,046	863,930
Total Assets	\$ 1,900,865	\$ 2,086,794
Liabilities		
Current and Other Liabilities	\$ 792,864	\$ 703,731
Total Liabilities	\$ 792,864	\$ 703,731
Net Assets		
Invested in Capital Assets	\$ 590,663	\$ 642,384
Unrestricted	517,338	740,679
Total Net Position	\$ 1,108,001	\$ 1,383,063

Net position at June 30, 2020 was \$1,108,001 which reflects a decrease of \$275,062 compared to the previous year.

BARACK OBAMA LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

Table 2- Summary of the Statement of Activities

Table 2 reflects the statement of activities for the years ended June 30, 2020 and 2019, respectively.

	Governmental Activities	
	Year Ending June 30	
	2020	2019
Revenue		
Program Revenue:		
Operating Grants	\$ 609,361	\$ 696,583
General Revenue:		
State Foundation Allowance	3,541,875	3,626,214
Miscellaneous Revenue	97,794	24,783
Total Revenue	\$ 4,249,030	\$ 4,347,580
Functions/Programs Expenditures		
Instruction	\$ 1,929,599	\$ 1,611,951
Support Services	2,102,887	1,687,660
Food Services	268,600	367,768
Community Services	91,018	54,339
Loss on Disposal of Capital Assets	67,213	-
Unallocated Depreciation	64,775	46,203
Total Expenditures	\$ 4,524,092	\$ 3,767,921
Increase (Decrease) in Net Position	\$ (275,062)	\$ 579,659

The revenue totaled \$4,249,030, a decrease of approximately 2.27% below the prior fiscal year. This increase is primarily the result of decrease in student enrollment.

The expenditures totaled \$4,524,062 an increase of approximately 20.01% over the prior fiscal year.

Capital Assets

At June 30, 2020, the Academy had \$1,390,443 in capital assets and accumulated depreciation of \$551,397. This amount includes furniture, equipment, and vehicles. The depreciation for the year was \$64,775. See Note 8 to financial statement for further details.

BARACK OBAMA LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

Long-Term Liabilities

At June 30, 2020, the Academy has long term capital leases. See Note 11 to financial statements for further details

Barack Obama Leadership Academy Funds

As we noted earlier, the Academy uses funds to help it control and manage money for purposes. Looking at the funds help the reader consider whether the Academy is being accountable for the resources taxpayers and others provide and it may give more insight into the Academy's overall financial health. Some factors that had an impact on the Academy were a cut in State-Aid of the Discretionary payment, Local Educational Agency (LEA) pupil deductions and a decrease in At Risk (31A) funds.

At the end of this school year, the government funds reported a fund balance of \$517,338 which represents a decrease of \$223,341 from the June 30, 2019 balance of \$740,679.

General Fund Budget 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. During the year, the Academy revised its budget in response to and/or in anticipation of changing operating conditions. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received for the General Fund is provided in the required supplemental information section of these financial statements

The majority of the Academy revenue is based on student enrollment. For the fiscal year 2020, it received \$8,111 foundation allowance per pupil from the State of Michigan. The original budget, which was completed at the end of the prior year, reflected certain assumptions for enrollment, grant revenue funding, staffing and other expenditures. The June 2020 amended (final) budget reflected actual enrollment based on the official pupil count number.

Economic Factors Affecting Next Year's Budget

The Academy's administration and Board of Directors (the Board) consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Approximately 80% of the Academy revenue is derived from the State of Michigan's student enrollment-based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance"). The blended count for the fiscal year 2020 - 2021 is based on 10 percent of the February 2020 count plus 90 percent of the October 2020 count.

BARACK OBAMA LEADERSHIP ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2020

The Academy 2020 - 2021 budget was adopted in June 2020 based on an estimated number of students who will be enrolled in October 2020. Decision-makers considered several factors in projecting student enrollment in setting a preliminary budget.

- (1) Economic Conditions: Joblessness in Detroit is among the top in the nation and many have chosen to move out of the state. Many school's city and state-wide have experienced student losses as families relocate. The Academy is in an economically depressed community with high unemployment/underemployment; thus, the potential for movement is high. We are also impacted by COVID-19 on an instructional level.
- (2) Federal Funding Allocations: The levels of federal funding were not known when projecting enrollment for the 2020 - 2021 school year; the Academy administrators assumed that some allocations would be available.
- (3) Student Needs: A factor in determining the budget involved addressing the academic needs of students. As a result of multiple school-wide assessments the Academy administrators found that many students perform below grade level in the core content areas – math, language arts, social studies, and science. Therefore, a commitment was made to ensure that appropriate resources, materials, and other forms of support were designated to improving academic achievement among children.
- (4) The school district DPSCD has reorganized and gained schools in its count which may draw students from the Academy, thereby lowering the student population and student funding levels.

