

BARACK OBAMA LEADERSHIP ACADEMY
FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION

JUNE 30, 2022

BARACK OBAMA LEADERSHIP ACADEMY

Contents

	<u>Page No.</u>
Independent Auditor’s Report	i
Management’s Discussion and Analysis.....	iv
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities.....	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance.....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	6
Notes to Financial Statements	7
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	16



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Barack Obama Leadership Academy
Detroit, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Barack Obama Leadership Academy (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (Continued)

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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2022 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Academy's internal control over financial reporting and compliance.

Alan C. Young & Assoc.

Detroit, Michigan
November 14, 2022

BARACH OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) June 30, 2022

As management of Barack Obama Leadership Academy (the "Academy"), we offer readers of the Academy's basic financial statements this narrative overview and analysis of the financial activities of the Academy for the years ended June 30, 2022 and 2021.

Management's discussion and analysis is included at the beginning of the Academy's basic financial statements to provide, in layman's terms, the current position of the Academy's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplementary information.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2022 the Academy's fund balance for the governmental funds was \$127,131 as compared to \$508,385 at June 30, 2021.
- As of June 30, 2022, the Academy had net position of \$899,271 as compared to \$1,187,193 at June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of three components: 1) academy-wide basic financial statements, 2) fund level basic financial statements, and 3) notes to the basic financial statements.

Academy-Wide Financial Statements

The academy-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Academy's assets, liabilities, and deferred inflows/outflows of resources, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The academy-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The Academy does not have any business-type activities. The governmental activities of the Academy primarily include instruction and instructional support services.

The academy-wide basic financial statements can be found on pages 1 and 2 of this report.

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Academy's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

All of the Academy's services are reported in governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance. The general fund is the Academy's primary fund. The Academy also has a school service fund that accounts for the Academy's food service operations.

The Academy adopts an annual budget for its governmental funds. Budgets are revised in an attempt to deal with unexpected changes in revenue and expenditure. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the Academy's original and final budget amounts compared with actual revenues and expenditures is provided as required supplemental information of these financial statements.

The governmental fund financial statements can be found on pages 3 and 5 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 7 through 14 of this report.

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued) June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Academy's net position was \$899,271 at June 30, 2022. This amount represents net investment in capital assets of \$772,140 and unrestricted net position of \$127,131. The Academy's net position was \$1,187,193 at June 30, 2021 and of this amount \$678,808 represented net investment in capital assets.

Our analysis in the table below focuses on the net position of the Academy's governmental activities:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets		
Current Assets	\$ 539,016	\$ 1,022,050
Capital Assets, Net of Depreciation	876,198	831,798
Total Assets	<u>1,415,214</u>	<u>1,853,848</u>
Liabilities		
Current Liabilities	464,079	562,597
Lease Obligation	51,864	104,058
Total Liabilities	<u>515,943</u>	<u>666,655</u>
Net Position		
Net Investment in Capital Assets	772,140	678,808
Unrestricted	127,131	508,385
Total Net Position	<u>\$ 899,271</u>	<u>\$ 1,187,193</u>

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

The results of the operations for the Academy as a whole are reported in the statement of activities on page 2. The table below provides a condensed presentation of the Academy's revenues and expenses for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue		
State Aid Formula Grants	\$ 2,637,030	\$ 3,257,845
Other Revenue	35,832	134,591
Operating Grants and Contributions	<u>2,696,806</u>	<u>874,836</u>
Total Revenues	<u>5,369,668</u>	<u>4,267,272</u>
Functions/Program Expenses		
Basic Instruction	1,422,149	1,110,639
Instruction - Added Needs	689,779	469,803
<u>Supporting Services</u>		
Pupil Support Services	93,199	88,024
Instructional Staff Services	532,057	218,234
General Administration Services	423,032	486,401
School Administration Services	220,081	154,784
Business Services	170,865	144,564
Operations and Maintenance	639,567	502,023
Central Services	549,951	334,195
Transportation	255,596	226,578
Depreciation Expenses (Unallocated)	63,225	61,845
Community Services	74,017	162,332
Food Services	304,729	228,658
Bad Debt	120,321	228,658
Other Uses - Withholding of Prior Year Revenue	<u>99,022</u>	<u>228,658</u>
Total Expenses	<u>5,657,590</u>	<u>4,645,396</u>
Change in Net Position	<u>\$ (287,922)</u>	<u>\$ (378,124)</u>

GOVERNMENTAL FUND EXPENDITURES

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

<u>Functions/Programs</u>	<u>2022</u>		<u>2021</u>	
	<u>Expenditure</u>	<u>Percent</u>	<u>Expenditure</u>	<u>Percent</u>
Governmental Expenditures				
Instructional Expenditures	\$ 2,111,928	37%	\$ 1,580,442	34%
Support Services	3,240,933	57%	2,836,296	61%
Food Services	<u>304,729</u>	<u>6%</u>	<u>228,658</u>	<u>5%</u>
Total Governmental Expenditures	<u>\$ 5,657,590</u>	<u>100%</u>	<u>\$ 4,645,396</u>	<u>100%</u>