Under the State of Michigan law, the Academy cannot assess property taxes to fund general operations. As a result, the Academy's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues. At this time, the foundation allowance for 2020 - 2021 is budgeted at \$8,111 per student.

Contacting the District's Financial Management

Questions regarding this report should be directed to Bernard Parker, CEO at (313) 823-6000. Barack Obama Leadership Academy is located at 10800 E. Canfield, Detroit, MI 48214.

BARACK OBAMA LEADERSHIP ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 326,493
Due from Other Governmental Units	735,326
Capital Assets, net	839,046
Total Assets	\$ 1,900,865
Liabilities	
Accounts Payable	\$ 276,709
Accrued Expenditures	249,832
Loan Payable	17,940
Current - Lease Obligations	95,393
Long-Term Liabilities	
Lease Obligations	152,990
Total Liabilities	\$ 792,864
Net Position	
Invested in Capital Assets net of Related Debt	\$ 590,663
Unrestricted	517,338
Total Net Position	\$ 1,108,001

The accompanying notes are an integral part of this financial statement.

BARACK OBAMA LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Governmental Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental Activities:				
Instruction	\$ 1,929,599	\$ -	\$ 323,963	\$ (1,605,636)
Support Services	2,102,887	-	-	(2,102,887)
Food Services	268,600	-	285,398	16,798
Community Services	91,018	-	-	(91,018)
Loss on Disposal of Capital Assets	67,213	-	-	(67,213)
Unallocated Depreciation	64,775	-	-	(64,775)
Total Governmental Activities:	<u>\$ 4,524,092</u>	<u>\$ -</u>	<u>\$ 609,361</u>	<u>\$ (3,914,731)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 3,541,875
Miscellaneous Revenue				<u>97,794</u>
Total General Revenues				<u>\$ 3,639,669</u>
Change in Net Position				\$ (275,062)
Net Position, Beginning of Year				<u>1,383,063</u>
Net Position, End of Year				<u><u>\$ 1,108,001</u></u>

The accompanying notes are an integral part of this financial statement.

BARACK OBAMA LEADERSHIP ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 326,493	\$ -	\$ 326,493
Due from Other Governmental Units	<u>735,326</u>	<u>-</u>	<u>735,326</u>
Total Assets	<u><u>\$ 1,061,819</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,061,819</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 276,709	\$ -	\$ 276,709
Accrued Expenditures	249,832	-	249,832
Loan Payable	<u>17,940</u>	<u>-</u>	<u>17,940</u>
Total Liabilities	<u><u>\$ 544,481</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 544,481</u></u>
Fund Balances			
Unassigned	<u>\$ 517,338</u>	<u>\$ -</u>	<u>\$ 517,338</u>
Total Fund Balances	<u><u>\$ 517,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 517,338</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,061,819</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,061,819</u></u>
Total Governmental Fund Balances			\$ 517,338
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.			
The cost of the Capital Assets is		\$ 1,390,443	
Accumulated Depreciation is		<u>(551,397)</u>	839,046
Long-term Liabilities-not reported in the governmental funds			<u>(248,383)</u>
Net Position of Governmental Activities			<u><u>\$ 1,108,001</u></u>

The accompanying notes are an integral part of this financial statement.

BARACK OBAMA LEADERSHIP ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
REVENUES:			
Local Sources	\$ 97,794	\$ -	\$ 97,794
State Sources	3,541,875	-	3,541,875
Federal Sources	323,963	285,398	609,361
Total Revenues	<u>\$ 3,963,632</u>	<u>\$ 285,398</u>	<u>\$ 4,249,030</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic Programs	\$ 1,231,813	\$ -	\$ 1,231,813
Added Needs	697,786	-	697,786
Total Instruction	<u>\$ 1,929,599</u>	<u>\$ -</u>	<u>\$ 1,929,599</u>
Support Services:			
Pupil	\$ 76,642	\$ -	\$ 76,642
Instructional Support	153,343	-	153,343
General Administration	497,714	-	497,714
School Administration	215,499	-	215,499
Business	162,922	-	162,922
Operations and Maintenance	509,179	-	509,179
Transportation	263,407	-	263,407
Central Support Services	224,181	-	224,181
Total Support Services	<u>\$ 2,102,887</u>	<u>\$ -</u>	<u>\$ 2,102,887</u>
Community Services	<u>\$ 91,018</u>	<u>\$ -</u>	<u>\$ 91,018</u>
Capital Outlay	<u>\$ 248,511</u>	<u>\$ -</u>	<u>\$ 248,511</u>
Food Services	<u>\$ -</u>	<u>\$ 268,600</u>	<u>\$ 268,600</u>
Debt Service	<u>\$ 80,267</u>	<u>\$ -</u>	<u>\$ 80,267</u>
Total Expenditures	<u>\$ 4,452,282</u>	<u>\$ 268,600</u>	<u>\$ 4,720,882</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (488,650)</u>	<u>\$ 16,798</u>	<u>\$ (471,852)</u>
OTHER FINANCING SOURCES (USES):			
Financing Sources	248,511	-	248,511
Operating Transfers In	16,798	-	16,798
Operating Transfers Out	-	(16,798)	(16,798)
NET CHANGE IN FUND BALANCES	<u>\$ (223,341)</u>	<u>\$ -</u>	<u>\$ (223,341)</u>
Beginning of Year	<u>740,679</u>	<u>-</u>	<u>740,679</u>
End of Year	<u>\$ 517,338</u>	<u>\$ -</u>	<u>\$ 517,338</u>

The accompanying notes are an integral part of this financial statement.

BARACK OBAMA LEADERSHIP ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (223,341)

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

Governmental Funds report Capital Outlays as expenditures. These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	248,511
Depreciation Expense	(64,775)
Principal Payments on Lease Obligations	80,267
Loss on Disposal of Capital Assets	(67,213)
Other Financing Sources	<u>(248,511)</u>
Change in Net Position of Governmental Activities	<u>\$ (275,062)</u>

The accompanying notes are an integral part of this financial statement.

BARACK OBAMA LEADERSHIP ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ 169,000	\$ 165,782	\$ 97,794	\$ 67,988
State Sources	3,109,956	3,626,129	3,541,875	84,254
Federal Sources	613,914	693,649	323,963	369,686
Total Revenues	<u>\$ 3,892,870</u>	<u>\$ 4,485,560</u>	<u>\$ 3,963,632</u>	<u>\$ 521,928</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 1,300,209	\$ 1,362,204	\$ 1,231,813	\$ 130,391
Added Needs	580,668	697,942	697,786	156
Total Instruction	<u>\$ 1,880,877</u>	<u>\$ 2,060,146</u>	<u>\$ 1,929,599</u>	<u>\$ 130,547</u>
Support Services:				
Pupil	\$ 130,777	\$ 79,626	\$ 76,642	\$ 2,984
Instructional Support	112,888	156,058	153,343	2,715
General Administration	320,800	449,770	497,714	(47,944)
School Administration	131,976	241,357	215,499	25,858
Business	162,672	156,970	162,922	(5,952)
Operations and Maintenance	309,870	528,125	509,179	18,946
Transportation	220,800	265,652	263,407	2,245
Central Support Services	178,870	245,510	224,181	21,329
Total Support Services	<u>\$ 1,568,653</u>	<u>\$ 2,123,068</u>	<u>\$ 2,102,887</u>	<u>\$ 20,181</u>
Community Services	\$ 180,370	\$ 95,249	\$ 91,018	\$ 4,231
Capital Outlay	\$ -	\$ -	\$ 248,511	\$ (248,511)
Debt Service	\$ -	\$ -	\$ 80,267	\$ (80,267)
Total Expenditures	<u>\$ 3,629,900</u>	<u>\$ 4,278,463</u>	<u>\$ 4,452,282</u>	<u>\$ (173,819)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 262,970</u>	<u>\$ 207,097</u>	<u>\$ (488,650)</u>	<u>\$ 695,747</u>
OTHER FINANCING SOURCES (USES)				
Financing Sources	-	-	248,511	(248,511)
Operating Transfers In (Out)	-	-	16,798	(16,798)
NET CHANGE IN FUND BALANCE	<u>\$ 262,970</u>	<u>\$ 207,097</u>	<u>\$ (223,341)</u>	<u>\$ 430,438</u>
Beginning of Year	492,883	492,883	740,679	(247,796)
End of Year	<u>\$ 755,853</u>	<u>\$ 699,980</u>	<u>\$ 517,338</u>	<u>\$ 182,642</u>

The accompanying notes are an integral part of this financial schedule.