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)
June 30, 2022

GOVERNMENTAL FUND EXPENDITURES (Continued)

Comments on Budget Comparisons

- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenues being \$297,399 less than budget or approximately 6%.
- The total budgeted expenses compared to actual expenses varied from line item to line item with the ending actual expenses being \$32,978 more than budget or approximately 1%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Academy had capital assets of \$876,198, net of accumulated depreciation and amortization, including building and improvements, furniture and equipment leased vehicles compared to \$831,798 at June 30, 2021.

Debt

At June 30, 2022, the Academy had \$104,058 in long-term debt as a lease obligation for school buses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Academy considers many factors when setting the Academy's 2022-2023 fiscal year budgets. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2022-23 fiscal years is 90 percent of the current school year October count and 10 percent of the prior February count. The all-inclusive budget was adopted in June 2022 based on an enrollment estimate of 325 students in the Fall of 2022-23.

Under State law, the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data and aggressive recruiting efforts, the estimated fall count of 325 students is not in line with the estimate used to create the budget. The Academy currently have approximately 343 students enrolled as of fall count day.

Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations. Since 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 revenue to fund its appropriations to public schools and public school academies. The State periodically holds a revenue estimating conference to estimate revenues.

BARACK OBAMA LEADERSHIP ACADEMY

Management's Discussion and Analysis (MD&A) (Continued)

June 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since 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 revenues. Based on the results of the most recent conference, the State estimates funds will be sufficient to fund the appropriation.

REQUESTS FOR INFORMATION

If you have questions about this report or need additional information, please contact Bernard Parker, CEO (313) 823-6000 Barack Obama Leadership Academy, 10800 E. Canfield, Detroit, Michigan 48214.

BARACH OBAMA LEADERSHIP ACADEMY

Statement of Net Position June 30, 2022

	Governmental Activities
ASSETS	
Due From Other Governmental Units (Note 4)	\$ 539,016
Capital Assets, Net of Accumulated Depreciation (Note 5)	<u>876,198</u>
Total Assets	<u>1,415,214</u>
LIABILITIES	
Accounts Payable	51,497
Accrued Liabilities	320,105
Cash Overdraft (Note 3)	40,283
Lease Obligation, Current Portion (Note 7)	<u>52,194</u>
Total Current Liabilities	464,079
Lease Obligation, net of Current Portion (Note 7)	<u>51,864</u>
Total Liabilities	<u>515,943</u>
NET POSITION	
Net Investment in Capital Assets	772,140
Unrestricted	<u>127,131</u>
Total Net Position	<u>\$ 899,271</u>

The accompanying notes are an integral part of these financial statements

BARACK OBAMA LEADERSHIP ACADEMY

Statement of Activities Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental Activities				
Basic Instruction	\$ 1,422,149	\$ -	\$ 1,197,367	\$ (224,782)
Instruction - Added Needs	689,779	-	580,754	(109,025)
<u>Supporting Services</u>				
Pupil Support Services	93,199	-	-	(93,199)
Instructional Staff Services	532,057	-	447,961	(84,096)
General Administration Services	423,032	-	-	(423,032)
School Administration Services	220,081	-	185,294	(34,787)
Business Services	170,865	-	-	(170,865)
Operations and Maintenance	639,567	-	-	(639,567)
Central Services	549,951	-	-	(549,951)
Transportation	255,596	-	-	(255,596)
Depreciation Expenses (Unallocated)	63,225	-	-	(63,225)
Community Services	74,017	-	-	(74,017)
Food Services	304,729	-	285,430	(19,299)
Bad Debt	120,321	-	-	(120,321)
Other Uses - Withholding of Prior Year Revenue	99,022	-	-	(99,022)
Total Governmental Activities	5,657,590	-	2,696,806	(2,960,784)
<u>General Revenues</u>				
State Aid - Formula Grants				2,637,030
Other Revenue				35,832
Total General Revenues				2,672,862
Change in Net Position				(287,922)
Net Position - July 1, 2021				1,187,193
Net Position - June 30, 2022				\$ 899,271

The accompanying notes are an integral part of these financial statements

BARACK OBAMA LEADERSHIP ACADEMY

**Governmental Funds
Balance Sheet
June 30, 2022**

	General Fund	Non-Major Fund School Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Due From Other Governmental Units (Note 4)	\$ 539,016	\$ -	\$ 539,016
Total Assets	<u>\$ 539,016</u>	<u>\$ -</u>	<u>\$ 539,016</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 51,497	\$ -	\$ 51,497
Accrued Liabilities	320,105	-	320,105
Cash Overdraft (Note 3)	40,283	-	40,283
Total Liabilities	<u>411,885</u>	<u>-</u>	<u>411,885</u>
Fund Balance (Note 1)			
Unassigned	127,131	-	127,131
Total Fund Balance	<u>127,131</u>	<u>-</u>	<u>127,131</u>
Total Liabilities and Fund Balance	<u>\$ 539,016</u>	<u>\$ -</u>	<u>\$ 539,016</u>

The accompanying notes are an integral part of these financial statements

BARACK OBAMA LEADERSHIP ACADEMY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

Total Fund Balances - Governmental Funds \$ 127,131

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

Capital assets used in governmental activities are not financial resources and therefore, not reported as assets in governmental funds:

Cost of capital assets	1,544,494	
Accumulated depreciation and amortization	<u>(668,296)</u>	876,198

Capital leases used in Governmental Activities are not financial resources and therefore, not reported as liabilities in Governmental Funds

(104,058)

Total Net Position - Governmental Activities

\$ 899,271

The accompanying notes are an integral part of these financial statements

BARACH OBAMA LEADERSHIP ACADEMY

Statement of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2022

	General Fund	Non-Major Fund School Service Fund	Total Governmental Funds
REVENUE			
Federal Sources	\$ 1,578,424	\$ 285,430	\$ 1,863,854
State Sources	3,464,237	6,359	3,470,596
Local Sources	35,218	-	35,218
Total Revenue	5,077,879	291,789	5,369,668
EXPENDITURES			
Basic Instruction	1,422,149	-	1,422,149
Instruction - Added Needs	689,779	-	689,779
<u>Supporting Services:</u>			
Pupil Support Services	93,199	-	93,199
Instructional Staff Services	532,057	-	532,057
General Administration Services	423,032	-	423,032
School Administration Services	220,081	-	220,081
Business Services	170,865	-	170,865
Operations and Maintenance	747,192	-	747,192
Central Services	549,951	-	549,951
Transportation	304,528	-	304,528
Community Services	74,017	-	74,017
Food Service	-	304,729	304,729
Total Expenditures	5,226,850	304,729	5,531,579
Excess of Revenue Over Expenditures	(148,971)	(12,940)	(161,911)
Other Financing Sources (Uses)			
Bad Debt	(120,321)	-	(120,321)
Other Uses - Withholding of Prior Year Revenue (Note 1)	(99,022)	-	(99,022)
Transfers in	-	12,940	12,940
Transfers out	(12,940)	-	(12,940)
Total Other Financing Sources (Uses)	(232,283)	12,940	(219,343)
Net Change in Fund Balance	(381,254)	-	(381,254)
Fund Balance - July 1, 2021	508,385	-	508,385
Fund Balance - June 30, 2022	\$ 127,131	\$ -	\$ 127,131

The accompanying notes are an integral part of these financial statements

BARACH OBAMA LEADERSHIP ACADEMY

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (381,254)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(63,225)	
Capitalized capital outlay expense	<u>107,625</u>	44,400

Principal Payments on Leases		<u>48,932</u>
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Change in Net Position - Governmental Activities \$ (287,922)

The accompanying notes are an integral part of these financial statements

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Barack Obama Leadership Academy (the Academy), conform to generally accepted accounting principles as applicable to schools. The following is a summary of the significant policies:

Reporting Entity

Barack Obama Leadership Academy is a charter school academy organized under 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 July 1, 2022, the Academy renewed and entered into a three-year contract with the Detroit Public Schools Community District (DPSCD) to Charter a Public School Academy and is effective through June 30, 2025. The DPSCD 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 and other related activities for which compensation is permissible. By agreement between DPSCD and the Academy, the Academy pays the DPSCD Board of Trustees 3 percent of the Academy's State School Aid payments as an administrative fee. The total administrative fee paid for the year ended June 30, 2022 to DPSCD was approximately \$70,900.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 of the activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Academy-Wide Financial Statements – The academy-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 to related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Academy-Wide Financial Statements – (Continued) When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned, and unassigned.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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.

Unrestricted State Aid and Intergovernmental Grants, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

General Fund - The Academy's major fund is the General Fund. This fund is used to account for all operational activities of the Academy. The General Fund includes the current operating expenditures of the Academy. Revenues are derived primarily from the State of Michigan.

School Service Fund – The School Service Fund is used to account for the food service operation. Its revenues are derived primarily from a federal grant and student charges.

Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables – Receivables are shown net of an allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible. Accordingly, no allowance for uncollectible amounts has been recorded. During the year, the Academy wrote off \$120,321 of prior year receivables.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Costs – 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.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets – Capital assets, which include building improvements, furniture and equipment, and computer hardware, are reported in the applicable governmental column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$500 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost 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.