BARACK OBAMA LEADERSHIP
ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Under / (Over) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Federal Sources	262,970	243,693	285,398	(41,705)
Total Revenues	<u>\$ 262,970</u>	<u>\$ 243,693</u>	<u>\$285,398</u>	<u>\$ (41,705)</u>
EXPENDITURES:				
Food Services	\$ 262,970	\$ 243,693	\$268,600	\$ (24,907)
Total Expenditures	<u>\$ 262,970</u>	<u>\$ 243,693</u>	<u>\$268,600</u>	<u>\$ (24,907)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,798</u>	<u>\$ (16,798)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,798)</u>	<u>\$ 16,798</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial schedule.

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) **ORGANIZATION**

Barack Obama Leadership Academy (the "Academy"), formerly known as Timbuktu Academy, is a Public School Academy (K-8). The State of Michigan has delegated the Detroit Public School District the responsibility of authorizing the establishment of public school academies. The Detroit Public School District approved the establishment of the Academy pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All the Academy's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)**

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

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.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the General Fund.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Barack Obama Leadership Academy (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	20 - 39 years
Furniture and Equipment	3 - 7 years
Vehicles	3 - 15 years

The Academy's capitalization policy is individual amounts exceeding \$5,000.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement 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.

Budgets and Budgetary Accounts

The General Fund and School Service Fund budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year ended June 30, 2020 expenditures exceeded appropriations as follows:

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Administration	\$ 449,770	\$ 497,714	\$ (47,944)
Business	156,970	162,922	(5,952)
Capital Outlay	-	248,511	(248,511)
Debt Service	-	80,267	(80,267)
<u>School Service Fund</u>			
Food Services	\$ 243,693	\$ 268,600	\$ (24,907)

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Deferred Outflow and Inflow of Resources

Deferred Outflow of Resources are defined as the consumption or usage of net assets applicable to a future reporting period. These types of resources are similar to assets and have a positive effect on the Statement of Net Position. Deferred Inflow of Resources are defined as the acquisition of net assets applicable to a future reporting period. These types of resources are similar to liabilities and have a negative effect on the Statement of Net Position.

(4) **SINGLE AUDIT**

The Code of Federal Regulations Subtitle A, Chapter II, Part 200, Subpart F, Title 2: Grants and Agreements Part 200.501 (d) states that a non-Federal entity that expends less than \$750,000 in federal funds is exempt from federal audit requirements, unless required by the terms of the award. The Academy's Schedule of Expenditures of Federal Awards reported \$609,361 for the year ended June 30, 2020. As the Academy's expenditures of federal awards was less than \$750,000 a Single Audit is not required.

(5) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and Cash Equivalents	<u>\$ 326,493</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$423,135, of which \$173,135 is not covered by federal depository insurance.

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(6) **DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units as of June 30, 2020, were as follows:

State of Michigan - Federal & State Aid	<u>\$ 735,326</u>
Total	<u>\$ 735,326</u>

(7) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	July 1, 2019	Additions	Retirements	June 30, 2020
Land	\$ -	\$ 74,000	\$ -	\$ 74,000
Building	594,325	(74,000)	-	520,325
Furniture and Equipment	421,423	-		421,423
Vehicles	<u>376,909</u>	<u>248,511</u>	<u>250,725</u>	<u>374,695</u>
Total Capital Assets	1,392,657	248,511	250,725	1,390,443
Less: Accumulated Depreciation	<u>(528,727)</u>	<u>(64,775)</u>	<u>42,105</u>	<u>(551,397)</u>
Net Capital Assets	<u>\$ 863,930</u>	<u>\$ 183,736</u>	<u>\$ 292,830</u>	<u>\$ 839,046</u>

Depreciation for fiscal year ended June 30, 2020 amounted to \$64,775. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

(8) **MANAGEMENT AGREEMENT**

For the year ended June 30, 2020, the Academy utilized a management company, Magnum Educational Management Company ("Magnum"). Magnum provides teachers and various management services to the Academy. Magnum billed the Academy for salaries and related fringes (FICA, retirement, and insurance) as well as a management fee. The management fees for the year ended June 30, 2020 were \$312,061.