All the Academy's assets are depreciated using the straight-line method over the following useful lives:

Building Improvements	5 years
Furniture and Other Equipment	5 to 10 years

Right to use assets are depreciated over the shorter of the lease term or the useful life of the asset.

Deferred Outflows of Resources – In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Academy has no deferred outflows of resources at June 30, 2022.

Deferred Inflows of Resources – In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from grants receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Academy had no deferred inflows of resources at June 30, 2022.

Unearned Revenue – Unearned Revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. At June 30, 2022, the Academy had no unearned revenue.

Compensated Absences (Vacation) – A Liability for compensated absences would be reported in the government-wide statements and consist of earned but unused accumulated vacation benefits. A liability for these amounts would be reported in governmental funds as it comes due for payment. The Academy had no liability for compensated absences at June 30, 2022.

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Balance (Continued)

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

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Academy's school service fund balance, which is restricted for food service operations had a balance of \$0 at June 30, 2022.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

Net Position – Net position of the Academy is classified in three components. Net Investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase of those assets. Restricted net position is further classified as expendable and nonexpendable. The Academy did not have any non-expendable restricted net position during the year. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results may differ from those estimates.

Adoption of New Accounting Pronouncement – In June 2017, the GASB issued Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy has a lease for school buses that was previously accounted for as a capital lease. The implementation of GASB 87 had no significant impact on the Academy.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

2) 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. Capital outlay expenditures are budgeted within the various functions. All annual appropriations lapse at fiscal year ended.

The budget document presents information by fund, function, and object. 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 object level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits schools to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. For the year ended June 30, 2022, expenditures in total exceeded the budget by \$32,978. The individual lines which expenses exceeded the budget are shown below.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Expenditures				
<u>Instructional Services</u>				
Added Needs	\$ 625,000	\$ 593,856	\$ 689,779	\$ 95,923
<u>Supporting Services:</u>				
Instructional Staff Services	85,000	484,133	532,057	47,924
General Administration Services	349,000	412,150	423,032	10,882
School Administration Services	145,000	168,148	220,081	51,933
Operation and Maintenance	325,000	655,124	747,192	92,068
Other Central Support	350,000	520,645	549,951	29,306
Pupil Transportation Services	300,000	302,554	304,528	1,974
Community Services	60,000	56,700	74,017	17,317

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.

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Academy's opinion, no disallowed claims are expected and would not have a material effect on the financial statements as of and for the year ended June 30, 2022.

3) DEPOSITS AND INVESTMENTS

State statutes 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 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's deposits are in accordance with the statutory authority. As of June 30, 2022, the Academy does not have any investments.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

3) DEPOSITS AND INVESTMENTS (Continued)

The Academy has designated one bank for the deposit of its funds.

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 bank failure, the Academy's deposits may not be returned to it. At the year end, the Academy had a deposit balance of \$492,842, out of which \$242,842 was not covered by federal depository insurance.

The Academy evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that value of investments will decrease as a result of a rise in interest rates. The Academy does not have investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy held no such investment at June 30, 2022.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and Academy's policy prohibit investment in foreign currency.

4) DUE FROM OTHER GOVERNMENTAL UNITS

Receivables from other governmental units as of year-end for the Academy include \$526,077 from the State of Michigan, \$12,939 from Federal grants.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

5) CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital Assets Being Depreciated:			
Land	\$ 74,000	\$ -	\$ 74,000
Buildings & Improvements	627,119	107,625	734,744
Furniture and Equipment	421,423	-	421,423
Right-to-use Asset - Vehicles	314,327	-	314,327
Subtotal	<u>1,436,869</u>	<u>107,625</u>	<u>1,544,494</u>
Accumulated Depreciation:			
Buildings & Improvements	90,937	7,515	98,452
Furniture and Equipment	362,204	4,794	366,998
Right-to-use Asset - Vehicles	151,930	50,916	202,846
Subtotal	<u>605,071</u>	<u>63,225</u>	<u>668,296</u>
Net Governmental Capital Assets	<u>\$ 831,798</u>	<u>\$ 44,400</u>	<u>\$ 876,198</u>

Total depreciation and amortization expense was \$63,225 for the year ended June 30, 2022. Depreciation is unallocated in the Statement of Activities.

6) MANAGEMENT COMPANY AGREEMENT

The Academy has entered into a contract with Magnum Educational Management Company (Magnum) through June 30, 2023. Under the direction of the Academy's Board, Magnum shall be responsible for all of the management, operation, administration, and education at the Academy, by providing certain services directly to the Academy, subcontracting for certain services, and overseeing other contractors. The management contract may be terminated under various circumstances as defined in the management agreement. The management contract provides that the Academy shall pay Magnum an annual fee of 10% of the State school aid the Academy receives from the State of Michigan less the administrative fees paid to DPSCD.