(9) **STATE AID ANTICIPATION NOTE**

The Academy entered into an agreement with the Michigan Finance Authority for a State Aid Anticipation Note in the amount of \$100,000. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 3.65%. The note requires monthly principal and interest payments and matures on August 20, 2020. At June 30, 2020, the outstanding balance is \$17,940.

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(10) **LONG-TERM LIABILITIES**

The lease agreements that the Academy entered on October 12, 2016, on December 14, 2016 and on September 15, 2017 for buses were terminated with Santander Bank, NA during the 2019-20 year. The agreement entered on November 15, 2017 for the fourth bus with Santander Bank, NA remains in effect. The lease agreements require two semi-annual lease payments of \$7,510, which includes principal and interest. In addition, the lease requires a \$51,000 balloon payment on November 15, 2020. At June 30, 2020, the outstanding principal balance is \$49,520.

On September 16, 2019, on November 8, 2019 and on January 28, 2020, the Academy entered into three agreements to lease four buses with TCF Bank, N.A. in the total amount of \$309,569, that carries an interest rate of 2.99%. The lease agreement requires two semi-annual lease payments for one bus is \$8,256, for two buses is \$16,512 and for one bus is \$8,256 which includes principal and interest. At June 30, 2020, the outstanding principal balance is \$198,864.

A schedule of annual capital lease payments is presented below:

Year Ended			
June 30	Principal	Interest	Total
2021	\$ 95,393	\$ 21,655	\$ 117,048
2022	48,932	17,116	66,048
2023	52,194	13,854	66,048
2024	51,865	14,183	66,048
	<u>\$ 248,384</u>	<u>\$ 66,808</u>	<u>\$ 315,192</u>

BARACK OBAMA LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

(11) **SUBSEQUENT EVENTS**

On September 3, 2020, the Academy entered into an agreement with the Michigan Finance Authority for a State Aid Note in the amount of \$300,000. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 3.45%. The note matures on August 20, 2021 and the monthly principal payments and the total amount of interest are as follows:

<u>Date</u>	<u>Amount</u>
10/20/20	\$ 27,662
11/20/20	27,582
12/21/20	27,502
01/20/21	27,425
02/22/21	27,340
03/22/21	27,269
04/20/21	27,196
05/20/21	27,121
06/21/21	27,041
07/20/21	26,969
08/20/21	<u>26,893</u>
Total Principal	\$ 300,000
Interest	<u>5,634</u>
Total Principal and Interest	<u>\$ 305,634</u>

Subsequent events have been evaluated through November 30, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



**GREGORY
TERRELL
& COMPANY**

**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
Barack Obama 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 Barack Obama Leadership Academy (the "Academy"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 30, 2020 .

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. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

Material Weakness

Criteria - The Academy's maintenance and reconciliation of their general ledger accounts should be performed at the end of the financial audit and their general ledger account balances should be reconciled to the audited account balances.

Condition - During the audit we noted that the opening general ledger balances for the fiscal year ended June 30, 2020, did not agree with the June 30, 2019 audited financial statements. The fiscal 2019 accounting records were maintained by other contracted accountants and the Academy hired a controller to maintain the records for fiscal 2020. The opening balances that were carried over included overstatement of cash, unrecorded accrued liabilities and an expense account that was carried forward as a balance sheet account.

Effect - This resulted in a significant misstatement in account balances and required a significant amount of analysis and research to determine the specific accounts affected by these misstatements.

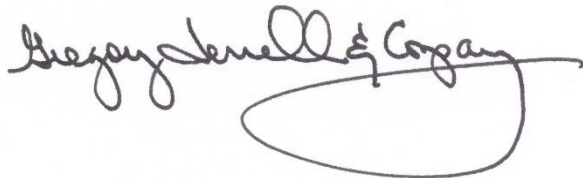
Recommendation - We recommend that detailed pre-audit reviews be performed to ensure that all audit adjustments are posted, the annual accounting period is properly closed and that the balances carried over to the subsequent fiscal year agree with the ending balances reported in the audited financial statements.

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.

A handwritten signature in black ink, appearing to read "Gregory Terrell & Company", with a large, stylized flourish underneath.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

November 30, 2020