Compensation for the year ended June 30, 2022 was \$246,996.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Financial Statements (Continued)
June 30, 2022

7) LEASE OBLIGATION

On September 16, 2019, November 8, 2019, and 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 of \$8,256, for the other two buses of \$16,512 and for one bus \$8,256, which includes principal and interest. At June 30, 2022, the outstanding balance is \$104,058.

A schedule of annual lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 52,194	\$ 13,854	\$ 66,048
2024	51,864	14,183	66,047
Total	<u>\$ 104,058</u>	<u>\$ 28,037</u>	<u>\$ 132,095</u>

8) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

<u>Fund Transfer In</u>	<u>Fund</u> <u>Transfer Out</u>
Cafeteria Fund	\$ 12,940
Total	<u>\$ 12,940</u>

9) WITHHOLDING OF PRIOR YEAR REVENUE

During the year the State of Michigan withheld a total of \$99,022 from the following grants: \$53,021 Title I funds, \$40,275 Title II funds and \$5,726 Title IV funds. This had been recorded as revenue in prior fiscal years.

10) SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through November 14, 2022, the date the financial statements were available to be issued. No items were noted requiring disclosure in this report except as noted below.

In September 2022, the Academy borrowed \$300,000 at 5.40% annual interest on a state aid anticipation note. Proceeds from the note were used to fund school operations.

REQUIRED SUPPLEMENTAL INFORMATION

BARACK OBAMA LEADERSHIP ACADEMY

Budgetary Comparison Schedule General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Federal Sources	\$ 681,662	\$ 2,148,328	\$ 1,578,424	\$ (569,904)
State Sources	3,297,902	3,018,637	3,464,237	445,600
Local Sources	55,000	208,313	35,218	(173,095)
Total Revenue	4,034,564	5,375,278	5,077,879	(297,399)
Expenditures				
<u>Instructional Services</u>				
Basic Programs	1,200,000	1,422,263	1,422,149	(114)
Added Needs	625,000	593,856	689,779	95,923
<u>Supporting Services:</u>				
Pupil Support Services	125,000	122,922	93,199	(29,723)
Instructional Staff Services	85,000	484,133	532,057	47,924
General Administration Services	349,000	412,150	423,032	10,882
School Administration Services	145,000	168,148	220,081	51,933
Business Services	150,000	171,000	170,865	(135)
Operation and Maintenance	325,000	655,124	747,192	92,068
Other Central Support	350,000	520,645	549,951	29,306
Pupil Transportation Services	300,000	302,554	304,528	1,974
Athletics	10,000	-	-	-
Community Services	60,000	56,700	74,017	17,317
Food Services	310,000	284,377	-	(284,377)
Total Expenditure	4,034,000	5,193,872	5,226,850	32,978
Excess of Revenue over Expenditures	564	181,406	(148,971)	(330,377)
Other Financing Uses				
Bad Debt	-	-	(120,321)	(120,321)
Other Uses - Withholding of Prior Year Revenue (Note 9)	-	-	(99,022)	(99,022)
Transfers out to other fund	-	-	(12,940)	(12,940)
Net Change in Fund Balance	564	181,406	(381,254)	(562,660)
Fund Balance - July 1, 2021			508,385	
Fund Balance - June 30, 2022			\$ 127,131	

BARACK OBAMA LEADERSHIP ACADEMY

**FEDERAL AWARDS
SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

BARACK OBAMA LEADERSHIP ACADEMY

Contents

	<u>Page No.</u>
Independent Auditor's Report.....	1
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	2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	4
Schedule of Expenditures of Federal Awards.....	7
Notes to Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9
Status of Prior Year Findings	15



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Barack Obama Leadership Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Barack Obama Leadership Academy (the Academy) as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated November 14, 2022 which contained unmodified opinions on the basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respects to the audited financial statements subsequent to November 14, 2022.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Alan C. Young & Assoc.

Detroit, Michigan
November 14, 2022



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

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 Education of
Barack Obama Leadership Academy
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund and remaining fund information of Barack Obama Leadership Academy (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 14, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Academy'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 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, significant deficiencies or material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004 that we considered to be material weaknesses.

**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
(Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are reported as items 2022-003 and 2022-004.

Academy's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alan C. Young, Assoc.

Detroit, Michigan
November 14, 2022



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

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 Education of
Barack Obama Leadership Academy
Detroit, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Barack Obama Leadership Academy's, (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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance
(Continued)**

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.

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance
(Continued)**

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.

Alan C. Young, Assoc.

Detroit, Michigan
November 14, 2022

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2021	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2022	Current Year Cash Transferred to Subrecipient
Clusters:										
DEPARTMENT OF AGRICULTURE										
Passed through the Michigan Department of Education										
School Breakfast Program										
Project Number 201970	211970	10.553	\$ 42,852	\$ 62,986	\$ 20,134	\$ (9,241)	\$ 10,893	\$ -	\$ -	\$ -
Project Number 211971	211971	10.553	7,488	-	-	-	7,488	7,488	-	-
Project Number 221970	221970	10.553	4,359	-	-	-	-	4,359	4,359	-
Project Number 221971	221971	10.553	59,702	-	-	-	59,702	59,702	-	-
			114,401	62,986	20,134	(9,241)	78,083	71,549	4,359	-
National School Lunch Program										
Project Number 211960	211960	10.555	71,842	117,093	45,251	(27,899)	17,352	-	-	-
Project Number 211961/211965	211961/211965	10.555	70,773	-	-	-	70,773	70,773	-	-
Project Number 221960	221960	10.555	-	-	-	-	-	8,580	8,580	-
Project Number 221961	221961	10.555	122,253	-	-	-	122,253	122,253	-	-
			264,868	117,093	45,251	(27,899)	210,378	201,606	8,580	-
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant										
	210980-2021	10.649	614	-	-	-	614	614	-	-
Noncash Assistance - USDA Commodities										
	n/a	10.555	n/a	-	-	-	12,275	12,275	-	-
Total Cluster			379,883	180,079	65,385	(37,140)	301,350	286,044	12,939	-
Special Education Cluster - U.S. Department of Education :										
Passed through the Wayne County ISD:										
IDEA Flowthrough:										
IDEA Flowthrough - 2021	200450 - 2020-21	84.027	63,330	63,330	12,151	-	12,151	-	-	-
IDEA Flowthrough - 2022	200450 - 2021-22	84.027	50,864	-	-	-	47,067	47,067	-	-
Total IDEA Flowthrough			50,864	-	12,151	-	59,218	47,067	-	-
Other Federal Awards:										
Passed through the Michigan Department of Education :										
Title I Part A:										
Title I Part A 2021	201530 - 1920	84.010A	253,888	38,362	-	(53,021)	(53,021)	-	-	-
Title I Part A 2122	211530 - 2021	84.010A	274,568	255,119	147,464	(19,396)	-	-	-	-
Title I Part A 2122	221530 - 2122	84.010A	273,345	-	-	-	161,686	161,686	-	-
Total Title I Part A			801,801	293,481	147,464	(72,417)	236,733	161,686	-	-
Title II Part A 2020										
Title II Part A 2021	200520 - 1920	84.367A	40,275	-	-	(40,275)	(40,275)	-	-	-
Title II Part A 2122	210520-2021	84.367A	34,060	30,717	6,200	(1,068)	5,132	-	-	-
Title II Part A 2122	220520-2122	84.367A	48,803	-	-	-	22,489	22,489	-	-
Total Title II Part A			123,138	30,717	6,200	(41,343)	(12,654)	22,489	-	-
Title IV Part A SSAE 2021										
Title IV Part A SSAE 2021	200750 - 1920	84.424A	18,106	-	-	(5,726)	(5,726)	-	-	-
Title IV Part A SSAE 2122	210750 - 2021	84.424A	30,534	22,901	13,301	(13,301)	-	-	-	-
Title IV Part A SSAE 2122	220750 - 2122	84.424A	36,245	-	-	-	24,434	24,434	-	-
Total Title IV Part A			84,885	22,901	13,301	(19,027)	18,708	24,434	-	-
Total Noncluster Programs			1,009,824	347,099	166,965	(132,787)	242,787	208,609	-	-
Education Stabilization Fund Program - U.S. Department of Education										
Passed through Michigan Department of Education										
COVID-19 ESSER Formula Fund I	203710 - 1920	84.425D	205,053	153,790	44,518	(44,518)	77,146	77,146	-	-
COVID-19 ESSER Formula Fund II	213712 - 2021	84.425D	342,594	4,898	4,898	(4,898)	-	-	-	-
COVID-19 ESSER Formula Fund II	213712 - 20-21	84.425D	785,764	-	-	-	785,764	785,764	-	-
COVID-19 ARP/ESSER Formula Funds III	213713 - 2122	84.425U	1,785,970	-	-	-	459,224	459,224	-	-
Total ESSER			3,099,381	158,688	49,416	(49,416)	1,322,134	1,322,134	-	-
Total Education Stabilization Fund Program			3,099,381	158,688	49,416	(49,416)	1,322,134	1,322,134	-	-
Total U.S. Department of Education Noncluster programs			4,109,205	505,787	216,381	(182,203)	1,564,921	1,530,743	-	-
Total Federal Award			\$ 4,539,952	\$ 685,866	\$ 293,917	\$ (219,343)	\$ 1,925,489	\$ 1,863,854	\$ 12,939	\$ -

See notes to Schedule of Expenditures of Federal Awards.

BARACK OBAMA LEADERSHIP ACADEMY

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Barack Leadership Academy (the Academy). The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Academy and therefore it is not intended to and does not present the financial position or changes in net position of the Academy for year ended June 30, 2022. Expenditures reported on the schedule are reported on the accrual basis of accounting. In addition, expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2) GRANT AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

3) INDIRECT COST RATE

The Academy has elected not to use 10 percent de minimis indirect cost rate allowed rate allowed under the Uniform Guidance.

4) ADJUSTMENTS

Certain adjustments have been included in the Schedule of Expenditures of Federal Awards in order to reflect write offs of prior year accruals and properly state accrued revenue at June 30, 2022.

5) SUBSEQUENT EVENTS

All subsequent events related to the major programs were evaluated through November 14, 2022, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the report.

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness (es) Identified? X Yes No
- Significant Deficiencies Identified? Yes X None Reported
- Non-Compliance Material to Financial Statements noted? X Yes No

Federal Awards

Internal Control over Major Programs:

- Material Weakness (es) Identified? Yes X No
- Significant Deficiencies Identified? Yes X None Reported

Type of Auditor’s Report issued on Compliance for Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes X No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund Program

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

Auditee Qualified as Low Risk Auditee? Yes X No

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost (Continued) Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2022-001	<p>Finding Type – Material Weakness – Accounting Records</p> <p>Condition and Description – During our procedures we noted numerous problems with the Academy’s general ledger. A significant number of adjustments were made to the general ledger subsequent to year end in conjunction to the audit. Timely review and reconciliation of various accounts, specifically revenue and receivable accounts, and payable accounts were not performed during the fiscal year. A significant amount of time was spent subsequent to the year end to reconcile the revenue and receivable accounts and payable accounts, which led to a delay in the audit.</p> <p>Identification of a Repeat Finding – Similar conditions were noted in the previous audit, 2021-001.</p> <p>Recommendation – We recommend that the Academy put a higher priority on their accounting function and significantly improve their process for maintaining their general ledger. The Academy should implement month-end procedures to appropriately reconcile primary accounts on a timely basis. It is critical that enough information can be obtained from the face of the general ledger to at least provide a broad perspective of the nature of the transaction. This will improve the accuracy of interim reporting and reduce the number of adjusting entries and overall delay in the audit at the end of the year.</p> <p>View of Responsible Officials and Corrective Action Plan – The Academy’s maintenance and reconciliation of the general accounts and adjustments will be performed in a timely manner. In addition, the general ledger account balances will be reconciled to all audited account balances. Midwest Management Services has been hired to manage the finance department.</p>

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost (Continued) Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2022-002	<p>Finding Type – Material weakness</p> <p>Condition and Description – During the audit, we noted that the SEFA did not include all the federal grants received during the year and also contained numerous errors. It was noted that the Academy does not have a system in place to correctly identify the source of funds received.</p> <p>Identification of A Repeat Finding – This is not a repeat finding from the immediate previous year.</p> <p>Recommendation – We recommend that the Academy strive to implement controls over the preparation of the SEFA to ensure that the amounts are properly recorded int the SEFA.</p> <p>View of Responsible Officials and Corrective Action Plan – The Academy has contracted with Midwest Management Services to manage all fiscal operations and financial reporting to prepare and maintain a schedule for all federal grants.</p>

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost (Continued) Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
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2022-003 **Finding Type** – Noncompliance with Laws and Regulations and Material Weakness

Condition and Description – For the year ended June 30, 2022 the Academy’s expenses exceeded the final budgeted level for the categories shown in the following table. Additionally, total expenditures exceeded the final budgeted level by \$32,978. Expenditures in excess of budgeted amounts are a violation of State law.

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Expenditures				
<u>Instructional Services</u>				
Added Needs	\$ 625,000	\$ 593,856	\$ 689,779	\$ 95,923
<u>Supporting Services:</u>			-	
Instructional Staff Services	85,000	484,133	532,057	47,924
General Administration Services	349,000	412,150	423,032	10,882
School Administration Services	145,000	168,148	220,081	51,933
Operation and Maintenance	325,000	655,124	747,192	92,068
Other Central Support	350,000	520,645	549,951	29,306
Pupil Transportation Services	300,000	302,554	304,528	1,974
Community Services	60,000	56,700	74,017	17,317

Identification of a Repeat Finding – This was not a prior year finding.

Recommendation – We recommend the Academy monitor variances between actual and budgeted figures for revenues and expenditures.

View of Responsible Officials and Corrective Action Plan - We will closely monitor the expenditures and analyze the changes compared to the original budget. The Academy will review and if necessary do a second amendment.

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost (Continued) Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference Number	Findings
2022-004	<p>Finding Type – Noncompliance with Laws and Regulations and Material Weakness</p> <p>Condition and Description – All school audits are required by the State School Aid Act MCL 388.1618 to be submitted by November 1. Due to problems with the Academy’s financial records, as identified in Finding 2022-001, the audit was delayed and submitted after the due date.</p> <p>Identification of a Repeat Finding – This is not a prior year finding.</p> <p>Recommendation – We recommend that the Academy properly reconcile their general ledger and have the necessary schedules and supporting documentation available for audit.</p> <p>View of Responsible Officials and Corrective Action Plan – The Academy’s maintenance and reconciliation of the general accounts and adjustments will be performed in a timely manner. In addition, the general ledger account balances will be reconciled to all audited account balances. Midwest Management Services has been hired to manage the finance department. This will ensure that audits are completed and submitted on a timely basis.</p>

BARACK OBAMA LEADERSHIP ACADEMY

Schedule of Findings and Questioned Cost (Continued)
Year Ended June 30, 2022

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

There were no Federal program audit findings.

BARACK OBAMA LEADERSHIP ACADEMY

Status of Prior Year Findings
Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2021-001	<p>Finding Type – Material Weakness – Accounting Records</p> <p>Condition and Description – During our procedures we noted numerous problems with the Agency’s general ledger. A significant number of adjustments were made to the general ledger subsequent to year end in conjunction to the audit. Timely review and reconciliation of various accounts, specifically revenue and receivable accounts, and payable accounts were not performed during the fiscal year. A significant amount of time was spent subsequent to the year end to reconcile the revenue and receivable accounts and payable accounts, which led to a delay in the audit.</p> <p>Status – A similar finding was noted in fiscal year 2022. See finding 2022-001.</p>

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

There were no Federal program single audit findings for the year ended June 30, 2021.

BARACK OBAMA LEADERSHIP ACADEMY

AUDIT COMMUNICATION LETTER

JUNE 30, 2022



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

November 14, 2022

To the Board of Directors
Barack Obama Leadership Academy
Detroit, Michigan

We have recently completed our audit of the financial statements of Barack Obama Leadership Academy (the Academy) for the year ended June 30, 2022. In addition to our audit report, we are providing the following required communication and recommendations, which impact the Academy.

	<u>Page</u>
Communication Required Under AU-C 260	1
Other Comments and Recommendations	5
Informational	7

We are grateful for the opportunity to be of service to the Academy. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young & Associates, P.C.
Detroit, Michigan



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RESULTS OF AUDIT

November 14, 2022

Board of Directors
Barack Obama Leadership Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities, major fund and remaining fund information of Barack Obama Leadership Academy (the Academy) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated June 24, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Academy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Academy's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Academy's compliance with those requirements.

Results of Audit
(Continued)

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance (Continued)

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion & Analysis, and the Budgetary Comparison Schedule, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Academy's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Scope of the Audit, Significant Risks and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Our audit included obtaining an understanding of the Academy and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the Academy.

We have identified the following significant risks of material misstatement as part of our audit planning which was communicated in our engagement letter dated June 24, 2022.

- Recording of revenues and unearned revenue for restricted grants.
- Lack of timely and accurate general ledger reconciliation.

During our audit procedures we noted material weaknesses in the internal control structure related to the above items that are included in the single audit report.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. As described in Note 1, the Academy adopted the provisions of GASB Statement No. 87, *Leases*. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Results of Audit
(Continued)

Significant Audit Matters (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered significant difficulties in performing and completing our audit due to problems with the Academy's general ledger. We would like to thank management and staff for their cooperation throughout the audit process.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All such misstatements were corrected as a result of our audit.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Results of Audit
(Continued)

Other Audit Findings or Issues (Continued)

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the Academy. The results of that audit are provided to the Board of Directors in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 22, dated November 14, 2022.

Other Matters

We applied certain limited procedures to the Academy's management discussion & analysis, and the budgetary comparison schedule, which are the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Alan C. Young, Assoc.

Detroit, Michigan
November 14, 2022

OTHER COMMENTS AND RECOMMENDATIONS

BARACK OBAMA LEADERSHIP ACADEMY

Other Comments and Recommendations
June 30, 2022

1) FUND BALANCE IN GENERAL FUND

At June 30, 2022, the Academy's general fund had a fund balance of \$127,131. This is approximately 2.5% of general fund unrestricted revenue and is considered by the Michigan Department of Education (MDE) to be a sign of potential fiscal stress. As a result, the Academy will likely face additional budgetary reporting requirements with MDE to help ensure this issue does not escalate.

It is imperative that the Academy improve their fiscal reporting so they can better monitor their financial position and compare actual results to budget on a timely basis. This will help the Academy's ability to stabilize financial results and ensure the Academy's long-term success.

INFORMATIONAL ITEMS

Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 is effective for the Academy's year ending June 30, 2023.